

Auxiliary Organizations Association

Chico, California

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

June 30, 2018 and 2017



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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*.

2018 OFFICERS

Jim Reinhart	President
Keith Kompsi	Past President
Steve Karp	President-Elect
Richard Jackson	Secretary/Treasurer

2018 ELECTED REPRESENTATIVES

Tari Hunter	Sylvana Cicero
Maria Reyes	Keya Allen
Heather Cairns	Patty Rea
Nicole Lane	Leslie Rohn

INDEPENDENT AUDITORS' REPORT

To the Governing Board
Auxiliary Organizations Association
Chico, California

We have audited the accompanying financial statements of Auxiliary Organizations Association, a nonprofit organization (the Association), which comprise the statements of financial position as of June 30, 2018 and 2017; 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 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 auditors consider 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, 2018 and 2017, 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 supplementary schedules of functional expenses are presented for purposes of additional analysis and are 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.

KCae Jrom, LLP

November 7, 2018
Chico, California

FINANCIAL SECTION

Auxiliary Organizations Association
STATEMENTS OF FINANCIAL POSITION

June 30	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 114,291	\$ 64,078
Investments	312,004	295,041
Accounts receivable - net of allowance of doubtful accounts	48,530	38,150
Prepaid expenses	16,500	19,348
Total Current Assets	491,325	416,617
Website Development In Progress	45,000	19,097
TOTAL ASSETS	\$ 536,325	\$ 435,714
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred income	\$ 111,183	\$ 100,100
Other current liability	2,119	-
Total Current Liabilities	113,302	100,100
Net Assets		
Unrestricted:		
Undesignated	136,144	65,546
Board designated	286,879	270,068
Total Net Assets	423,023	335,614
TOTAL LIABILITIES AND NET ASSETS	\$ 536,325	\$ 435,714

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	2018	2017
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Membership dues	\$ 209,283	\$ 194,225
Conference sponsorship	283,150	237,500
Annual conference fees	252,878	229,790
Special events and committees	-	4,700
Interest and dividend income	7,469	11,066
Realized and unrealized gains	9,866	13,970
In-kind contributions	18,000	16,100
Scholarship donations	1,000	-
Total Revenues and Other Support	781,646	707,351
EXPENSES		
Program services:		
Executive committee meetings	37,405	46,491
Annual conference meeting	401,598	425,090
Committee meetings	28,433	40,077
Legislative liaison	13,390	13,000
Legal services	26,739	26,017
COGR dues	5,250	5,250
Website expense	25,022	20,400
Plaques and awards	552	5,760
Marketing and communications	27,729	14,100
Special projects	23,886	26,529
Bank fees	16,722	16,855
Donated goods and services	18,000	16,100
CSUnity	-	1,700
Management and general	69,511	84,574
TOTAL EXPENSES	694,237	741,943
Increase (Decrease) in Unrestricted Net Assets	87,409	(34,592)
Unrestricted Net Assets - Beginning of Year	335,614	370,206
Unrestricted Net Assets - End of Year	\$ 423,023	\$ 335,614

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

Auxiliary Organizations Association

STATEMENTS OF CASH FLOWS

Years Ended June 30	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 87,409	\$ (34,592)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains	(9,866)	(13,970)
Changes in:		
Accounts receivable	(10,380)	(14,300)
Prepaid expenses	2,848	(598)
Deferred income	11,083	500
Other current liability	2,119	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	83,213	(62,960)
CASH FLOWS FROM INVESTING ACTIVITIES		
Website development	(25,903)	(19,097)
Purchase of investments	(7,097)	(10,654)
NET CASH USED IN INVESTING ACTIVITIES	(33,000)	(29,751)
Net Change in Cash and Cash Equivalents	50,213	(92,711)
Cash and Cash Equivalents - Beginning of Year	64,078	156,789
Cash and Cash Equivalents - End of Year	\$ 114,291	\$ 64,078

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 as 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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 the 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 insurance limits.

Accounts Receivable The Association's accounts receivable consist 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, 2018 and 2017.

Website Development In Progress The Association's new membership website is expected to be completed in fiscal year 2019. Once placed in service, it will be amortized over three years using the straight line method.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fair Value Measurement The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1: - Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used during the year ended June 30, 2018 and June 30, 2017.

Mutual Funds: Assets are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-ended mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Donated Services Donated services are recognized as contributions 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 \$18,000 and \$16,100 at June 30, 2018 and 2017, 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).

Evaluation of Subsequent Events Management has evaluated subsequent events through November 7, 2018, the date the financial statements were available to be issued.

2. INVESTMENTS

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

June 30, 2018	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 137,408	\$ -	\$ -	137,408
Blend funds	127,884	-	-	127,884
Bond funds	46,712	-	-	46,712
Total Investments	\$ 312,004	\$ -	\$ -	312,004

June 30, 2017	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 128,543	\$ -	\$ -	128,543
Blend funds	119,677	-	-	119,677
Bond funds	46,821	-	-	46,821
Total Investments	\$ 295,041	\$ -	\$ -	295,041

Gross realized gains of \$5,570 and \$2,411 were recorded as of June 30, 2018 and 2017, respectively. The realized gains were due to reinvested dividends and interest, and there were no sales proceeds during June 30, 2018 and 2017. Gross unrealized gains of \$4,296 and \$11,559 were recorded as of June 30, 2018 and 2017, respectively.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 contingencies. 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, 2018

Working capital	\$	95,304
Conferences		141,575
General contingencies		50,000
Total Board Designated Net Assets	\$	286,879

4. DEFERRED INCOME

The Association's dues are billed on a calendar-year basis. Dues collected during the period of July 1 to December 31 are recorded as deferred income and reclassified as income during the following fiscal year. Deferred income totaled \$111,183 and \$100,100 at June 30, 2018 and 2017, respectively.

5. COMMITMENTS AND CONTINGENCIES

The Association entered into an agreement with a website development company for the creation of an improved membership website. The total contract is for \$45,000 and is expected to be completed during the 2019 fiscal year.

6. NEW ACCOUNTING PRONOUNCEMENT

In August 2016, Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Not-for-Profit Entities*. This amendment will improve the current net asset classification requirements and the information presented in financial statements and notes regarding not-for-profit entities' liquidity, financial performance, and cash flows. The Association's management has not yet determined the impact that implementation of this amendment, which was required by July 1, 2018, will have on the financial statements, if any.

SUPPLEMENTARY INFORMATION SECTION

Auxiliary Organizations Association
SCHEDULE OF FUNCTIONAL EXPENSES – 2018

Year Ended June 30, 2018	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 156,956	\$ -	\$ 156,956
Speaker fees and other expenses	224,237	-	224,237
Preplanning	20,405	-	20,405
Executive committee:			
Meetings and travel	37,405	-	37,405
Committee meetings	28,433	-	28,433
Special projects	23,886	-	23,886
Legislative liaison	13,390	-	13,390
Legal services:			
Personnel counsel	26,739	-	26,739
Audit fees	-	14,300	14,300
Accounting services	-	40,518	40,518
Insurance	-	2,692	2,692
COGR dues	5,250	-	5,250
Website maintenance expense	25,022	5,546	30,568
Miscellaneous	-	6,455	6,455
Plaques and awards	552	-	552
Marketing and communications	27,729	-	27,729
Bank fees	16,722	-	16,722
Donated goods and services	18,000	-	18,000
Total Expenses	\$ 624,726	\$ 69,511	\$ 694,237

Auxiliary Organizations Association
SCHEDULE OF FUNCTIONAL EXPENSES – 2017

Year Ended June 30, 2017	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 304,857	\$ -	\$ 304,857
Speaker fees and other expenses	102,084	-	102,084
Preplanning	18,149	-	18,149
Executive committee:			
Meetings and travel	46,491	-	46,491
Committee meetings	40,077	-	40,077
Special projects	26,529	-	26,529
Legislative liaison	13,000	-	13,000
Legal services:			
Personnel counsel	20,737	-	20,737
General counsel	5,280	-	5,280
Audit fees	-	13,200	13,200
Accounting services	-	39,338	39,338
Insurance	-	2,540	2,540
COGR dues	5,250	-	5,250
Website maintenance expense	20,400	10,096	30,496
Miscellaneous	-	19,400	19,400
Plaques and awards	5,760	-	5,760
Marketing and communications	14,100	-	14,100
Bank fees	16,855	-	16,855
Donated goods and services	16,100	-	16,100
CSUnity	1,700	-	1,700
Total Expenses	\$ 657,369	\$ 84,574	\$ 741,943