

# **Auxiliary Organizations Association**

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

**June 30, 2019 and 2018**



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# Auxiliary Organizations Association

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June 30, 2019 and 2018

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# Auxiliary Organizations Association

## ORGANIZATIONAL DATA

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### 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*.

### 2019 OFFICERS

John Griffin	President
Jim Reinhart	Past President
Kacie Flynn	President-Elect
Richard Jackson	Secretary/Treasurer

### 2019 ELECTED REPRESENTATIVES

Keya Allen	Heather Cairns
Sylvana Cicero	Sharleen Krater
Patty Rea	Teresa Loren
Leslie Rohn	Maria Reyes

## 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, 2019 and 2018; the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018, 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.

*KCoe Jam, LLP*

November 21, 2019  
Chico, California

# Auxiliary Organizations Association

## STATEMENTS OF FINANCIAL POSITION

June 30	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 268,142	\$ 114,291
Investments	337,837	312,004
Accounts receivable - net of allowance of doubtful accounts	19,096	48,530
Prepaid expenses and deposits	14,880	16,500
<b>Total Current Assets</b>	<b>639,955</b>	<b>491,325</b>
<b>Deposits</b>	<b>15,000</b>	<b>-</b>
<b>Website - Net of Accumulated Amortization</b>	<b>49,825</b>	<b>45,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 704,780</b>	<b>\$ 536,325</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Deferred income	\$ 143,131	\$ 111,183
Accounts payable	6,274	-
Other current liability	4,238	2,119
<b>Total Current Liabilities</b>	<b>153,643</b>	<b>113,302</b>
<b>Net Assets Without Donor Restrictions</b>	<b>551,137</b>	<b>423,023</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 704,780</b>	<b>\$ 536,325</b>

*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	2019	2018
<b>NET ASSETS</b>		
<b>Revenues and Other Support</b>		
Membership dues	\$ 228,393	\$ 209,283
Conference sponsorship	281,550	283,150
Annual conference fees	279,655	252,878
Special events and committees	2,782	-
Interest and dividend income	14,486	7,469
Realized and unrealized gains	12,271	9,866
In-kind contributions	18,000	18,000
Scholarship donations	100	1,000
<b>Total Revenues and Other Support</b>	<b>837,237</b>	<b>781,646</b>
<b>EXPENSES</b>		
Program services	627,786	624,726
Management and general	81,337	69,511
<b>TOTAL EXPENSES</b>	<b>709,123</b>	<b>694,237</b>
<b>Change in Net Assets</b>	<b>128,114</b>	<b>87,409</b>
<b>Net Assets Without Donor Restrictions - Beginning of Year</b>	<b>423,023</b>	<b>335,614</b>
<b>Net Assets Without Donor Restrictions - End of Year</b>	<b>\$ 551,137</b>	<b>\$ 423,023</b>

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

**Auxiliary Organizations Association**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2019	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 263,362	\$ -	\$ 263,362
Speaker fees and other expenses	146,316	-	146,316
Preplanning	13,785	-	13,785
Executive committee:			
Meetings and travel	34,014	-	34,014
Committee meetings	19,475	-	19,475
Special projects	23,097	-	23,097
Legislative liaison	12,894	-	12,894
Legal services:			
Personnel counsel	27,000	-	27,000
Audit fees	-	14,800	14,800
Accounting services	-	41,734	41,734
Insurance	-	3,072	3,072
COGR dues	5,250	-	5,250
Website maintenance expense	9,600	4,974	14,574
Miscellaneous	-	16,757	16,757
Plaques and awards	6,381	-	6,381
Marketing and communications	19,339	-	19,339
Bank fees	19,308	-	19,308
Donated goods and services	18,000	-	18,000
Amortization	9,965	-	9,965
<b>Total Expenses</b>	<b>\$ 627,786</b>	<b>\$ 81,337</b>	<b>\$ 709,123</b>

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



**Auxiliary Organizations Association**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
(Continued)

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
<b>Total Expenses</b>	<b>\$ 624,726</b>	<b>\$ 69,511</b>	<b>\$ 694,237</b>

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

## Auxiliary Organizations Association

### STATEMENTS OF CASH FLOWS

Years Ended June 30	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 128,114	\$ 87,409
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	9,965	-
Realized and unrealized gains	(12,271)	(9,866)
Changes in:		
Accounts receivable	29,434	(10,380)
Prepaid expenses and deposits	1,620	2,848
Deposits	(15,000)	-
Deferred income	31,948	11,083
Accounts payable	6,274	-
Other current liability	2,119	2,119
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>182,203</b>	<b>83,213</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development of the website	(14,790)	(25,903)
Purchase of investments	(13,562)	(7,097)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(28,352)</b>	<b>(33,000)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>153,851</b>	<b>50,213</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>114,291</b>	<b>64,078</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 268,142</b>	<b>\$ 114,291</b>

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

# Auxiliary Organizations Association

## NOTES TO THE FINANCIAL STATEMENTS

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### 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** The financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

**Net Assets With Donor Restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations** The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing auxiliary support services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate returns from investments and other activities considered to be of a more unusual or nonrecurring nature.

**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.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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, 2019 and 2018.

**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.

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, 2019, and June 30, 2018.

**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.

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.

**Website** A portion of the Association's new membership website was completed and placed in service. The asset will be amortized over three years using the straight-line method.

**Deposits** The Association deposits funds for future conferences to hold the venue.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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 \$18,000 at June 30, 2019 and 2018, respectively.

**Functional Expenses** The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and management and general. Such allocations are determined by management based on the direct method.

**Advertising Costs** Advertising costs are charged to expense as incurred. The amounts expensed for the years ended June 30, 2019 and 2018, were \$19,339 and \$27,729, 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).

**Implementation of New Accounting Standard** The Association adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended June 30, 2019. The update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Accordingly, the Association's financial statements have been presented in accordance with the guidance from this update. The update has been applied retrospectively to all periods presented.

**Evaluation of Subsequent Events** Management has evaluated subsequent events through November 21, 2019, the date the financial statements were available to be issued.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 2. AVAILABILITY AND LIQUIDITY

The following represents the Company's financial assets:

June 30	2019	2018
<b>Financial Assets - End of Year</b>		
Cash and cash equivalents	\$ 268,142	\$ 114,291
Investments	337,837	312,004
Accounts receivable - net of allowance of doubtful accounts	19,096	48,530
<b>Total Financial Assets - End of Year</b>	<b>625,075</b>	<b>474,825</b>
<b>Less: Amounts Not Available to be Used Within One Year</b>		
Board designated net assets	(292,060)	(286,879)
Add back: working capital reserve	101,285	95,304
<b>Unavailable Board Designated Net Assets</b>	<b>(190,775)</b>	<b>(191,575)</b>
<b>Financial Assets Available to Meet General Expenses Over the Next Twelve Months</b>	<b>\$ 434,300</b>	<b>\$ 283,250</b>

The Association's goal is generally to maintain financial assets to meet one full year of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and mutual funds.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 3. INVESTMENTS

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

June 30, 2019	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>				
Value funds	\$ 151,667	\$ -	\$ -	151,667
Blend funds	137,018	-	-	137,018
Bond funds	49,152	-	-	49,152
<b>Total Investments</b>	<b>\$ 337,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>337,837</b>

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

Gross realized gains of \$9,371 and \$5,570 were recorded as of June 30, 2019 and 2018, respectively. The realized gains were due to reinvested dividends and interest, and there were no sales proceeds during June 30, 2019 and 2018. Gross unrealized gains of \$2,900 and \$4,296 were recorded as of June 30, 2019 and 2018, respectively.

#### 4. WEBSITE

The website consisted of the following:

June 30	2019	2018
Website	\$ 59,790	\$ 79,091
Less: Accumulated amortization	9,965	34,091
<b>Website - Net of Accumulated Amortization</b>	<b>\$ 49,825</b>	<b>\$ 45,000</b>
Amortization expense	\$ 9,965	\$ -

Estimated amortization for each of the next three years is \$19,930, \$19,930, and \$9,965.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 5. 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, 2019

Working capital	\$	101,285
Conferences		140,775
General contingencies		50,000
<b>Total Board Designated Net Assets</b>	<b>\$</b>	<b>292,060</b>

#### 6. 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 \$143,131 and \$111,183 at June 30, 2019 and 2018, respectively.