

**General Institution**

1 **AP 3600 AUXILIARY ORGANIZATIONS**

2 **References:**

- 3 Education Code, Sections 72670 et seq. and 72690;  
4 Government Code, Sections 12580 et seq.;

5 Title 5, Sections 59250 et seq and 58300.

6 **Definitions**

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

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

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

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

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

16 **Recognition and Establishment of Auxiliary Organizations**

17 The President/Superintendent shall submit a recommendation to the Board of Trustees  
18 to establish an auxiliary organization when the organization will serve the District. The  
19 recommendation includes, but is not limited to, the following:

- 20 • The purpose(s) for which the auxiliary organization is to be established;  
21 • A statement of fact that the auxiliary organization exists solely to serve the District;  
22 • The functions which the auxiliary organization is intended to perform;  
23 • The proposed bylaws and articles of incorporation for the auxiliary organization,  
24 including the size and composition of the board of directors; and  
25 • The proposed written agreement between the auxiliary organization and the  
26 District, addressing, among other things, all of the requirements of Title 5, section  
27 59257 (j).

28 The process of recognition shall be as follows:

- 29 • When the President/Superintendent receives a request to establish an auxiliary  
30 organization, the President/Superintendent shall submit a recommendation  
31 concerning the establishment of the organization to the Board of Trustees within  
32 three months.  
33 • The Board of Trustees shall hold a public hearing on each recommendation  
34 concerning the establishment of an auxiliary organization.

- 35       • At a subsequent scheduled meeting after the public hearing, the Board of Trustees  
36 shall announce its decision concerning the establishment of the organization, and,  
37 if approved, authorize the functions it may perform, identify the number and  
38 category or categories of the board of directors and approve contractual  
39 arrangements.

40 At such time as the District recognizes an auxiliary organization, it shall submit to the  
41 California Community Colleges Chancellor's Office any written agreements with the  
42 auxiliary organization, as well as the articles of incorporation, bylaws, or other governing  
43 instruments.

#### 44 **Recognized Services, Programs and Functions**

45 Auxiliary organizations may be recognized and established by the Board of Trustees to  
46 perform services, programs and functions which are an integral part of the community  
47 college educational programs. The following supportive services and specified programs  
48 have been determined to be appropriate:

- 49       • Student association or organization activities;
- 50       • Bookstores;
- 51       • Food and campus services;
- 52       • Facilities and equipment, including parking;
- 53       • Loans, scholarships, grants-in-aid;
- 54       • Workshops, conferences, institutes and federal and specially funded projects;
- 55       • Alumni activities;
- 56       • Foundations;
- 57       • Supplemental health services;
- 58       • Gifts, bequests, devises, endowments and trusts; and
- 59       • Public relations programs.

60 This section shall not be construed to prohibit an auxiliary organization from taking actions  
61 essential to satisfy the non-profit corporation or tax laws of the State of California or the  
62 federal tax laws.

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

#### 65 **Authority and Responsibility of Auxiliary Organizations**

66 All services, programs and activities that may be undertaken by an auxiliary organization  
67 must be for the purposes of providing activities that are an integral part of the community  
68 college educational programs. For example upon approval by the Board of Trustees, an  
69 auxiliary organization may assume any of the services, programs and activities listed in  
70 these procedures in order:

- 71       • To provide the fiscal means and the management procedures that allow the District  
72 to carry on educationally related activities not normally funded by State  
73 apportionment;

- 74       • To eliminate the undue difficulty that would otherwise arise under the usual  
75 governmental budgetary, purchasing, and other fiscal controls except as expressly  
76 prohibited by the Education Code or Title 5 or the District's procedures; or  
77       • To provide fiscal procedures and management systems that allow effective  
78 coordination of the auxiliary activities with the District in accordance with sound  
79 business practices.

80       **Composition of Boards of Directors**

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

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

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

93       **Conduct of Boards of Directors**

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

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

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

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

- 112       • The contract or transaction is between an auxiliary organization and a member of  
113 the board of directors of that auxiliary organization.

- 114 • The contract or transaction is between an auxiliary organization and a partnership  
115 or unincorporated association of which any member of the board of that auxiliary  
116 organization is a partner or in which he/she/they is the owner or holder, directly or  
117 indirectly, of a proprietorship interest.
- 118 • The contract or transaction is between an auxiliary organization and a corporation  
119 in which any member of the board of directors of that auxiliary organization is the  
120 owner or holder, directly or indirectly, of five percent or more of the outstanding  
121 common stock.
- 122 • A member of the board of directors of an auxiliary organization is interested in a  
123 contract or transaction within the meaning of Education Code, Section 72677 and  
124 without first disclosing such interest to the governing board at a public meeting of  
125 the board, influences or attempts to influence another member or members of the  
126 board to enter into the contract or transaction.

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

131 To help ensure compliance with these provisions, the board of directors of any auxiliary  
132 organization should adopt a conflict of interest policy. Each board of director must review  
133 and acknowledge the conflict of interest policy annually. The conflict of interest policy may  
134 address, among other things, the following: appropriate board conduct, gifts,  
135 confidentiality, fiduciary responsibilities, and conflicts of interest.

### 136 **Bylaws**

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

- 138 • The number of members of the board of directors, the categories from which  
139 members shall be selected and the method by which they shall be selected.
- 140 • The size of the board of directors.
- 141 • That at least one public business meeting will be held each quarter.
- 142 • The time table for the preparation and adoption of its program and annual budget  
143 and the submission of both for review to the President/Superintendent.
- 144 • That an attorney admitted to practice in this state and a licensed certified public  
145 accountant shall be selected to provide advice and counsel to the board of  
146 directors. Each shall have experience appropriate to the responsibility and shall  
147 have no financial interest in any contract or other transaction entered into by the  
148 board which he/she/they serves. Neither the attorney nor the certified public  
149 accountant needs to be a member of the board of directors.
- 150 • The procedures for approving expenditures.
- 151 • The procedures for accepting gifts, donations, bequests, trusts and specially  
152 funded grants and other income.

### 153 **Master Agreement between District and Auxiliary Organizations**

154 In the recognition and establishment of an auxiliary organization, there shall be a written  
155 agreement between the District and the auxiliary organization which sets forth the

156 purposes of the auxiliary organization as permitted under this procedure and Title 5,  
157 Section 59259.

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

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

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

- 168 • The services, programs, or functions the auxiliary organization is to manage,  
169 operate, or administer.
- 170 • A statement of the reasons for administration of the functions by the auxiliary  
171 organization instead of by the District under usual District procedures.
- 172 • The areas of authority and responsibility of the auxiliary organization and the  
173 District or College.
- 174 • The facilities and services to be made available by the District to permit the  
175 auxiliary organization to perform the services, programs, or functions specified in  
176 the written agreement.
- 177 • The charge or rental to be paid to the District by the auxiliary organization for the  
178 facilities used or services provided in connection with the performance of its  
179 function. The charge or rental specified shall be identified in sufficient time before  
180 it is incurred so that the organization may determine to what extent it is liable.
- 181 • The value, form, and manner of District reimbursement by an auxiliary organization  
182 in tangible or intangible benefits for the District's provision of district employees, if  
183 any, to perform services under the direction of the auxiliary organization. Tangible  
184 benefits are financially quantifiable and may include: financial support to the  
185 college, student scholarships, and tuition waiver programs; contributions to student  
186 athletic and instructional programs; unrecovered costs; use of auxiliary services,  
187 products, or facilities; marketing or promotional events; cash payments; or similar  
188 benefits. Intangible benefits are non-monetary and qualitative in nature, and may  
189 include: promotion of the college's brand; maintenance and growth of donor data  
190 and protection of donor privacy; growth of college endowments and assets; social  
191 media engagement; enrollment growth due to funding support; in-kind services of  
192 auxiliary board members and executive staff; the performance of functions  
193 assigned to the auxiliary; improved relations with college constituencies; and other  
194 forms of goodwill, or similar benefits.
- 195 • A simple and stable mutually agreed upon method of determining in advance to  
196 what extent the organization shall be liable for indirect costs relating to specially  
197 funded programs (including federally sponsored programs).
- 198 • The responsibility for maintenance and payment of operating expenses.

- 199 • Based upon the requirement of the master agreement/s between the District and  
200 each auxiliary organization, each year's benefits provided by the auxiliary  
201 organization and the related cost incurred by the District shall be audited and  
202 disclosed in the District's financial statements. Said benefit calculation shall be  
203 presented annually for consideration of approval by the District's Board of  
204 Trustees.
- 205 • The disposition to be made of net earnings derived from the operation of the  
206 auxiliary organization, including earnings derived from facilities owned or leased  
207 by the auxiliary organization, and provisions for reserves.
- 208 • The disposition to be made of net assets and liabilities on dissolution of the  
209 auxiliary organization or cessation of the operations under the agreement.
- 210 • The covenant of the auxiliary organization to maintain its organization and to  
211 operate in accordance with Sections 72670 through 72682 of the Education Code  
212 and with the regulations contained in Title 5, Sections 59250 et seq. as well as the  
213 board policy and these procedures.
- 214 • The understanding that the auxiliary organization shall obtain the services and  
215 counsel of an attorney admitted to practice in the State of California whenever the  
216 need arises.
- 217 • The understanding that the auxiliary organization shall not enter into any contract  
218 or other business arrangement involving real property either by lease involving  
219 payments of more than \$25,000 per annum and duration terms of more than one  
220 year, or by purchase without prior notification and consultation with the  
221 President/Superintendent.

## 222 **Personnel**

223 Each auxiliary organization shall develop general regulations to govern its operations,  
224 including policies and regulations concerning the salaries, working conditions and  
225 benefits of its employees.

226 The aforesaid regulations shall not conflict with the implementing policies adopted by the  
227 Board of Trustees or with these procedures.

228 Except as otherwise provided in any board rules, the board of directors of each auxiliary  
229 organization shall, pursuant to Education Code Section 72672, provide salaries, working  
230 conditions and benefits for its full-time employees that are comparable to those provided  
231 District employees performing substantially similar services. For those full-time  
232 employees who perform services that are not substantially similar to the services  
233 performed by District employees, the salaries established shall at least equal the salaries  
234 prevailing in other educational institutions in the area or commercial operations of like  
235 nature.

236 The board of directors of each auxiliary organization may provide retirement benefits  
237 different from those provided comparable District employees and may withhold retirement  
238 benefits or permanent status benefits or both from temporary employees. For the  
239 purposes of this procedure, a temporary employee is:

- 240       • An employee employed for a specific research project, workshop, institute or other  
241       special project funded by any grant, contract or gift; or  
242       • An employee whose contract of employment is for a fixed term not exceeding three  
243       years.

244       The board of directors of each auxiliary organization may withhold permanent status  
245       benefits from executive employees. For the purposes of this procedure, an executive  
246       employee is any management employee with responsibility for the development and  
247       execution of the auxiliary organization's policies and includes, but is not limited to, general  
248       managers, managers, directors and the like, as determined by the board of directors of  
249       each auxiliary organization.

250       Should retirement benefits be provided, they may but need not be provided by the Public  
251       Employees' Retirement System. Any newly created auxiliary organization is exempted  
252       from the requirement of providing retirement benefits for a period not to exceed three  
253       years from the date on which the Board of Trustees recognizes the establishment of such  
254       auxiliary organization.

255       An auxiliary organization may contract with the District for the services of a District  
256       employee and reimburse the District for that portion of the employee's full-time  
257       assignment (and corresponding benefits) that is spent in providing said services.

#### 258       **Accounting and Reporting for Auxiliary Organizations**

259       The fiscal year of the auxiliary organization shall coincide with that of the District.

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

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

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

269       Funds derived from indirect cost payments shall be appropriated only with the specific  
270       approval of the President/Superintendent. All uses of such funds shall be regularly  
271       reported to the District's Board of Trustees.

272       The President/Superintendent has the responsibility of determining if a program or  
273       appropriation planned by an auxiliary organization is consistent with District policy. If it is  
274       found that a program or appropriation is not in compliance, such shall not be implemented.  
275       Further, should a program or appropriation which has received approval, upon  
276       subsequent review, be determined by the President/Superintendent to be operating

277 outside the acceptable policy of the Board of Governors or the District, then that program  
278 or appropriation shall be discontinued by direction of the President/ Superintendent until  
279 further review is accomplished and an appropriate adjustment is made.

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

## 282 **Records and Annual Report of Auxiliary Organizations**

283 Personnel and Payroll records shall be maintained as permanent records by each  
284 auxiliary organization.

285 Adequate records of all transactions of an auxiliary organization shall be maintained for  
286 a minimum of five years. Transactions of the organization include, but are not limited to,  
287 purchases, disbursements, and investments.

288 The auxiliary organization shall publicly disclose, on an annual basis, the value of services  
289 performed by District employees under the direction of the auxiliary organization and a  
290 description of the commensurate benefits provided to the District by the auxiliary  
291 organization pursuant to subdivision (j)(6) of Title 5 Section 59257.

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

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

298 Records maintained by an auxiliary organization shall be available to the public to inspect  
299 or copy at all times during the office hours of the auxiliary organization, pursuant to and  
300 with the exceptions provided in Education Code sections 72690 et seq.

## 301 **Annual Audit**

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

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

- 313 • Publishing the audited financial statement in a campus newspaper; or

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

318 The audited financial statements shall also be available for inspection by the Attorney  
319 General and shall be made available to members of the public in the same manner  
320 prescribed by IRS for Form 990 and no later than nine months after the close of the fiscal  
321 year to which the statements relate.

## 322 **Insurance**

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

- 326 • Comprehensive general liability;  
327 • Property and extended coverage, when applicable;  
328 • All risks, money and securities;  
329 • Fidelity and performance bonds covering its chief fiscal officer;  
330 • Automotive liability when applicable; and  
331 • Workers' Compensation

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

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

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

## 338 **Auxiliary Organizations: Use of Facilities**

339 Facilities may be made available by the District to an auxiliary organization to perform the  
340 functions specified in these regulations or in an agreement, under the following  
341 circumstances.

- 342 • The auxiliary organization may occupy, operate, and use such District facilities as  
343 are mutually identified as appropriate for the functions and/or activities that have  
344 been undertaken by the auxiliary organization.  
345 • The auxiliary organization shall pay to the District a charge or rental for the District  
346 facilities used by it in connection with the performance of its function or functions.  
347 • The charge or rental to be paid by the auxiliary organization shall not require  
348 involved methods of computation, and shall be identified by the District and the  
349 auxiliary organization in sufficient time before it is incurred so that the auxiliary  
350 organization may determine to what extent it shall be liable.  
351 • The charge or rental to be incurred by an auxiliary organization for use of District  
352 facilities shall be incorporated into the agreement between the parties.

353 **List of Auxiliary Organizations in Good Standing**

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

358 When the President/Superintendent has reason to believe that a particular organization  
359 should be removed from the list of auxiliary organizations in good standing, a conference  
360 shall be held to determine whether such grounds for removal do in fact exist. The  
361 President/Superintendent shall be present at the conference, along with other appropriate  
362 District representatives, as determined by the President/Superintendent. The District shall  
363 give the auxiliary organization board of directors reasonable notice that such conference  
364 will be held, and representatives of the Board of Trustee shall be entitled to be present at  
365 the conference. The board of directors of such organization shall be entitled to participate  
366 in this conference, and shall have a minimum of one month notice to prepare a response  
367 to the issues which have been raised.

368 Based upon such conference, the President/Superintendent shall decide whether the  
369 particular organization shall be removed from the list of auxiliary organizations in good  
370 standing. The District's Board of Trustees may, at its sole discretion, remove such an  
371 auxiliary organization from the list, and may make such other provisions consistent with  
372 law as may be appropriate with respect to an auxiliary organization not included on the  
373 list.

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

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

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

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

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

392 **Compliance Review by President/Superintendent**

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

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

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

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

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

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

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

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

426 Office of Primary Responsibility: President/Superintendent  
427 Vice President, Business Services

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**Date Approved:** November 26, 2007

**Date Revised:** June 18, 2008; March 3, 2025

**Dates Reviewed:** January 16, 2019; November 7, 2022