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AUXILIARY ORGANIZATIONS
ASSOCIATION

Chico, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2012 and 2011

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June 30, 2012 and 2011

*Auxiliary Organizations
Association*

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ORGANIZATIONAL DATA

June 30, 2012

*Auxiliary Organizations
Association*

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.

OFFICERS

Jerri Carmo	President
Taren Mulhause	President-Elect
Richard Jackson	Secretary/Treasurer
Deborah Adishian-Astone	Past President

ELECTED REPRESENTATIVES

Chris Brown	John Griffin
Christina Brown	Taren Mulhause
Deborah Burns	Jon Slaughter
Kim Clark	G. Paul Storey

INDEPENDENT AUDITORS' REPORT



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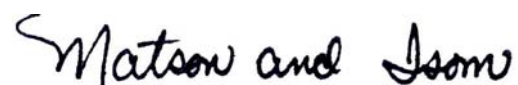
To the Executive Committee
Auxiliary Organizations Association
Chico, California

We have audited the accompanying statements of financial position of Auxiliary Organizations Association, a nonprofit organization (the Association), as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



March 12, 2013
Chico, California

STATEMENTS OF FINANCIAL POSITION*Auxiliary Organizations
Association*

June 30	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 158,383	\$ 120,210
Investments	172,618	168,438
Accounts receivable	61,331	84,310
Prepaid expenses	41,232	42,242
Total Current Assets	433,564	415,200
NOTE RECEIVABLE	35,411	-
Total Assets	\$ 468,975	\$ 415,200
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 20,000	\$ 33,500
Deferred income	94,070	72,281
Total Current Liabilities	114,070	105,781
NET ASSETS		
Unrestricted:		
Undesignated	82,398	55,761
Board designated	272,507	253,658
Total Net Assets	354,905	309,419
Total Liabilities and Net Assets	\$ 468,975	\$ 415,200

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

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS**

*Auxiliary Organizations
Association*

Years Ended June 30	2012	2011
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Membership dues	\$ 163,344	\$ 121,574
Conference sponsorship	190,500	206,500
Annual conference fees	97,707	164,378
Special events and committees	14,194	7,790
Interest and dividend income	3,968	4,380
Realized and unrealized gains	335	18,108
Total Revenues and Other Support	470,048	522,730
EXPENSES		
Program services:		
Executive committee meetings	29,741	43,705
Annual conference meeting	245,165	251,120
Committee meetings	11,019	14,408
Legislative liaison	8,150	8,150
Legal services	20,000	20,000
COGR dues	4,325	4,325
Website expense	11,559	10,964
Plaques and awards	4,323	19,306
Bad debt	3,373	-
Advertising	12,943	18,312
Special projects	15,229	24,432
Management and general	58,735	67,999
Total Expenses	424,562	482,721
Increase in Unrestricted Net Assets	45,486	40,009
Unrestricted Net Assets - Beginning of Year	309,419	269,410
Unrestricted Net Assets - End of Year	\$ 354,905	\$ 309,419

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

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

<u>Years Ended June 30</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 45,486	\$ 40,009
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization expense	-	11,363
Realized and unrealized gains	(335)	(18,108)
Changes in:		
Accounts receivable	(12,432)	29,447
Prepaid expenses	1,010	2,327
Accounts payable	(13,500)	26,844
Deferred income	21,789	21,994
Net Cash Provided by Operating Activities	<u>42,018</u>	<u>113,876</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in Local Agency Investment Fund	-	10,423
Purchase of investment in registered investment companies (mutual funds)	(3,845)	(4,089)
Net Cash Provided (Used) by Investing Activities	<u>(3,845)</u>	<u>6,334</u>
Net Change in Cash and Cash Equivalents	38,173	120,210
Cash and Cash Equivalents - Beginning of Year	<u>120,210</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 158,383</u>	<u>\$ 120,210</u>

The accompanying notes are an integral part of these 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 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 generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Basis of Presentation Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents Through June 2011, The CSU, Chico Research Foundation (the Foundation) advanced cash to provide funds as needed. The Association reimbursed the Foundation monthly using its short-term deposits in the Local Agency Investment Fund (LAIF). In June 2011, LAIF balances were transferred to a commercial deposit account. 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 (FDIC) insurance limits.

Accounts Receivable The Association's accounts receivable consists of amounts due from business partners attending the annual conference as well as members' annual dues. Accounts receivable also includes amounts paid to initiate the Auxiliaries Multiple Employer VEBA Trust, which will be repaid as additional auxiliaries participate in the trust. The Association records allowances for doubtful accounts based on payment history and correspondence with those who have balances outstanding. The Association did not record an allowance for doubtful accounts as of June 30, 2012 and 2011.

Fair Value Measurements The Association accounts for certain assets and liabilities in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under generally accepted accounting principles.

The Association classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

- Level 1:* Quoted market prices for identical instruments traded in active exchange markets.
- Level 2:* Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.
- Level 3:* Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2012.

LAIF: The Association held short-term deposits in the LAIF, which is a State of California, Treasurer's Office, investment pool. Balances held in LAIF were transferred to a cash account in June 2011. As a result, there was no balance in the LAIF account at June 30, 2012.

Registered Investment Companies (Mutual Funds): Each investor in the mutual fund will typically receive units of participation in the mutual fund. These units are valued daily, based on the underlying securities owned by the mutual fund. The Association's mutual fund investments have underlying securities which include domestic and international equity securities as well as bonds.

Software Software is comprised of website design costs, including application and infrastructure development and installation. Software is amortized over the estimated useful life of three years using the straight-line method. Accumulated amortization amounted to \$34,091 and \$34,091 for the years ended June 30, 2012 and 2011, respectively. Amortization expense of \$11,363 was recorded for the year ended June 30, 2011.

Donated Services Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, *Not-for-Profit-Entities – Revenue Recognition*, 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 products and services meeting requirements for recognition in the financial statements was not material and have not been recorded.

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).

The Association files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2008 and beyond, and the California returns for tax years 2007 and beyond, remain subject to examination by the taxing authorities.

The Association accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the Association's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740, also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Association's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2012 and 2011, and the Association does not expect this to change significantly over the next 12 months.

Reclassifications Certain amounts in the June 30, 2011, financial statements have been reclassified, for comparative purposes, to conform with the presentation in the June 30, 2012, financial statements.

Date of Management Evaluation Management has evaluated subsequent events through March 12, 2012, the date on which the financial statements were available to be issued.

2. INVESTMENTS

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies (mutual funds) - blend funds	\$ 172,618	\$ -	\$ -	\$ 172,618

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies (mutual funds) - blend funds	\$ 168,438	\$ -	\$ -	\$ 168,438

3. NET ASSETS

Unrestricted board-designated net assets result from the Executive Committee policy that reserve balances shall be between a minimum of 50%, or a maximum of 100%, of the following year's operating budget. The board-designated balance includes reserves for working capital, conferences, and special projects. The reserve requirement for working capital is 50% of projected operating expenses for the subsequent fiscal year. The reserve requirement for conferences is 50% of projected conference business partner income. The reserve requirement for special projects is total projected special project expenses for the subsequent fiscal year plus \$50,000.

4. RELATED-PARTY TRANSACTIONS

Through June 2011, the Association had an agreement with the Foundation to provide administrative, information technology, accounting, and financial services. The fee for these services was \$33,075 for the year ended June 30, 2012. Additionally, the Association utilized the Foundation's checking account for operational activities. As of July 2011, the agreement with the Foundation expired and was not renewed.

5. DEFERRED INCOME

The Association's dues are billed on a calendar-year basis. Dues for the period July 1 to December 31 are recorded as deferred income and recorded as income during the following fiscal year. Deferred income totaled \$94,070 and \$72,281 at June 30, 2012 and 2011, respectively.

SUPPLEMENTARY INFORMATION SECTION

SCHEDULE OF FUNCTIONAL EXPENSES

Auxiliary Organizations

Association

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Year Ended June 30, 2012	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 181,136	\$ -	\$ 181,136
Speaker fees and other expenses	52,115	-	52,115
Preplanning	11,914	-	11,914
Executive committee:			
Meetings and travel	29,741	-	29,741
Committee meetings	11,019	-	11,019
Special projects	15,229	-	15,229
Legislative liaison	8,150	-	8,150
Legal services:			
Personnel counsel	20,000	-	20,000
Audit fees	-	7,800	7,800
Accounting services	-	36,000	36,000
Insurance	-	1,671	1,671
COGR dues	4,325	-	4,325
Website expense	11,559	6,259	17,818
Miscellaneous	-	7,005	7,005
Plaques and awards	4,323	-	4,323
Bad debt expense	3,373	-	3,373
Advertising	12,943	-	12,943
Total Expenses	\$ 365,827	\$ 58,735	\$ 424,562

See independent auditors' report.

SCHEDULE OF FUNCTIONAL EXPENSES*Auxiliary Organizations**Association*

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<u>Year Ended June 30, 2011</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Annual conference:			
Hotel and meals	\$ 187,829	\$ -	\$ 187,829
Speaker fees and other expenses	48,665	-	48,665
Preplanning	14,626	-	14,626
Executive committee:			
Meetings and travel	43,705	3,051	46,756
Committee meetings	14,408	-	14,408
Special projects	24,432	-	24,432
Legislative liaison	8,150	-	8,150
Legal services:			
Personnel counsel	20,000	-	20,000
Audit fees	-	7,800	7,800
Accounting services	-	33,075	33,075
Insurance	-	1,731	1,731
COGR dues	4,325	-	4,325
Website expense	10,964	6,554	17,518
Miscellaneous	-	4,424	4,424
Plaques and awards	19,306	-	19,306
Depreciation	-	11,364	11,364
Advertising	18,312	-	18,312
Total Expenses	\$ 414,722	\$ 67,999	\$ 482,721

See independent auditors' report.