

MINUTES

BEACH SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, September 1, 2023 – Corporate Conference Room

Members Present: Scott Apel, Chair
Dr. Praveen Soni
Mitali Jain
Dr. Beth Lesen
Milton Ordoñez

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Tom Collier, Accounting Manager, 49er Shops
Idris Aydin, Director of Finance and Administration, ASI, Inc.
Kristy Nguyen, Accounting & Financial Analyst, ASI, Inc.
Stewart Ohanesian, Senior Accountant, ASI, Inc.

A. Call to Order:

The meeting was called to order at 9:38 a.m. by Chair, Scott Apel

B. Approval of the Agenda: September 1, 2023

Motion to accept the Agenda as presented.

M/S Mr. Ordoñez / Dr. Soni

By acclamation the Agenda for the meeting of September 1, 2023 was hereby approved as presented.

C. Approval of Minutes: May 2, 2023

Motion to accept the Minutes as presented.

M/S Dr. Soni / Ms. Jain

By acclamation the minutes of May 2, 2023 were hereby approved as presented.

D. Action Items: 4th Quarter 2022/2023 Year-End Review with results prior to final audit adjustments

- Mr. Copley presented the 4th Quarter Year-End review summary to the committee members.
 - He started by updating the committee about a recent change reflected in the 4th quarter financials regarding a CalPERS actuarial true up of over \$728,000 for the pension liability that would be discussed later.
 - In review, after more than two years dealing with the pandemic, 2023 financials reflected the challenges that come with an operational system re-start, however, it was also a year that included the following accomplishments:
 - New Residential Dining contract agreement

- Re-opening of the Nugget Grill & Pub
 - Beach Hut re-opening with the Amazon Just Walk-Out Technology
 - Establishment and branding of the Student Auxiliary Enterprises as part of our Shared Services project.
- There were also several achievements done through the Finance & IT departments that included but were not limited to the following:
 - Transitioning the Shops to a traditional calendar report system
 - Complete revision of our financial statement format to reflect Security Exchange Commission best practices design.
 - Successful RFP process for new auditors which resulted in our partnership with Aldrich Advisors.
 - Relocation of ASI Accounting and IT Staff with a successful remodel of the SAE Accounting offices.
 - Creation and implementation of the Student Auxiliary Enterprises (SAE) cost-sharing program.
- Statement of Operations Review – Full-Year 2023 versus Full-Year 2022
 - Full-year 2023 financial statements reflect a return to normal operations on campus with an 18.1% increase in revenue over 2022, especially for Residential Dining, Retail Dining and Convenience Store areas.
 - Gross Profit percentage improvement was seen in the Bookstore division with the marketplace shift from textbooks to higher margin goods.
 - Subsequently, Operating Expenses were up as we staffed to meet demand and the volume associated with volume increases.
 - Investment marketplace for the full year reflects more stability than has been seen over the past years.
 - Adjustment to the Statement of Operations
 - As per his previous comment at the beginning of the meeting, Mr. Copley discussed that the Shops had received the updated CalPERS actuarial report which reflected a \$4.7 million unfavorable actuarial adjustment in opposition to the favorable \$4.1 million adjustment seen in 2022.
 - This caused a non-cash transaction swing of \$8 million to the Shops' bottom line.
 - Therefore, the statement needed to be adjusted accordingly to compare operations without the non-cash transaction to better show the increased profitability primarily driven by volume increases and cost management.
- Performance to Budget – Year-End 2023
 - Financial results from this past year reflect a return to full operations yielding a 2% favorability to revenue with mixed results between the divisions.
 - Gross Profit percentages increased by .8% that was primarily due to the Bookstore's favorable shift in mix even with the significant inflationary environment that occurred within the marketplace
 - Additionally, Credits & Revenues were favorable with the higher level of graduation related sales.
 - Excellent staffing management contributed to operating expenses being favorable on salaries and benefits.

- G&A expenses were unfavorable because of non-cash transactions along with additional support staff being hired.
- Additionally, investments showed a good degree of improvement over the first half of the year.
- Capital Expenditures – Year-End 2023
 - The Shops had originally budgeted around \$680,000 for Capital Expenditures and came in below that at \$544,883 for the following items:
 - Fourth quarter costs included \$25,000 for Bookstore building improvements along with \$19,000 for Symphony upgrades and the re-opening of the Beach Hut.
 - Bookstore 3rd Quarter expenditure of around \$8,000 for air purifier equipment as well as Beach Hut Flooring and Caffeine Lab upgraded water filtration systems which cost around \$19,000.
 - Elevator ADA improvement deposit of \$8,000 from the 2nd Quarter along with PCI system compliance and security upgrades totally \$39,000.
 - In the 1st Quarter there was an expenditure of around \$21,000 for upgrades to the Residence Dining Halls security cameras.
 - Looking forward to the upcoming year, our Capital Expense budget is higher at about \$2 million and involves some higher cost items like the replacement of the air-conditioning system for the Bookstore, replacing the refrigeration units at the Caffeine Lab and contingency funds for potential repairs, maintenance and upgrades for the Retail Dining locations.
- Investment Results – Year-End 2023
 - Overall, economic and marketplace investment returns over the last two years have proven to be remarkably volatile, although the 4th quarter, including June, saw some strong results.
 - Morgan Stanley saw investments gains of 10.7% totaling \$940,000 and the BIG student group was also up 10.2% resulting in about \$58,000.
 - VEBA Trust was up by 8.5% or \$435,000 for the year.
- Financial Statements Overview – Year-End Full Year 2023:
 - When reviewing the Balance Sheets, cash balances have increased year-to-date from 2022 which is a favorable development, however, we have seen increases in A/R so collections will be a focus moving forward to help better support these balances.
 - Accounts Payable has increased, which indicates a future use of cash.
 - Current and total assets have grown since the prior year's end due to cash balances and small increases in inventory across the board.
 - Cash Flow Statement:
 - The Shops' net contribution is down from the prior year primarily because of the Non-Cash CalPERS adjustment previously discussed and the PPP funds that had been received in 2022.
 - Additionally, the Shops' net cash as a result of the Operating Activities demonstrates positive operational performance overall.
- Designated Fund Balances – Year-End 2023
 - These came in at around \$13.8 million and consist of the following categories:
 - SMIF Managed Investment Fund
 - Beach Club Deposits
 - PERS Unfunded Liability

➤ SRB Funding for the Outpost

Motion to accept the 4th Quarter and Full Year 2022-2023 Financial Review.

M/S Dr. Lesen / Dr. Soni

By acclamation the 4th Quarter and Full Year 2022-2023 Financial Review was hereby approved to recommend to the Board.

E. General Information

- Shared Services Upgrade
 - When looking to SAE future projects, Mr. Copley was excited to announce that the Shops would be engaging in a General Ledger upgrade as this was the backbone for good financial management overall.
 - Unfortunately, we were running on two semi-functional systems with Great Plains and SAGE 100 which is no longer supported.
 - Additionally with having one team on dual systems it presents challenges for staff in terms of cross-training, scale of operations, segregation of duties, different G/L structures along with GASBE and FASBE principles.
 - For the selection process, the goal was to find a system that would be compatible with Cloud Technology, be cost-effective in terms of price, value and performance and would be user-friendly as to minimize operational disruptions.
 - We have received 3 competitive bids and after a cost comparison survey had been completed, the Shops has chosen to go with Microsoft Dynamics 365: Business Central.
 - ❖ Microsoft is a proven and stable provider with a large number of partners, pre-existing integrations and applications along with providing an extensive support network.
 - ❖ Additionally, our accounting/transactional environment is a good fit with the Business Central design.
 - In terms of timelines and next steps, this project will start at the end of September with a projected end date of about 4 to 5 months.
 - As a side note, we still intend to maintain the Solver system for primary reporting as well as a financial planning tool.

F. Adjournment

- There being no further business, the meeting was adjourned at 10:15 a.m.