Cerritos Community College District Procedure  

No. 3600  

General Institution  

AP 3600  AUXILIARY ORGANIZATIONS  

References:  
Education Code, Sections 72670 et seq.;  
Government Code, Sections 12580 et seq.;  
Title 5, Sections 59250 et seq.  

Definitions  
Board of Directors -- The term board of directors as used herein means the governing board of an auxiliary organization.  

Board of Trustees -- The term Board of Trustees as used herein means the Board of Trustees of the District.  

Board of Governors -- The term Board of Governors as used herein means the Board of Governors of the California Community Colleges.  

President/Superintendent - The term President/Superintendent as used herein means the President/Superintendent of the District or designee.  

District - The term District as used herein means the Cerritos Community College District.  

Recognition and Establishment of Auxiliary Organizations  
The President/Superintendent shall submit a recommendation to the Board of Trustees to establish an auxiliary organization when the organization will serve the District. The recommendation includes, but is not limited to, the following:  
- The purpose(s) for which the auxiliary organization is to be established;  
- A statement of fact that the auxiliary organization exists solely to serve the District;  
- The functions which the auxiliary organization is intended to perform;  
- The proposed bylaws and articles of incorporation for the auxiliary organization, including the size and composition of the board of directors; and  
- The proposed written agreement between the auxiliary organization and the District, as required in Title 5, Section 59259.  

The process of recognition shall be as follows:  
- When the President/Superintendent receives a request to establish an auxiliary organization, the President/Superintendent shall submit a recommendation concerning the establishment of said organization to the Board of Trustees within three months.  
- The Board of Trustees shall hold a public hearing on each recommendation concerning the establishment of an auxiliary organization.
At a subsequent scheduled meeting after the public hearing, the Board shall announce its decision concerning the establishment of the organization, and, if approved, authorize the functions it may perform, identify the number and category or categories of the board of directors and approve contractual arrangements.

At such time as the District recognizes an auxiliary organization, it shall submit to the state Chancellor’s Office any written agreements with the auxiliary organization, as well as the articles of incorporation, bylaws, or other governing instruments.

**Recognized Services, Programs and Functions**

Auxiliary organizations may be recognized and established by the Board of Trustees to perform the following services, programs and functions:

- Bookstores;
- Food and campus services;
- Loans, scholarships, grants-in-aid;
- Workshops, conferences, institutes and federal and specially funded projects;
- Alumni activities;
- Gifts, bequests, devises, endowments and trusts; and
- Public relations programs.

No auxiliary organization shall be authorized by the Board of Trustees to engage in any other function unless the Board of Governors amends Section 59259 of Title 5 by adding said function to the list of approved functions of auxiliary organizations. This section shall not be construed to prohibit an auxiliary organization from taking actions essential to satisfy the non-profit corporation or tax laws of the State of California or the federal tax laws.

Operations of commercial services on a campus shall be self supporting when operated by an auxiliary organization.

**Authority and Responsibility of Auxiliary Organizations**

Participation in workshops, conferences, or institutes offered by auxiliary organizations shall not be included in reports to the state for the purpose of receiving apportionment funding.

All services, programs and activities that may be undertaken by an auxiliary organization shall be maintained for the general benefit of the educational program of the District. Upon approval by the Board of Trustees, an auxiliary organization may assume any of the services, programs and activities listed in these procedures in order:

- To provide the fiscal means and the management procedures that allow the District to carry on educationally related activities not normally funded by state apportionment;
- To eliminate the undue difficulty that would otherwise arise under the usual governmental budgetary, purchasing, and other fiscal controls except as expressly prohibited by the Education Code or Title 5 or the District’s procedures; or
To provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the District in accordance with sound business practices.

Composition of Boards of Directors
The board of directors of each auxiliary organization shall be appointed in accordance with the organization’s articles of incorporation or bylaws and consisting of voting membership from one or more of the following categories: administration, staff, members of the community, students.

The size of the board of directors of an auxiliary organization shall be at least large enough to accommodate the one or more categories from which board members are selected.

The board of directors shall have the advice and counsel of at least one attorney admitted to practice in California and at least one certified public accountant. Upon being notified of the certified public accountant selected by an auxiliary organization, the District shall forward the applicable auditing and reporting procedures to the selected certified public accountant.

Conduct of Boards of Directors
No member of the board of directors of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he/she is a member. Any contract or transaction entered into in violation of this section is void.

No contract or other transaction entered into by the board of directors of an auxiliary organization is void under the provisions of Education Code, Section 72677; nor shall any member of such board be disqualified or deemed guilty of misconduct in office under such provisions, if pursuant to Education Code, Section 72678 both of the following conditions are met:

- The fact of such financial interest is disclosed or known to the board of directors and noted in the minutes, and the board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members.
- The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

The provisions of Education Code, Section 72678 above shall not be applicable if any of the following conditions are met:

- The contract or transaction is between an auxiliary organization and a member of the board of directors of that auxiliary organization.
- The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the board of that auxiliary organization is a partner or in which he or she is the owner or holder, directly or indirectly, of a proprietorship interest.
• The contract or transaction is between an auxiliary organization and a corporation in which any member of the board of directors of that auxiliary organization is the owner or holder, directly or indirectly, of five percent or more of the outstanding common stock.

• A member of the board of directors of an auxiliary organization is interested in a contract or transaction within the meaning of Education Code, Section 72677 and without first disclosing such interest to the governing board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction.

It is unlawful for any person to utilize any information, not a matter of public record, which is received by the person by reason of his/her membership on the board of directors of an auxiliary organization, for personal pecuniary gain, regardless of whether he or she is or is not a member of the board at the time such gain is realized.

Bylaws
The bylaws of an auxiliary organization shall include, but not be limited to, specifying:

• The number of members of the board of directors, the categories from which members shall be selected and the method by which they shall be selected.

• The size of the board of directors.

• That at least one public business meeting will be held each quarter.

• The procedures for approving expenditures.

• The procedures for accepting gifts, donations, bequests, trusts and specially funded grants and other income.

Master Agreement between District and Auxiliary Organizations
In the recognition and establishment of an auxiliary organization, there shall be a written agreement between the District and the auxiliary organization which sets forth the purposes of the auxiliary organization as permitted under this procedure and Title 5, Section 59259.

Should an auxiliary organization provide more than one service, program or function, such service, program or function may be authorized in one of more written contracts with the District. Such services, programs, and functions thereby performed by an auxiliary organization may also be part of a joint powers agreement in accordance with Education Code, Section 72671 and Government Code, Sections 6500 et seq.

An auxiliary organization shall provide only those services, programs, or functions authorized by a written agreement. No other service, program, or function shall be permitted or performed unless a written agreement between the District and the auxiliary organization is amended to provide otherwise.

The agreement shall include, but is not limited to, the following provisions:

• The services, programs, or functions the auxiliary organization is to manage, operate, or administer.
• A statement of the reasons for administration of the functions by the auxiliary organization instead of by the District under usual District procedures.

• The areas of authority and responsibility of the auxiliary organization and the District or College.

• The facilities and services to be made available by the District to permit the auxiliary organization to perform the services, programs, or functions specified in the written agreement.

• Based upon the requirement of the master agreement/s between the District and each auxiliary organization, each year’s benefits provided by the auxiliary organization and the related cost incurred by the District shall be audited and disclosed in the District’s financial statement. Said benefit calculation shall be presented annually for consideration of approval by the District’s Board of Trustees.

• The disposition to be made of net assets and liabilities on dissolution of the auxiliary organization or cessation of the operations under the agreement.

• The covenant of the auxiliary organization to maintain its organization and to operate in accordance with Sections 72670 through 72682 of the Education Code and with the regulations contained in Title 5, Sections 59250 et seq. as well as District Board Policy.

• The understanding that the auxiliary organization shall obtain the services and counsel of an attorney admitted to practice in the State of California whenever the need arises.

• The understanding that the auxiliary organization shall not enter into any contract or other business arrangement involving real property either by lease involving payments of more than $25,000 per annum and duration terms of more than one year, or by purchase without prior notification and consultation with the President/Superintendent.

Accounting and Reporting for Auxiliary Organizations
The fiscal year of the auxiliary organization shall coincide with that of the District.

Each auxiliary organization shall develop an accounting system that is in accordance with generally accepted accounting principles.

The auxiliary organization shall implement financial practices that will assure its fiscal viability. Such standards shall include professional management, adequate working capital, adequate reserve funds for current operations, capital replacements, contingencies and adequate provisions for new business requirements.

Each auxiliary organization serving the District shall submit its programs and budgets for review by their Board of Directors which includes the District’s President/ Superintendent as per the agreed upon time and manner.

Funds derived from indirect cost payments shall be appropriated only with the specific approval of the President/Superintendent. All uses of such funds shall be regularly reported to the District’s Board of Trustees.
The President/Superintendent has the responsibility of determining if a program or appropriation planned by an auxiliary organization is consistent with District policy. If it is found that a program or appropriation is not in compliance, such shall not be implemented. Further, should a program or appropriation which has received approval, upon subsequent review, be determined by the President/Superintendent to be operating outside the acceptable policy of the Board of Governors or the District, then that program or appropriation shall be discontinued by direction of the President/Superintendent until further review is accomplished and an appropriate adjustment is made.

The board of directors of an auxiliary organization shall approve all expenditure authorizations.

**Records and Annual Report of Auxiliary Organizations**

Records shall be maintained as permanent records by each auxiliary organization. Adequate records of all transactions of an auxiliary organization shall be maintained for a minimum of five years. Transactions of the organization include, but are not limited to, purchases, disbursements, and investments.

An annual report shall be submitted to the board of directors of the auxiliary organization and to the President/Superintendent. The report shall include, but is not limited to:

- All financial statements required to be filed with the state Chancellor's Office
- A comparison of budgeted and actual expenditures
- A description of major accomplishments of the organization
- A description of improvements proposed for operation of the organization.

**Annual Audit**

Each auxiliary organization shall have an annual fiscal audit of any and all funds. The audit shall be performed by a certified public accountant in accordance with procedures prescribed by the state Chancellor. Copies of the annual audit report shall be submitted to the Board of Trustees and to the state Chancellor's Office within 30 days after it is received by the auxiliary organization. Thereafter, it shall be a public record, except as otherwise provided by law. Such audits may be conducted as part of a fiscal audit of the District itself.

Auxiliary organizations shall annually publish an audited statement of their financial condition, which shall be disseminated as widely as feasible and be available to any person on request. A reasonable fee may be charged to cover the costs of providing a copy. An auxiliary organization shall comply with this requirement by:

- Publishing the audited financial statement in a campus newspaper; or
- Publishing a notice in a campus newspaper indicating the on-campus location where copies of the financial statement may be obtained or reviewed; or
- Publishing or noticing the audited statement in a campus bulletin or other appropriate medium if a campus newspaper is unavailable.
Insurance

An auxiliary organization shall secure and maintain insurance adequate to protect its operations from catastrophic losses and as required by law, including but not limited to, the following:

- Comprehensive liability;
- Property and extended coverage, when applicable;
- All risks, money and securities;
- Fidelity and performance bonds covering its chief fiscal officer;
- Automotive liability when applicable; and
- Workers’ Compensation

In any insurance policy secured by the auxiliary organization, the District shall be named as additional insured.

A copy of each policy or endorsement or insurance certificates setting forth the coverage and limits shall be provided to the District within 30 days from the receipt of the document.

In obtaining the insurance coverage, the auxiliary organization may secure the insurance directly through its own broker or through the District.

Auxiliary Organizations: Use of Facilities

Facilities may be made available by the District to an auxiliary organization to perform the functions specified in these regulations or in an agreement, under the following circumstances. The auxiliary organization may occupy, operate, and use such District facilities as are mutually identified as appropriate for the functions and/or activities that have been undertaken by the auxiliary organization.

List of Auxiliary Organizations in Good Standing

The President/Superintendent shall periodically provide to the Board of Trustees a list of all auxiliary organizations in good standing. All auxiliary organizations which, after periodic review in the manner specified hereinafter in these regulations, are found to be in compliance with applicable laws, policies and regulations shall be included in the list.

When the President/Superintendent has reason to believe that a particular organization should be removed from the list of auxiliary organizations in good standing, a conference shall be held to determine whether such grounds for removal do in fact exist. The board of directors of such organization shall be entitled to participate in this conference, and shall have a minimum of one month notice to prepare response to the issues which have been raised.

Based upon such conference, the President/Superintendent shall decide whether the particular organization shall be removed from the list of auxiliary organizations in good standing.

An organization so removed shall not be permitted to do any of the following:

- Use the name of the District;
• Have as a director any official in the District acting in his/her official capacity;
• Operate a commercial service for the benefit of the District or any of its colleges; and
• Receive gifts, property, or funds to be used for the benefit of the District or any of its colleges.

If the auxiliary organization is dissolved or ceases operations upon removal from the list of organizations in good standing, its net assets and liabilities shall be distributed according to the terms of the written agreement between the organization and the District.

**Limitation on Transfer of Funds to Auxiliary Organizations**

No funds or resources, other than funds or resources derived from gifts or bequests, shall be transferred by the District to any of its auxiliary organizations for the purpose of either avoiding laws or regulations which constrain community college districts or providing the District with an unfair advantage with respect to the application of any state funding mechanism. Such state funding mechanisms include, but are not limited to, general apportionment funding, capital outlay funding, Extended Opportunity Programs and Services funding, and funding for programs and services for students with disabilities.

**Compliance Review by President/Superintendent**

All auxiliary organization procedures and practices shall be reviewed to determine compliance with Education Code, Sections 72670 et seq. and the policies, rules and regulations of the Board of Governors, and of the District. The President/Superintendent shall designate the individual to conduct this review, which shall be conducted at the end of the first complete fiscal year after its establishment and at least once every three years thereafter.

If the President/Superintendent’s designee determines, after inspection and review, that certain auxiliary organization procedures and practices are not in compliance with policies, rules and regulations of the Board of Governors and the District, a recommendation concerning the items of noncompliance shall be communicated in writing to the President/Superintendent and to the board of directors of the auxiliary organization. The board of directors shall reply in writing within one month, either describing the actions which will be taken, including time table, to bring said procedures and practices into compliance; or describing the reasons why the board considers the procedures already to be in compliance.

If the President/Superintendent’s designee considers the proposed corrective actions to be acceptable, the auxiliary organization shall be so informed. A second compliance review shall be held at the end of the time agreed to and the results communicated in writing to the President/Superintendent and to the board of directors.

When the auxiliary organization fails to provide an acceptable proposal for corrective actions or fails to implement successful corrective actions within the agreed upon time, the President/Superintendent shall inform the board of directors of such further action as
he/she considers appropriate, which may include a recommendation to the Board of Trustees for termination of the contract.

**Revision of Rules and Procedures and Reports to the state Chancellor’s Office**

Rules and procedures for the administration of auxiliary organizations may be revised as necessary by the President/Superintendent or designee. The board of directors of each auxiliary organization in good standing shall be promptly notified in writing of such revisions and be informed of the date by which any changes in the organization's procedures must be accomplished.

Any such revisions shall be submitted to the state Chancellor’s Office for approval.

The District shall report, as may be required from time to time, on the operation of its auxiliary organizations.

**Offices of Primary Responsibility:** President/Superintendent  
Vice President, Business Services

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(Replaces former Cerritos College Policy 5021)