

Auxiliary Organizations Association

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2024 and 2023



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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*.

2024 OFFICERS

Heather Cairns	President
Rasheedah Shakoor	Past President
Cecilia Ortiz	President-Elect
Grace Slavik	Secretary/Treasurer

2024 ELECTED REPRESENTATIVES

Andrew Singletary	Andrea Burns
Annie Macias	John Doebler
Liz Roosa Millar	Melinda Swearingen
Michelle Crawford	Janelle Temnick



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, 2024 and 2023; 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, 2024 and 2023, 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

November 21, 2024
Chico, California

Auxiliary Organizations Association

STATEMENTS OF FINANCIAL POSITION

June 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 172,717	\$ 53,604
Investments	145,649	271,271
Accounts receivable - net of allowance for credit losses	75,710	33,774
Prepaid expenses and deposits	40,000	150,205
Total Current Assets	434,076	508,854
Deposits	57,500	50,000
TOTAL ASSETS	\$ 491,576	\$ 558,854
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred revenue	\$ 195,106	\$ 141,049
Accrued expenses	63,948	88,544
Total Current Liabilities	259,054	229,593
Net Assets Without Donor Restrictions	232,522	329,261
TOTAL LIABILITIES AND NET ASSETS	\$ 491,576	\$ 558,854

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	2024	2023
NET ASSETS		
Revenues and Other Support		
Membership dues	\$ 279,205	\$ 233,255
Conference sponsorships	282,500	280,750
Annual conference fees	284,575	277,475
Interest and dividend income	5,761	11,919
Realized and unrealized gain on investments	19,229	14,608
In-kind contributions	7,500	5,500
Total Revenues and Other Support	878,770	823,507
Expenses		
Program services	889,286	722,557
Management and general	86,223	82,085
Total Expenses	975,509	804,642
Change in Net Assets	(96,739)	18,865
Net Assets Without Donor Restrictions - Beginning of Year	329,261	310,396
Net Assets Without Donor Restrictions - End of Year	\$ 232,522	\$ 329,261

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

Auxiliary Organizations Association

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024	Program Services	Management and General	Total
Expenses			
Annual conference:			
Hotel and meals	\$ 485,298	\$ -	\$ 485,298
Speaker fees and other expenses	160,472	-	160,472
Preplanning	4,165	-	4,165
Executive committee:			
Meetings and travel	24,116	-	24,116
Committee meetings	41,049	-	41,049
Legislative liaison	11,925	-	11,925
Legal services:			
Personnel counsel	23,603	-	23,603
Audit fees	-	18,500	18,500
Accounting services	-	46,972	46,972
Insurance	-	6,706	6,706
Website maintenance expense	52,227	-	52,227
Survey expenses	12,500	-	12,500
Miscellaneous	-	14,045	14,045
Plaques and awards	7,484	-	7,484
Marketing and communications	39,709	-	39,709
Bank fees	19,238	-	19,238
Donated goods and services	7,500	-	7,500
Total Expenses	\$ 889,286	\$ 86,223	\$ 975,509

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

Auxiliary Organizations Association
STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2023	Program Services	Management and General	Total
Expenses			
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 Relation 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 CASH FLOWS

Years Ended June 30	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (96,739)	\$ 18,865
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized loss on investments	(19,229)	(14,608)
Changes in:		
Accounts receivable - net	(41,936)	2,707
Prepaid expenses and deposits	102,705	(52,135)
Deposits	-	(50,000)
Deferred revenue	54,057	(343,656)
Accrued expenses	(24,596)	61,544
NET CASH USED IN OPERATING ACTIVITIES	(25,738)	(377,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,149)	(11,686)
Proceeds from the sale of investments	150,000	140,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	144,851	128,314
Net Change in Cash and Cash Equivalents	119,113	(248,969)
Cash and Cash Equivalents - Beginning of Year	53,604	302,573
Cash and Cash Equivalents - End of Year	\$ 172,717	\$ 53,604

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 (GAAP) requires management to make estimates and assumptions that may 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 GAAP, 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. 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 and Allowance for Credit Losses Accounts receivable are stated at the amount the Association expects to collect. The Association maintains allowances for credit losses for estimated losses resulting from the inability of its members to make required payments. Management considers the following factors when determining the collectability of specific member accounts: member creditworthiness, past transaction history with member, current economic industry trends, forecast of future events, and changes in member payment terms. Past due balances of 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Association's members was to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Association provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Association has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Management believes the basis for determining the expected credit losses as of June 30, 2024, is reasonable because the composition of the receivables at that date is consistent with that used in developing the historical credit-loss analysis (i.e., the similar risk characteristics of its members and its lending practices have not changed significantly over time). Management has determined that the current and reasonable and supportable forecasted economic conditions are similar to the economic conditions included in the historical information.

Accounts receivable as of June 30, 2024, 2023, and 2022, were \$76,486, \$34,550, and \$39,481, net of the allowance which was \$3,000 in each of those years.

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.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2024 and 2023.

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 Costs related to the creation of the Association's member website were capitalized and amortized over three years, using the straight-line method. The website is fully amortized.

Deposits At times, the Association deposits funds for future conferences to hold the venue.

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 members; (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.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Donated Goods and Services Donated goods and services are recognized as contributions if the goods and 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 value. The value of donated goods and services meeting the requirements for recognition in the financial statements was \$7,500 and \$5,500 for the years ended June 30, 2024 and 2023, 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.

Marketing and communication Costs Marketing and communication costs are charged to expense as incurred. The amounts expensed for the years ended June 30, 2024 and 2023, were \$39,709 and \$2,325, 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 On January 1, 2023, the Association adopted Financial Accounting Standards Board Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*, and all related subsequent amendments. This guidance significantly changed how the Association will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through the change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Association's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to this guidance were accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures only.

Evaluation of Subsequent Events Management has evaluated subsequent events through November 21, 2024, 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	2024	2023
Financial Assets - End of Year		
Cash and cash equivalents	\$ 172,717	\$ 53,604
Investments	145,649	271,271
Accounts receivable - net of allowance for credit losses	75,710	33,774
Total Financial Assets - End of Year	394,076	358,649
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(232,522)	(329,261)
Add back: Working capital reserve	138,608	121,700
Unavailable Board-Designated Net Assets	(93,914)	(207,561)
Financial Assets Available to Meet General Expenses Over the Next Twelve Months	\$ 300,162	\$ 151,088

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 mutual funds.

3. INVESTMENTS

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

June 30, 2024	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 58,837	\$ -	\$ -	\$ 58,837
Blend funds	45,310	-	-	45,310
Bond funds	41,502	-	-	41,502
Total Investments	\$ 145,649	\$ -	\$ -	\$ 145,649

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Gross realized gains of \$5,328 and \$8,638 were recorded as of June 30, 2024 and 2023, respectively. The realized gains were due to reinvested dividends and interest, and there were sales proceeds of \$150,000 and \$140,000 during June 30, 2024 and 2023, respectively. Gross unrealized gains of \$13,901 and \$5,970 were recorded as of June 30, 2024 and 2023, respectively.

4. WEBSITE

The website consisted of the following:

June 30	2024	2023
Website	\$ 59,790	\$ 59,790
Less: Accumulated amortization	59,790	59,790
Website - Net of Accumulated Amortization	\$ -	\$ -
Amortization expense	\$ -	\$ -

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 \$482,937 and \$250,833 at June 30, 2024 and 2023, respectively. This is included in annual conference hotel and meals expense on the statements of functional expenses.

6. DEFERRED REVENUE

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 revenue and reclassified as revenue during the following fiscal year. Deferred revenue related to dues totaled \$144,656 and \$134,549 at June 30, 2024 and 2023, respectively.

Conference revenue received for next fiscal year conference was recorded as deferred revenue. Deferred revenue totaled \$50,450 and \$6,500 at June 30, 2024 and 2023, respectively.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 revenue, 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, 2024

Working capital	\$	138,608
Conferences		43,914
General contingencies		50,000
Total Board-Designated Net Assets	\$	232,522

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, 2024, the Association had executed an agreement for its 2025, 2026, and 2027 conferences:

	2025		2026		2027
Conference agreement minimum commitment:					
Guest rooms	\$ 264,951	\$	276,705	\$	275,181
Food and beverage	\$ 200,000	\$	175,000	\$	200,000