

**AMERICAN ASSOCIATION OF  
UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.**

Independent Accountant's Review Report  
and Financial Statements

Years Ended June 30, 2018 and 2017

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
American Association of University Women of the State of California, Inc.  
Sacramento, CA

We have reviewed the accompanying financial statements of the American Association of University Women of California (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountant's Conclusion***

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Fritzsche Associates, Inc.*

Certified Public Accountants  
Sacramento, CA  
October 31, 2018

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and equivalents	\$ 116,922	\$ 63,255
Accounts receivable	6,406	1,965
Prepaid assets	12,055	14,602
Deposits	396	396
Fixed assets, net	-	-
Investments	<u>329,873</u>	<u>348,505</u>
 Total assets	 <u><u>\$ 465,652</u></u>	 <u><u>\$ 428,723</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 8,074	\$ 1,271
Accrued expenses	1,005	-
Deferred revenue	<u>88,310</u>	<u>80,340</u>
Total liabilities	<u>97,389</u>	<u>81,611</u>
 <b>Net assets:</b>		
Unrestricted and undesignated	368,263	293,345
Designated for convention	<u>-</u>	<u>53,767</u>
Total net assets	<u>368,263</u>	<u>347,112</u>
 Total liabilities and net assets	 <u><u>\$ 465,652</u></u>	 <u><u>\$ 428,723</u></u>

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

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Support and revenue:		
Membership dues	\$ 211,229	\$ 217,354
Convention and meetings	81,438	4,785
Insurance assessments	49,253	46,051
Event revenue	19,170	19,108
Investment income, net	8,474	22,622
Miscellaneous income	<u>7,975</u>	<u>-</u>
Total support and revenue	<u>377,539</u>	<u>309,920</u>
Expenses:		
Program services:		
Membership development and services	100,804	110,039
Convention/annual meeting	89,945	7,812
Public policy	<u>60,998</u>	<u>59,021</u>
Total program services	251,747	176,872
Administration and general	<u>104,642</u>	<u>129,344</u>
Total expenses	<u>356,388</u>	<u>306,216</u>
Change in net assets	21,151	3,704
Net assets, beginning of year	<u>347,112</u>	<u>343,408</u>
Net assets, end of year	<u><u>\$ 368,263</u></u>	<u><u>\$ 347,112</u></u>

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

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,151	\$ 3,704
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	150	430
Net realized and unrealized gains on investments	682	(17,532)
(Increase) decrease in accounts receivable	(4,441)	458
(Increase) decrease in prepaid assets	2,547	(4,119)
(Increase) decrease in deposits	-	10,981
Increase (decrease) in accounts payable	6,803	(16,819)
Increase (decrease) in accrued expenses	1,005	-
Increase (decrease) in deferred revenue	<u>7,970</u>	<u>1,680</u>
Net cash provided by (used in) operating activities	<u>35,867</u>	<u>(21,217)</u>
Cash flows from investing activities:		
Purchases of investment securities	(325,287)	(46,410)
Proceeds from sale of investment securities	343,237	43,250
Purchases of fixed assets	<u>(150)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>17,800</u>	<u>(3,160)</u>
Net increase (decrease) in cash	53,667	(24,377)
Cash and equivalents, beginning of year	<u>63,255</u>	<u>87,632</u>
Cash and equivalents, end of year	<u><u>\$ 116,922</u></u>	<u><u>\$ 63,255</u></u>

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

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE A – NATURE OF THE ORGANIZATION**

American Association of University Women of the State of California, Inc. (AAUW-CA) is a nonprofit corporation organized under the law of the State of California for the purpose of promoting equity for all women and girls through advocacy, lifelong education, philanthropy and research. The AAUW-CA is supported primarily through membership dues and conference and convention registration fees.

The Membership Development and Services program includes developing publications, administering insurance, and assisting branches with membership and the mission of the AAUW-CA.

The Convention brings women together to talk about common issues and develop action agendas to make a difference for women in society.

The Public Policy program supports an advocate to monitor and report on the activities of the State legislature and to represent the AAUW-CA position on policy development whenever appropriate.

State Projects are developed at the State level as the need arises and benefit the whole group. These include events to benefit the Education Foundation and the Legal Advocacy Fund which are separate corporations of the National Association of University Women.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the AAUW-CA have been prepared on the accrual basis of accounting. Thus, revenues are reported in the year earned rather than when collected, and expenses are reported in the year incurred rather than when paid. The AAUW-CA reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**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. There were no temporarily restricted assets as of June 30, 2018 or June 30, 2017.

**Permanently restricted net assets** – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors. There were no permanently restricted net assets as of June 30, 2018 or June 30, 2017.

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
OF THE STATE OF CALIFORNIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Revenue Recognition

Membership dues are recognized over the membership period. Dues collected in advance are reported as deferred until earned. Convention and meeting revenue is recognized when the events are held.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable are stated at unpaid balances and are considered collectible in full; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms. Balances are charged off after management has exhausted collection efforts.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are included in investment income reported on the statements of activities.

Fixed Assets

Acquisitions of fixed assets in excess of \$1,000 are capitalized and stated at cost. Donated fixed assets are reported at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Indirect costs are allocated among programs and supporting services based on personnel, space and other factors.



**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Donated Services

AAUW-CA receives donated services from a variety of unpaid volunteers assisting in fundraising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

Income Taxes

AAUW-CA is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(4) and related California code sections. However, AAUW-CA is subject to income taxes from activities unrelated to its tax-exempt purpose.

Management of AAUW-CA has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

AAUW-CA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the organization has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Reclassifications

Certain reclassifications of amounts previously reported may have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE C – FIXED ASSETS**

Fixed assets consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 4,158	\$ 4,008
Less: accumulated depreciation	<u>(4,158)</u>	<u>(4,008)</u>
Total fixed assets	<u>\$ --</u>	<u>\$ --</u>

Depreciation expense was \$150 and \$430 for the years ended June 30, 2018 and 2017, respectively.

**NOTE D – INVESTMENTS**

In accordance with generally accepted accounting principles, AAUW-CA uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments are reported at fair value and consisted of the following as of June 30, 2018:

<b>2018</b>	Total	Level 1	Level 2	Level 3
Fixed income funds	\$ 176,872	\$ 176,872	\$ --	\$ --
Stock funds	<u>143,150</u>	<u>143,150</u>	<u>--</u>	<u>--</u>
Investments carried at fair value	320,022	<u>\$ 320,022</u>	<u>\$ --</u>	<u>\$ --</u>
Money market funds*	<u>9,851</u>			
Total investments	<u>\$ 329,873</u>			

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE D – INVESTMENTS (continued)**

Investments are reported at fair value and consisted of the following as of June 30, 2017:

<b>2017</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Stock funds	\$ 158,583	\$ 158,583	\$ --	\$ --
Fixed income funds	<u>155,308</u>	<u>155,308</u>	<u>--</u>	<u>--</u>
Investments carried at fair value	313,891	<u>\$ 313,891</u>	<u>\$ --</u>	<u>\$ --</u>
Money market funds*	<u>34,614</u>			
Total investments	<u>\$ 348,505</u>			

\* Money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they do not meet the FASB definition of a security.

Investment return consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 8,063	\$ 8,396
Net realized and unrealized gain/(loss)	<u>4,041</u>	<u>17,532</u>
Investment gain/(loss)	12,104	25,928
Less: investment expenses	<u>(3,630)</u>	<u>(3,306)</u>
Total investment return	<u>\$ 8,474</u>	<u>\$ 22,622</u>

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**NOTE E – COMMITMENTS**

AAUW-CA leases office space under an operating lease which expires in January 2022. Future minimum rental payments required under the above operating lease for the years ended June 30 are as follows:

2019	\$	8,515
2020		8,680
2021		8,846
2022		<u>5,216</u>
Total future minimum rental payments	\$	<u>31,527</u>

Office rental expense for the years ended June 30, 2018 and 2017 was \$8,799 and \$8,634, respectively.

**NOTE F – RELATED ENTITIES**

AAUW-CA has approximately 150 local branches. AAUW-CA has no ownership or voting interest in these local branches. AAUW-CA provides insurance, leadership development, and technical and fundraising assistance to the local branches, and in return receives \$20 for each regular member plus an insurance assessment. AAUW-CA receives lesser amounts from student and honorary life members.

**NOTE G – CONTINGENCY**

AAUW-CA has been named in an ADA lawsuit in the ordinary course of business. The defense is being handled by its insurance carrier. Management does not expect the ultimate outcome of the case to have a material impact to the financial condition of the organization.

**AMERICAN ASSOCIATION OF UNIVERSITY WOMEN  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE H – SUBSEQUENT EVENTS**

AAUW-CA is in the process of reclassifying to a public benefit corporation. The reclassification is mandated in order for AAUW-CA, as an affiliate of AAUW (National), to be aligned with its parent organization. Through the date of the financial statements, AAUW-CA has expended approximately \$14,000 in costs pursuing simplified legal options to obtain this reclassification. Those steps have not produced the needed results to obtain the reclassification. AAUW-CA has now moved to a more complex process which involves a lengthy appeal to the Division of Corporations of the Office of the Secretary of State of the State of California. The appeal was approved in September 2018 and total costs for this year related to this effort are expected to total \$35,000.

The management of AAUW-CA has reviewed the results of operations from its year end June 30, 2018 through October 31, 2018, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any other subsequent events occurred, the nature of which would require disclosure.