

# **Auxiliary Organizations Association**

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

**June 30, 2021 and 2020**



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I S O M

# Auxiliary Organizations Association

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June 30, 2021 and 2020

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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*.

### 2021 OFFICERS

Monica Kauppinen	President
Kacie Flynn	Past President
Martiz Ware	President-Elect
Richard Jackson	Secretary/Treasurer

### 2021 ELECTED REPRESENTATIVES

Sandra Gallardo	Jonathan Navarro
Sharleen Krater	Bella Newberg
Teresa Loren	Todd Summer
Rasheedah Shakoor	Nicole Lane



## 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, 2021 and 2020; 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, 2021 and 2020, 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*

January 11, 2022  
Chico, California

**Auxiliary Organizations Association**  
**STATEMENTS OF FINANCIAL POSITION**

June 30	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 387,186	\$ 253,504
Investments	427,944	355,037
Accounts receivable - net of allowance of doubtful accounts	42,394	92,971
Prepaid expenses and deposits	12,000	3,000
<b>Total Current Assets</b>	<b>869,524</b>	<b>704,512</b>
<b>Deposits</b>	<b>15,000</b>	<b>15,000</b>
<b>Website - Net of Accumulated Amortization</b>	<b>9,965</b>	<b>29,895</b>
<b>TOTAL ASSETS</b>	<b>\$ 894,489</b>	<b>\$ 749,407</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Deferred income	\$ 123,468	\$ 119,763
Other current liability	4,238	4,238
<b>Total Current Liabilities</b>	<b>127,706</b>	<b>124,001</b>
<b>Net Assets Without Donor Restrictions</b>	<b>766,783</b>	<b>625,406</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 894,489</b>	<b>\$ 749,407</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	2021	2020
<b>NET ASSETS</b>		
<b>Revenues and Other Support</b>		
Membership dues	\$ 241,947	\$ 235,841
Conference sponsorship	115,600	306,695
Annual conference fees	65,745	304,460
Interest and dividend income	12,819	14,970
Realized and unrealized gains	60,724	2,826
In-kind contributions	23,245	20,250
<b>Total Revenues and Other Support</b>	<b>520,080</b>	<b>885,042</b>
<b>EXPENSES</b>		
Program services	306,462	736,785
Management and general	72,241	73,988
<b>TOTAL EXPENSES</b>	<b>378,703</b>	<b>810,773</b>
<b>Change in Net Assets</b>	<b>141,377</b>	<b>74,269</b>
<b>Net Assets Without Donor Restrictions - Beginning of Year</b>	<b>625,406</b>	<b>551,137</b>
<b>Net Assets Without Donor Restrictions - End of Year</b>	<b>\$ 766,783</b>	<b>\$ 625,406</b>

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

## Auxiliary Organizations Association

### STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021	Program Services	Management and General	Total
Annual conference:			
Speaker fees and other expenses	\$ 100,873	\$ -	\$ 100,873
Executive committee:			
Meetings and travel	2,328	-	2,328
Committee meetings	1,430	-	1,430
Legislative liaison	9,300	-	9,300
Legal services:			
Personnel counsel	30,405	-	30,405
Audit fees	-	15,800	15,800
Accounting services	-	44,276	44,276
Insurance	-	3,679	3,679
COGR dues	5,250	-	5,250
Website maintenance expense	98,202	-	98,202
Miscellaneous	-	8,486	8,486
Plaques and awards	5,146	-	5,146
Marketing and communications	5,150	-	5,150
Bank fees	5,203	-	5,203
Donated goods and services	23,245	-	23,245
Amortization	19,930	-	19,930
<b>Total Expenses</b>	<b>\$ 306,462</b>	<b>\$ 72,241</b>	<b>\$ 378,703</b>

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



## Auxiliary Organizations Association

### STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2020	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 354,555	\$ -	\$ 354,555
Speaker fees and other expenses	164,939	-	164,939
Preplanning	6,634	-	6,634
Executive committee:			
Meetings and travel	32,312	-	32,312
Committee meetings	24,849	-	24,849
Special projects	19,183	-	19,183
Legislative liaison	1,425	-	1,425
Legal services:			
Personnel counsel	32,141	-	32,141
Audit fees	-	15,300	15,300
Accounting services	-	42,986	42,986
Insurance	-	3,444	3,444
COGR dues	5,250	-	5,250
Website maintenance expense	7,600	5,174	12,774
Miscellaneous	-	7,084	7,084
Plaques and awards	6,619	-	6,619
Marketing and communications	22,644	-	22,644
Bank fees	18,454	-	18,454
Donated goods and services	20,250	-	20,250
Amortization	19,930	-	19,930
<b>Total Expenses</b>	<b>\$ 736,785</b>	<b>\$ 73,988</b>	<b>\$ 810,773</b>

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

**Auxiliary Organizations Association**  
**STATEMENTS OF CASH FLOWS**

Years Ended June 30	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 141,377	\$ 74,269
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Amortization	19,930	19,930
Realized and unrealized gains	(60,724)	(2,826)
Changes in:		
Accounts receivable	50,577	(73,875)
Prepaid expenses and deposits	(9,000)	11,880
Deferred income	3,705	(23,368)
Accounts payable	-	(6,274)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>145,865</b>	<b>(264)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development of the website	-	-
Purchase of investments	(12,183)	(14,374)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(12,183)</b>	<b>(14,374)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>133,682</b>	<b>(14,638)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>253,504</b>	<b>268,142</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 387,186</b>	<b>\$ 253,504</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 Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 report 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, 2021 and 2020.

**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 years ended June 30, 2021 and 2020.

**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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**Revenues** A five-step model is used to determine the amount and timing of revenue recognized. The five-step model requires the Association to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Association satisfies the performance obligations.

The Association's revenues are generated from its operations and are recognized as described below:

**Membership Dues:** The Association provides resources and services to auxiliary organizations that enable them to be more effective. Each auxiliary pays membership dues to gain access to these resources. Dues are assessed at a tiered rate based on each auxiliary's annual operating expenses. The dues revenue is recognized over the membership period, which is generally one year.

**Annual Conference Fees:** The Association organizes an annual educational conference with technical and professional presenters. Along with the conference content, the Association provides meals and meeting space. Conference fees are charged to attendees with the intent of covering the costs of the event. Revenue is recognized once the conference is held and educational content is delivered.

**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 \$23,245 and \$20,250 at June 30, 2021 and 2020, 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, 2021 and 2020, were \$5,150 and \$22,644, 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 January 11, 2022, 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 Association's financial assets:

June 30	2021	2020
<b>Financial Assets - End of Year</b>		
Cash and cash equivalents	\$ 387,186	\$ 253,504
Investments	427,944	355,037
Accounts receivable - net of allowance of doubtful accounts	42,394	92,971
<b>Total Financial Assets - End of Year</b>	<b>857,524</b>	<b>701,512</b>
<b>Less: Amounts Not Available to be Used Within One Year</b>		
Board-designated net assets	(273,995)	(312,111)
Add back: Working capital reserve	121,700	106,559
<b>Unavailable Board-Designated Net Assets</b>	<b>(152,295)</b>	<b>(205,552)</b>
<b>Financial Assets Available to Meet General Expenses Over the Next Twelve Months</b>	<b>\$ 705,229</b>	<b>\$ 495,960</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, 2021	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>				
Value funds	\$ 200,639	\$ -	\$ -	200,639
Blend funds	175,325	-	-	175,325
Bond funds	51,980	-	-	51,980
<b>Total Investments</b>	<b>\$ 427,944</b>	<b>\$ -</b>	<b>\$ -</b>	<b>427,944</b>

June 30, 2020	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>				
Value funds	\$ 159,054	\$ -	\$ -	159,054
Blend funds	144,164	-	-	144,164
Bond funds	51,819	-	-	51,819
<b>Total Investments</b>	<b>\$ 355,037</b>	<b>\$ -</b>	<b>\$ -</b>	<b>355,037</b>

Gross realized gains of \$11,800 and \$3,464 were recorded as of June 30, 2021 and 2020, respectively. The realized gains were due to reinvested dividends and interest, and there were no sales proceeds during June 30, 2021 and 2020. Gross unrealized gains of \$48,924 and losses of \$(638) were recorded as of June 30, 2021 and 2020, respectively.

#### 4. WEBSITE

The website consisted of the following:

June 30	2021	2020
Website	\$ 59,790	\$ 59,790
Less: Accumulated amortization	49,825	29,895
<b>Website - Net of Accumulated Amortization</b>	<b>\$ 9,965</b>	<b>\$ 29,895</b>
Amortization expense	\$ 19,930	\$ 19,930

Estimated amortization for the next year is \$9,965. The website is expected to be fully amortized after the 2021/2022 fiscal year end.

## Auxiliary Organizations Association

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 5. 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 \$123,468 and \$119,763 at June 30, 2021 and 2020, respectively.

#### 6. 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, 2021

Working capital	\$	121,700
Conferences		102,295
General contingencies		50,000
<b>Total Board-Designated Net Assets</b>	<b>\$</b>	<b>273,995</b>

#### 7. CONTINGENCIES

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets.

The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on the Association's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Association operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

#### 8. COMMITMENTS

The Association enters into contracts for event space to hold its annual conference often a year or more in advance. Such agreements have minimum requirements for guest rooms and food and beverage. As of June 30, 2021, the Association had executed an agreement for its 2022 conference that contained a commitment for guest room revenue of \$293,525 and food and beverage revenue of \$165,000.