

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, October 21, 2022 – Zoom & In-Person Hybrid Meeting

(Exception Made Due to ongoing Covid-19 Safety Precautions)

Members Present: Mr. Scott Apel, Chair Dr. Praveen Soni
Mr. Milton Ordoñez Ms. Mitali Jain

Absent: Dr. Beth Lesen

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Mr. Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Mr. Tom Collier, Accounting Manager, 49er Shops

Guest(s): Mr. Mark Gray, Guzman & Gray
Mr. Colby Hyatt, Guzman & Gray
Ms. Kristina Randig, Business Manager, Financial Management
Mr. Idris Aydin, Director of Finance and Administration, ASI, Inc.

A. Call to Order:

The meeting was called to order at 8:33 a.m. by Chair, Scott Apel

B. Approval of the Agenda: October 21, 2022

Motion to accept the Agenda as presented.

M/S Ms. Jain / Dr. Soni

By acclamation the Agenda for the meeting of October 21, 2022 was hereby approved.

C. Approval of Minutes: September 16, 2022

Motion to accept the Minutes as presented.

M/S Ms. Jain / Dr. Soni

By acclamation the minutes of September 16, 2022 were hereby approved as presented.

D. Action Items:

- **Tax Return 990 and 990T:** Mr. Gray presented a detailed review of the Form 990 and Form 990T State Tax Returns for the committee members. The final versions will be signed and sent out accordingly.
 - The numbers reported in the 990 are based on the audited financial statements and reclassified for IRS reporting. The first page is an executive summary of the activity,

description of our mission and our activities and a summary of the board members. Then the listing of the revenues, expenses and net assets in a summary form. This shows both current and prior year.

- Mr. Gray mentioned that the 2nd Paycheck Protection Program loan had been included in the Statement of Revenue Part VIII under the “Contributions and Grants” section.
- Schedule O – Mr. Gray noticed that there was a discrepancy in the student count between this section which listed “39,300” and Section A which stated “38,700”.
 - Mr. Hyatt commented that he would follow-up and make sure that figure was verified and updated accordingly for both sections.

Motion to accept the 990 and 990T tax returns drafts as discussed

M/S Ms. Jain / Dr. Soni

By acclamation the 990 and 990T tax returns for 2021 – 2022 are hereby approved

- **1st Quarter 2022-2023 Financial Review** – As was discussed at the September meeting, Mr. Copley explained he would be reviewing our 1st Quarter Financial numbers more in line with a public company’s view of financial statements starting with a budget analysis initially then moving to a comparison of prior year activities which for future meetings will move to a year-to-date review.
 - 1st Quarter Financial Actual vs Budgeted:
 - Sales were 12.7% below budget or down \$972,000.
 - Bookstore sales were down 35.4% against budget due in part to the continuing trend of textbook sales from hard copies to digital formats.
 - Increased sales of approximately \$934,000 were seen specifically in the Residence Halls due to the higher capacity numbers than previously budgeted
 - Margin rates were up to 56.9% as opposed to 50.8% for the last fiscal year which is contributing to a favorable operating income year over year.
 - Overall Net Contribution is just under the break even point versus the prior year’s loss as a result of:
 - Favorable credits and revenues that were seen in an increase of \$332,000 due to increased campus activities.
 - Continuing investment losses in the first quarter along with higher operating expenses as our divisions have increased labor and benefits for our operations which did off-set the previously mentioned increases.
 - Capital Expenditures
 - The only capital expenditure for this quarter was in terms of needed upgrades to the Residence Hall security cameras.
 - Investment Results
 - The market continues to be volatile with 2022 investment returns down overall reflecting more than a 23% decline driven in part by recession and inflation fears.
 - For the Shops, total year investment losses are around a combined total of \$428,000 for this quarter.
 - Balance Sheet Review:
 - When considering that this quarter traditionally only sees 5 weeks of student activity at the start of the fall semester, the total cash assets will decline as result.

- Accounts Receivable increased in this quarter due to higher volumes of student activity.
 - However, a few substantial payments were received from Housing and for our Textbooks department which will reduce these numbers dramatically moving forward.
- Cash Flow Statement:
 - The month of September saw favorable net contributions which will impact cash balances.
 - However, Mr. Copley discussed that due to a persistent potential for inflation and recession, he would recommend to the Board that we pursue reasonable cash preservation activities moving forward which could include:
 - ❖ Temporarily suspend the Board's previously approved CalPERS liability pay down next scheduled for February 2023.
 - ❖ Potentially moving ASI from the Governmental Accounting Standards Board (GASB) to the Financial Accounting Standards Board (FASB) and the Shops operate under.
 - ◆ This move would align with other CSU Associated Students organizations while providing ASI with better future financial health overall.
 - ❖ Moving away from the 5-4-4 Accounting Calendar to a traditional calendar since many of our Shops locations are not considered traditional retail businesses for which this kind of calendar is designed.

Motion to accept the 1st Quarter 2022-2023 Financial Review

M/S Mr. Ordoñez / Dr. Soni

By acclamation the 1st Quarter 2022-2023 Financial Review was hereby approved to recommend to the Board.

E. General Information

• Shared Services Report

- Mr. Copley discussed that the Shared Services programs are progressing and highlighted the following activities:
 - Research on which centralized Accounting system would work best for both organizations
 - Developing a more unified Chart of Accounts
 - Preparing an RFP for Audit & Tax Services
 - Planning and designing future Accounting staff office relocations
 - Unifying the IT Trouble Ticketing Systems for both ASI and the Shops

F. Adjournment

- There being no further business, the meeting was adjourned at 9:38 a.m.