

Auxiliary Organizations Association

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2022 and 2021



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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*.

2022 OFFICERS

Sharleen Krater	President
Monica Kauppinen	Past President
Rasheedah Shakoor	President-Elect
Richard Jackson	Secretary/Treasurer

2022 ELECTED REPRESENTATIVES

Sandra Gallardo	Maddison Burton
Teresa Loren	Miles Nevin
Grace Slavik	Cecilia Ortiz
Michelle Crawford	Bessie Strategos



INDEPENDENT AUDITORS' REPORT

To the Governing Board
Auxiliary Organizations Association
Chico, California

Opinion

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, 2022 and 2021; 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

KCoe Team, LLP

December 18, 2022
Chico, California

Auxiliary Organizations Association
STATEMENTS OF FINANCIAL POSITION

June 30	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 302,573	\$ 387,186
Investments	384,977	427,944
Accounts receivable - net of allowance of doubtful accounts	36,481	42,394
Prepaid expenses and deposits	98,070	12,000
Total Current Assets	822,101	869,524
Deposits	-	15,000
Website - Net of Accumulated Amortization	-	9,965
TOTAL ASSETS	\$ 822,101	\$ 894,489
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred income	\$ 484,705	\$ 123,468
Accrued expenses	27,000	-
Other current liability	-	4,238
Total Current Liabilities	511,705	127,706
Net Assets Without Donor Restrictions	310,396	766,783
TOTAL LIABILITIES AND NET ASSETS	\$ 822,101	\$ 894,489

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	2022	2021
NET ASSETS		
Revenues and Other Support		
Membership dues	\$ 234,518	\$ 241,947
Conference sponsorship	-	115,600
Annual conference fees	-	65,745
Interest and dividend income	18,213	12,819
Realized and unrealized gain (loss)	(55,252)	60,724
In-kind contributions	-	23,245
Total Revenues and Other Support	197,479	520,080
EXPENSES		
Program services	561,786	306,462
Management and general	92,080	72,241
TOTAL EXPENSES	653,866	378,703
Change in Net Assets	(456,387)	141,377
Net Assets Without Donor Restrictions - Beginning of Year	766,783	625,406
Net Assets Without Donor Restrictions - End of Year	\$ 310,396	\$ 766,783

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

Auxiliary Organizations Association
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 286,279	\$ -	\$ 286,279
Speaker fees and other expenses	112,052	-	112,052
Preplanning	7,924	-	7,924
Executive committee:			
Meetings and travel	36,219	-	36,219
Committee meetings	2,000	-	2,000
Legislative liaison	14,475	-	14,475
Legal services:			
Personnel counsel	27,000	-	27,000
Audit fees	-	16,200	16,200
Accounting services	-	44,276	44,276
Insurance	-	4,709	4,709
Council on Governmental Relations dues	5,250	-	5,250
Website maintenance expense	45,007	-	45,007
Miscellaneous	-	26,895	26,895
Plaques and awards	10,841	-	10,841
Marketing and communications	4,000	-	4,000
Bank fees	774	-	774
Amortization	9,965	-	9,965
Total Expenses	\$ 561,786	\$ 92,080	\$ 653,866

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

Auxiliary Organizations Association
STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

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
Council on Governmental Relation 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
Total Expenses	\$ 306,462	\$ 72,241	\$ 378,703

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

Auxiliary Organizations Association

STATEMENTS OF CASH FLOWS

Years Ended June 30	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (456,387)	\$ 141,377
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Amortization	9,965	19,930
Realized and unrealized gains	55,252	(60,724)
Changes in:		
Accounts receivable	5,913	50,577
Prepaid expenses and deposits	(71,070)	(9,000)
Deferred income	361,237	3,705
Accrued expenses and other liability	22,762	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(72,328)	145,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,285)	(12,183)
Net Change in Cash and Cash Equivalents	(84,613)	133,682
Cash and Cash Equivalents - Beginning of Year	387,186	253,504
Cash and Cash Equivalents - End of Year	\$ 302,573	\$ 387,186

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 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)

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, 2022 and 2021.

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, 2022 and 2021.

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 was be amortized over three years using the straight-line method. The website is fully amortized as of 2021-22 fiscal year end.

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

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 \$-0- and \$23,245 at June 30, 2022 and 2021, 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, 2022 and 2021, were \$4,000 and \$5,150, 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 December 18, 2022, the date the financial statements were available to be issued.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets:

June 30	2022	2021
Financial Assets - End of Year		
Cash and cash equivalents	\$ 302,573	\$ 387,186
Investments	384,977	427,944
Accounts receivable - net of allowance of doubtful accounts	36,481	42,394
Total Financial Assets - End of Year	724,031	857,524
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(310,396)	(273,995)
Add back: Working capital reserve	121,700	121,700
Unavailable Board-Designated Net Assets	(188,696)	(152,295)
Financial Assets Available to Meet General Expenses Over the Next Twelve Months	\$ 535,335	\$ 705,229

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, 2022	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 182,193	\$ -	\$ -	182,193
Blend funds	153,541	-	-	153,541
Bond funds	49,243	-	-	49,243
Total Investments	\$ 384,977	\$ -	\$ -	384,977

June 30, 2021	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 200,639	\$ -	\$ -	200,639
Blend funds	175,325	-	-	175,325
Bond funds	51,980	-	-	51,980
Total Investments	\$ 427,944	\$ -	\$ -	427,944

Gross realized gains of \$17,049 and \$11,800 were recorded as of June 30, 2022 and 2021, respectively. The realized gains were due to reinvested dividends and interest, and there were no sales proceeds during June 30, 2022 and 2021. Gross unrealized losses of \$(72,302) and gains of \$48,924 were recorded as of June 30, 2022 and 2021, respectively.

4. WEBSITE

The website consisted of the following:

June 30	2022	2021
Website	\$ 59,790	\$ 59,790
Less: Accumulated amortization	59,790	49,825
Website - Net of Accumulated Amortization	\$ -	\$ 9,965
Amortization expense	\$ 9,965	\$ 19,930

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 related to dues totaled \$113,850 and \$123,468 at June 30, 2022 and 2021, respectively.

Due to the ongoing COVID-19 pandemic, the Association found it necessary to cancel their annual conference for the health and safety of its members. Management allowed members the option to use their registration fee for credit on the fiscal year 2022-23 conference registration or receive a refund. Member registration fees to be used for the fiscal year 2022-23 conference were recorded as deferred income and will be reclassified as income during the year ending June 30, 2023. Deferred income related to conference registrations totaled \$370,855 at June 30, 2022.

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, 2022	
Working capital	\$ 121,700
Conferences	138,696
General contingencies	50,000
Total Board-Designated Net Assets	\$ 310,396

7. 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, 2022, the Association had executed an agreement for its 2023 and 2024 conferences.

The 2023 conference agreement included a commitment for a minimum of 744 guest rooms. The Association will be charged \$159.20 for each guest room night that falls below that minimum. The commitment minimum for food and beverage revenue is \$100,000.

The 2024 conference agreement included a commitment for a minimum of \$240,537 and \$200,000 in guest room and food and beverage revenue, respectively.