

Auxiliary Organizations Association

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2023 and 2022



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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*.

2023 OFFICERS

Rasheedah Shakoor	President
Sharleen Krater	Past President
Heather Cairns	President-Elect
Grace Slavik	Secretary/Treasurer

2023 ELECTED REPRESENTATIVES

Andrew Singletary	Maddison Burton
Curtis Sicheneder	Miles Nevin
Liz Roosa Millar	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, 2023 and 2022; 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, 2023 and 2022, 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 6, 2023
Chico, California

Auxiliary Organizations Association

STATEMENTS OF FINANCIAL POSITION

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 53,604	\$ 302,573
Investments	271,271	384,977
Accounts receivable - net of allowance of doubtful accounts	33,774	36,481
Prepaid expenses and deposits	150,205	98,070
Total Current Assets	508,854	822,101
Deposits	50,000	-
TOTAL ASSETS	\$ 558,854	\$ 822,101
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred income	\$ 141,049	\$ 484,705
Accrued expenses	88,544	27,000
Total Current Liabilities	229,593	511,705
Net Assets Without Donor Restrictions	329,261	310,396
TOTAL LIABILITIES AND NET ASSETS	\$ 558,854	\$ 822,101

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	2023	2022
NET ASSETS		
Revenues and Other Support		
Membership dues	\$ 233,255	\$ 234,518
Conference sponsorship	280,750	-
Annual conference fees	277,475	-
Interest and dividend income	11,919	18,213
Realized and unrealized gain (loss)	14,608	(55,252)
In-kind contributions	5,500	-
Total Revenues and Other Support	823,507	197,479
EXPENSES		
Program services	722,557	561,786
Management and general	82,085	92,080
TOTAL EXPENSES	804,642	653,866
Change in Net Assets	18,865	(456,387)
Net Assets Without Donor Restrictions - Beginning of Year	310,396	766,783
Net Assets Without Donor Restrictions - End of Year	\$ 329,261	\$ 310,396

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

Auxiliary Organizations Association

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 258,493	\$ -	\$ 258,493
Speaker fees and other expenses	270,341	-	270,341
Preplanning	18,531	-	18,531
Executive committee:			
Meetings and travel	30,474	-	30,474
Committee meetings	4,852	-	4,852
Legislative liaison	16,163	-	16,163
Legal services:			
Personnel counsel	27,350	-	27,350
Audit fees	-	16,700	16,700
Accounting services	-	45,604	45,604
Insurance	-	5,842	5,842
Council on Governmental Relations dues	5,500	-	5,500
Website maintenance expense	57,757	-	57,757
Miscellaneous	-	13,939	13,939
Plaques and awards	16,350	-	16,350
Marketing and communications	2,325	-	2,325
Bank fees	8,921	-	8,921
Donated goods and services	5,500	-	5,500
Total Expenses	\$ 722,557	\$ 82,085	\$ 804,642

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

Auxiliary Organizations Association
STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

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 Relation 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 CASH FLOWS

Years Ended June 30	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 18,865	\$ (456,387)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Amortization	-	9,965
Realized and unrealized (gain) loss	(14,608)	55,252
Changes in:		
Accounts receivable	2,707	5,913
Prepaid expenses and deposits	(52,135)	(71,070)
Deposits	(50,000)	-
Deferred income	(343,656)	361,237
Accrued expenses and other liability	61,544	22,762
NET CASH USED IN OPERATING ACTIVITIES	(377,283)	(72,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,686)	(12,285)
Proceeds from the sale of investments	140,000	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	128,314	(12,285)
Net Change in Cash and Cash Equivalents	(248,969)	(84,613)
Cash and Cash Equivalents - Beginning of Year	302,573	387,186
Cash and Cash Equivalents - End of Year	\$ 53,604	\$ 302,573

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, 2023 and 2022.

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, 2023 and 2022.

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 amortized over three years using the straight-line method. The website is fully amortized as of fiscal year 2021-2022.

Deposits At times, 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 non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Donated goods and services are recorded based on their estimated fair market value. The value of donated goods and services meeting the requirements for recognition in the financial statements was \$5,500 and \$0 for the years ending June 30, 2023 and 2022, 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, 2023 and 2022, were \$2,325 and \$4,000, 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 Standards In fiscal year 2022-2023, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU required the Association to recognize on the balance sheet the asset and liability for the rights and obligations created by leases with a term of more than 12 months. The Association reviewed its contracts noting none required the recognition of right-of-use assets and operating lease liabilities.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Evaluation of Subsequent Events Management has evaluated subsequent events through December 6, 2023, the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets:

June 30	2023	2022
Financial Assets - End of Year		
Cash and cash equivalents	\$ 53,604	\$ 302,573
Investments	271,271	384,977
Accounts receivable - net of allowance of doubtful accounts	33,774	36,481
Total Financial Assets - End of Year	358,649	724,031
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(329,261)	(310,396)
Add back: Working capital reserve	121,700	121,700
Unavailable Board-Designated Net Assets	(207,561)	(188,696)
Financial Assets Available to Meet General Expenses Over the Next Twelve Months	\$ 151,088	\$ 535,335

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, 2023	Level 1		Level 2		Level 3		Total
Mutual Funds							
Value funds	\$	126,360	\$	-	\$	-	126,360
Blend funds		95,576		-		-	95,576
Bond funds		49,335		-		-	49,335
Total Investments	\$	271,271	\$	-	\$	-	271,271

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

Gross realized gains of \$8,638 and \$17,049 were recorded as of June 30, 2023 and 2022, respectively. The realized gains were due to reinvested dividends and interest, and there were sales proceeds of \$10,616 and \$-0- during June 30, 2023 and 2022, respectively. Gross unrealized gains of \$5,970 and losses of \$(72,301) were recorded as of June 30, 2023 and 2022, respectively.

4. WEBSITE

The website consisted of the following:

June 30	2023		2022	
Website	\$	59,790	\$	59,790
Less: Accumulated amortization		59,790		59,790
Website - Net of Accumulated Amortization	\$	-	\$	-
Amortization expense	\$	-	\$	9,965

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. LEASE OBLIGATIONS

The Association leases conference centers under lease agreements with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease term. Short-term lease expense totaled \$250,833 at June 30, 2023, and is included in annual conference hotel and meals expense on the statement of functional expenses.

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 related to dues totaled \$134,549 and \$113,850 at June 30, 2023 and 2022, respectively.

Due to the ongoing COVID-19 pandemic, the Association found it necessary to cancel their annual conference in fiscal year 2021-2022. 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 reclassified as income during the current year. Deferred income related to conference registrations totaled \$6,500 and \$370,855 at June 30, 2023 and 2022, respectively.

7. 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, 2023		
Working capital	\$	121,700
Conferences		157,561
General contingencies		50,000
Total Board-Designated Net Assets	\$	329,261

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2023, the Association had executed an agreement for its 2024, 2025, and 2027 conferences.

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.

The 2025 conference agreement included a commitment for a minimum of \$264,951 and \$200,000 in guest room and food and beverage revenue, respectively.

The 2027 conference agreement included a commitment for a minimum of \$275,181 and \$200,000 in guest room and food and beverage revenue, respectively.