

Auxiliary, Enterprise and Foundation Operations

ACBO Institute I, 2018

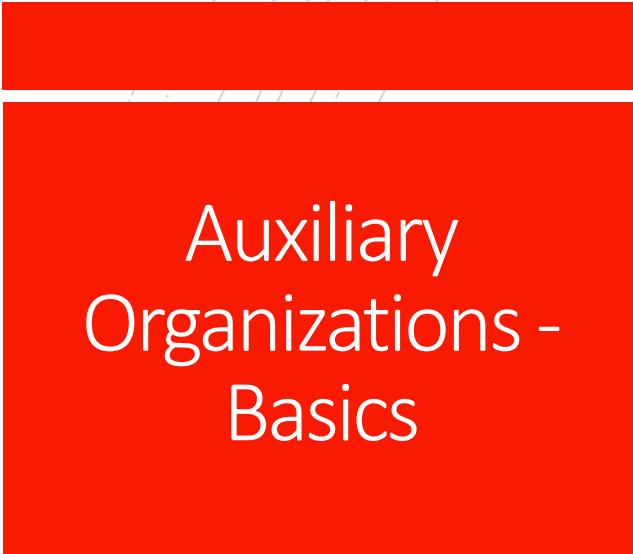
Student Learning Objectives

- Knowledge of how these three types of functions differ from the rest of the college operations
- Awareness of the opportunities and challenges these functions pose to the institution and to the CBO



Common Characteristics of the Three Functions

- Use profit/loss accounting not fund accounting
- Typically more nimble and flexible than other district Funds
- Can be perceived by some district constituencies as “cash cows” and sources of additional funds



Auxiliary Organizations - Basics

- See the provided – *Auxiliary Organization Manual*
- Basically any organization that the district board allows to use the district or college name subject to the requirements in the *Manual*
- Typically no district funding, but may use facilities
- Required annual audits and reports to the district board
- Examples could include:
 - Grossmont College Community Band
 - MiraCosta College Runners for Life
 - Harbor College Foundation
- Can create control and oversight challenges

Auxiliary Organizations – Expanded

- Can be used as an umbrella to allow a district to be more flexible and nimble providing certain types of instructional services
- For example, placing Contract Education into an auxiliary allows the college/district respond more quickly to training and development needs of private businesses
- Requires dialogue with the Academic Senate

Foundations

- May or may not be an Auxiliary Organization depending on when it was established
- Its own board, accounting system and audit
- Frequently the district or the college must effectively subsidize it by providing staff and facilities
- Some are very successful, most are not
- Can be fiercely independent or almost like an internal department
- By far the easiest money to raise is student support funds – scholarships, grants



Enterprise Operations – Nature & Purpose

- **Defined in Chapter 2 of the BAM (*CCC Budget & Accounting Manual*) – Nature and Purpose**

Enterprise Funds are used to account for an operation when it is the intent of the governing board to operate as a business and to account for its total operating costs (direct and indirect, including depreciation). Such costs are financed or recovered primarily through user charges. Enterprise Funds may also be used when the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- **Fund 50 – see next slide for specifics**



Enterprise Operations – Specifics of Fund 50

- **Fund 51 – Bookstore**

Typically makes a profit, supports student organizations; revenues have been declining

- **Fund 52 – Cafeteria**

Typically lose money due to strong downward price pressures, required hours of operation and high labor costs

- **Fund 52 – Farm Operations**

A dying breed

- **Fund 54 – Other Enterprise Fund**

This fund is used to account for all other operations that are financed and operated like private business enterprises

Take-Aways

- These organizations do not usually provide instructional services (possible exception – contract education in an auxiliary)
- Use profit/loss accounting not fund accounting
- Typically more nimble and flexible than other district Funds
- Can be perceived by some district constituencies as “cash cows” and sources of additional funds
- They can create control and oversight issues for the CBO and district

Links to Resources Referenced in This Presentation

- California Community Colleges *Budget and Accounting Manual*:
[http://extranet.cccco.edu/Portals/1/CFFP/Fiscal Services/Standards/BAM/bam2012ed/bam Chapter2.pdf](http://extranet.cccco.edu/Portals/1/CFFP/Fiscal%20Services/Standards/BAM/bam2012ed/bam_Chapter2.pdf).
- California Community Colleges *Auxiliary Organization Manual*
 - PDF on the ACBO website
 - CCCCO website:
[http://extranet.cccco.edu/Portals/1/CFFP/Fiscal Services/Accountability/Auxiliary%20Organization%20Manual%20August%202017.pdf](http://extranet.cccco.edu/Portals/1/CFFP/Fiscal%20Services/Accountability/Auxiliary%20Organization%20Manual%20August%202017.pdf).



THE END

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