

FORTY-NINER SHOPS, INC.
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW PURPOSES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Forty-Niner Shops, Inc.
California State University, Long Beach

Financial Statements

We have audited the accompanying financial statements of the Forty-Niner Shops, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forty-Niner Shops, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements on pages 29 through 39 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2021 on our consideration of Forty Niner Shops, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Forty Niner Shops, Inc.'s internal control over financial reporting and compliance.

Guzman & Gray, CPAs
Long Beach, California
September 8, 2021

FORTY-NINER SHOPS, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,904,009	\$ 4,677,939
Accounts receivable	1,158,232	1,159,509
Accounts receivable, CSULB auxiliary organizations		2,624
Accounts receivable, CSULB	302,353	402,414
Inventories	1,031,915	1,795,488
Prepaid expenses	<u>50,797</u>	<u>43,420</u>
	<u>7,447,306</u>	<u>8,081,394</u>
CAPITAL ASSETS, net of accumulated		
Depreciation	<u>6,192,359</u>	<u>7,034,544</u>
OTHER ASSETS		
Investments	10,512,158	10,532,351
Overfunded post retirement medical benefits	<u>13,331</u>	
	<u>10,525,489</u>	<u>10,532,351</u>
TOTAL ASSETS	<u>\$24,165,154</u>	<u>\$25,648,289</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

LIABILITIES AND NET ASSETS

	JUNE 30,	
	2021	2020
CURRENT LIABILITIES		
Long term debt, current portion	\$ 100,000	\$ 95,000
Accounts payable, trade	135,578	351,014
Accounts payable, CSULB	145,848	882,675
Refundable campus debit card deposits	447,862	339,937
Accrued liabilities	734,528	430,205
Accrued payroll	38,101	384,594
Accrued vacation	482,726	462,115
Accrued sick pay	857,450	818,831
Pension obligation, current	477,775	580,883
Accrued post-retirement, current		<u>372,000</u>
	<u>3,419,868</u>	<u>4,717,254</u>
NONCURRENT LIABILITIES		
Long term debt, net of current portion	2,957,531	3,070,339
Paycheck Protection Program Forgivable Loan	2,000,000	2,000,000
Pension obligation, net of current portion	4,028,777	3,281,942
Accrued postretirement benefits		<u>258,316</u>
	<u>8,986,308</u>	<u>8,610,597</u>
Total Liabilities	<u>12,406,176</u>	<u>13,327,851</u>
NET ASSETS		
Without Donor Restrictions		
Invested in capital assets	3,869,205	3,869,205
Board designated	11,726,202	10,109,405
Undesignated (Deficit)	<u>(3,836,429)</u>	<u>(1,658,172)</u>
Total Net Assets	<u>11,758,978</u>	<u>12,320,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$24,165,154</u>	<u>\$25,648,289</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF ACTIVITIES

	JUNE 30,	
	2021	2020
ENTERPRISE OPERATING REVENUES		
Sales	\$ 10,263,290	\$ 28,636,242
Commission	1,481,619	1,727,952
Vending	4,099	244,435
Other	<u>4,853</u>	<u>15,247</u>
	<u>11,753,861</u>	<u>30,623,876</u>
ENTERPRISE OPERATING EXPENSES		
Cost of sales	6,389,735	13,088,496
Programs	7,836,789	15,433,961
General and administrative	<u>2,814,061</u>	<u>4,088,188</u>
	<u>17,040,585</u>	<u>32,610,645</u>
ENTERPRISE OPERATING (LOSS)	<u>(5,286,724)</u>	<u>(1,986,769)</u>
NONOPERATING INCOME (EXPENSE)		
Interest imputed from net loan premiums and costs	12,809	12,809
Interest expense	(135,525)	(139,548)
Investment income, net	3,024,312	272,311
Paycheck Protection Program	2,000,000	
Net (loss) on disposal of fixed assets	<u>(87,299)</u>	<u> </u>
	<u>4,814,297</u>	<u>145,572</u>
NONMANDATORY TRANSFERS TO UNIVERSITY		
Contributions to University and University programs	<u>(89,033)</u>	<u>(399,309)</u>
(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(\$ 561,460)</u>	<u>(\$ 2,240,506)</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	FOR THE YEARS ENDED JUNE 30,	
	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING	\$ 12,320,438	\$ 14,560,944
(DECREASE) IN NET ASSETS	<u>(561,460)</u>	<u>(2,240,506)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING	<u>\$ 11,758,978</u>	<u>\$ 12,320,438</u>

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See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

PROGRAMS

	BOOKSTORE	CONVENIENCE STORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	TOTAL
				RESIDENCE HALL	RETAIL DINING			
OPERATING EXPENSES								
Salaries and wages	\$ 1,214,430	\$ 422,715	\$ 164,212	\$ 1,232,995	\$ 349,331	\$ 3,383,683	\$ 1,143,105	\$ 4,526,788
Employee benefits	477,689	158,055	51,863	923,542	249,135	1,860,284	1,080,417	2,940,701
Advertising and promotions	5,359	14,202	-	1,605	486	21,652	2,150	23,802
Bad debts	5,215	3	-	54	13	5,285	-	5,285
Bank and credit card fees	88,876	2,568	872	424	7,848	100,588	6,998	107,586
Board	-	-	-	-	-	-	15,246	15,246
Discounts and markdowns	(15)	-	-	-	-	(15)	-	(15)
Employees' appreciation	709	-	-	25	10	744	81	825
Equipment rental	18,767	617	-	7,091	7,592	34,067	2,599	36,666
Freight out and postage	(72,552)	143	2	-	(2)	(72,409)	1,265	(71,144)
General expenses	(535)	2,908	1	10,437	7,631	20,442	579	21,021
Insurance	53,468	2,922	348	71	61,796	118,605	5,175	123,780
Professional services	-	300	-	-	-	300	108,066	108,366
R/H commissions	-	-	-	71,608	-	71,608	-	71,608
Rent	73,200	-	9,600	-	22,200	105,000	-	105,000
Repairs and maintenance	161,286	3,416	154,932	30,342	81,365	431,341	286,994	718,335
Royalties and commissions	16,177	35,345	-	-	-	51,522	-	51,522
Services	50,697	3,353	-	140,581	65,085	259,716	7,445	267,161
Subscriptions and dues	8,332	(206)	-	795	1,179	10,100	10,122	20,222
Supplies	135,285	5,823	53,092	156,726	(19,539)	331,387	26,772	358,159
Telephone and communications	26,449	7,143	1,973	6,218	7,423	49,206	25,129	74,335
Training	996	-	-	1,280	413	2,689	5,225	7,914
Travel	926	114	-	160	332	1,532	809	2,341
Utilities	70,355	6,105	-	-	46,044	122,504	-	122,504
Depreciation	372,474	108,115	-	8,573	437,796	926,958	85,884	1,012,842
TOTAL EXPENSES	\$ 2,707,588	\$ 773,641	\$ 436,895	\$ 2,592,527	\$ 1,326,138	\$ 7,836,789	\$ 2,814,061	\$ 10,650,850

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAMS						TOTAL
	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	
			RESIDENCE HALL	RETAIL DINING			
OPERATING EXPENSES							
Salaries and wages	\$ 2,517,077	\$ 190,012	\$ 2,584,692	\$ 2,175,282	\$ 7,467,063	\$ 1,515,618	\$ 8,982,681
Employee benefits	690,285	52,039	1,004,529	637,842	2,384,695	1,648,725	4,033,420
Advertising and promotions	48,444	2,067	8,478	28,504	87,493	(31,035)	56,458
Bad debts	(460)	-	65	(262)	(657)	-	(657)
Bank and credit card fees	238,229	17,997	3,057	149,749	409,032	53,963	462,995
Board	-	-	-	-	-	42,435	42,435
Discounts and markdowns	464,182	-	-	-	464,182	-	464,182
Employees' appreciation	1,775	64	1,758	1,714	5,311	29,556	34,867
Freight out and postage	42,245	-	-	1	42,246	2,659	44,905
General expenses	7,800	47	7,860	88,660	104,367	14,318	118,685
Insurance	51,459	348	71	56,643	108,521	5,078	113,599
Professional services	17,572	-	-	125	17,697	202,586	220,283
R/H commissions	-	-	702,716	414	703,130	-	703,130
Rent	88,600	8,000	-	22,200	118,800	-	118,800
Repairs and maintenance	178,048	119,203	65,064	234,063	596,378	354,242	950,620
Royalties and commissions	148,006	-	-	233,762	381,768	-	381,768
Services	85,027	-	189,441	231,181	505,649	11,051	516,700
Subscriptions and dues	4,985	1,740	-	7,301	14,026	7,864	21,890
Supplies	162,481	64,725	194,705	171,404	593,315	65,427	658,742
Telephone and communications	36,195	2,081	6,487	21,910	66,673	28,843	95,516
Training	25,843	3,186	6,892	2,123	38,044	20,640	58,684
Travel	1,206	-	1,894	6,341	9,441	12,860	22,301
Utilities	94,972	-	-	222,046	317,018	-	317,018
Equipment rental	20,862	-	5,912	28,338	55,112	2,782	57,894
Depreciation	466,457	-	852	477,348	944,657	100,576	1,045,233
TOTAL EXPENSES	\$ 5,391,290	\$ 461,509	\$ 4,784,473	\$ 4,796,689	\$ 15,433,961	\$ 4,088,188	\$ 19,522,149

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	(\$ 561,460)	(\$ 2,240,506)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,012,842	1,045,233
Interest imputed from net loan premiums and costs	(12,809)	(12,809)
Forgiveness of Paycheck Protection Program	(2,000,000)	
Unrealized (gain) loss on investments	(1,844,043)	(290,553)
Realized (gain) loss on investments	(1,025,560)	245,625
Net (gain) loss on disposal of fixed assets	(87,299)	
(Increase) decrease in:		
Accounts receivable	1,277	2,578
Accounts receivable, CSULB auxiliary organizations	2,624	46,038
Accounts receivable, CSULB	100,061	(49,643)
Inventories	763,573	874,132
Prepaid expenses	(7,377)	(42,822)
Overfunded post retirement medical Benefits	(13,331)	
Increase (decrease) in:		
Accounts payable	(215,435)	317,741
Accounts payable, CSULB	(736,827)	740,937
Refundable campus debit card deposits	107,925	35,436
Accrued liabilities	304,323	157,899
Accrued payroll	(346,493)	(217,775)
Accrued vacation	20,611	(50,113)
Accrued sick pay	38,619	(356,118)
Accrued pension obligation	643,727	(102,096)
Accrued post retirement benefits	<u>630,316</u>	<u>199,348</u>
Net Cash Used by Operating Activities	<u>(4,310,770)</u>	<u>(96,164)</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED	
	JUNE 30	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(257,956)	(247,423)
Purchase of investments	(2,685,463)	(3,506,852)
Proceeds from sale of investments	<u>5,575,259</u>	<u>3,272,281</u>
Net Cash Provided (Used) by Investment Activities	<u>2,631,840</u>	<u>(481,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term debt	(95,000)	(90,000)
Proceeds from paycheck protection program forgivable loan	<u>2,000,000</u>	<u>2,000,000</u>
Net Cash Provided by Financing Activities	<u>1,905,000</u>	<u>1,910,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>226,070</u>	<u>1,331,842</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>4,677,939</u>	<u>3,346,097</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 4,904,009</u>	<u>\$ 4,677,939</u>
SUPPLEMENTAL DISCLOSURE		
Cash disclosure		
Cash paid for interest	<u>\$ 135,525</u>	<u>\$ 139,548</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Organization is a nonprofit auxiliary organization, organized to operate food services and bookstore activities at California State University, Long Beach for the benefit of the University Campus. The Organization's customer base consists primarily of students enrolled at California State University, Long Beach.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), with the intended purpose of improving financial reporting relating to revenue from contracts with customers. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The Organization adopted ASU 2014-09 and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. No changes to the current financial statements resulted from applying the ASC 606.

Basis of Presentation

The Organization's financial statements are presented in accordance with guidelines established for auxiliary organizations issued by the Office of the Chancellor of the California State University.

In 2020, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied the changes retrospectively. The main provisions include: presentation of two-classes of net assets versus the previously required three. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses both their natural and functional classification. With the adoption of the standard, the Organization updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Under the provisions of the Guide, net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not have net assets with donor restrictions.

Net assets released from donor restrictions:

Net assets are released by incurring expenses satisfying the restriction or occurrence of the other events specified by donors.

Fair Value of Financial Instruments

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements

The Organization follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input of assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include annual depreciation, the carrying value of property, plant and equipment, actuarial estimates of postretirement benefits, timing of income recognition of certain revenues and allowance for doubtful accounts. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash within 90 days from the date of purchase. All cash balances are held at major banking and broker institutions.

Investments

The Organization accounts for all investments at fair market value. Net realized, unrealized gains and losses on investments and investment fees are reflected in the statement of activities under investment income, net.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been established because management believes that all accounts are collectible and no allowance is needed.

Inventories

Inventories for the bookstore are valued using the lower of cost or market by the average unit cost inventory method of accounting. Inventories for the food service are valued using the lower of cost (first-in, first-out) or market method.

Capital Assets and Depreciation

Capital asset accounts are stated at cost less accumulated depreciation. Betterments and major improvements are added to the respective asset's cost while ordinary repairs that do not extend useful lives are expensed as incurred. All direct and indirect costs incurred in constructing assets are accumulated in an asset account and no depreciation is recognized until the asset is put into operation. When an asset is sold or otherwise disposed of, the cost of the asset and the related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the statement of activities.

Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the various classes of property which are ten to fifty years for buildings and improvements, five to ten years for equipment, furniture and fixtures, and three to five years for automobiles.

The capitalization thresholds are as follows:

Buildings and building improvements	\$ 10,000
Equipment and furniture	\$ 2,500
Vehicles and other	\$ 2,500

Equipment acquired under capital leases are recorded at the lower of the fair value or the present value of future minimum lease payments. These leases are amortized over their estimated useful lives of five years or the lease term, whichever is shorter. Amortization of equipment acquired under capitalized leases is included with depreciation expense.

Accrued Vacation and Sick Pay

Accruals for vacation and sick pay are made on a monthly basis as such benefits become payable to employees. Pay rate increases are applied to the hours earned in prior periods, if any, and are reported as a current expense in the statement of activities.

Debt Issuance Costs

The debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. Similarly, the discount on premium resulting from the determination of present value shall be reported in the statement of financial position as a direct deduction from or addition to the face amount of the note and shall not be classified as a deferred charge or deferred credit. Amortization of discounts, premiums and debt issuance costs shall be reported as either interest expense or interest income.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization applies the five-step model to contracts when it is probable that the Organization will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606"), the Organization performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Organization satisfies a performance obligation. The Organization then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

A summary of revenue recognition is as follows:

Bookstore Sales

Bookstore sales revenues are recognized at the point of sale. Web sales are recorded upon delivery to the customer or upon customer pickup at the store.

Commission Fees

Commission fees revenues are recognized when cash is received, or when contracted amounts are earned.

Food Service and Dining Sales

Food service and dining sales revenues are recognized at the point of sale.

Vending Machine Sales

Vending Machine sales revenues are recognized when cash is received.

Textbook Rental revenues

Short term textbook rental revenues are generally recognized at the beginning of the lease term and properly recognized within the applicable fiscal year.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Salaries and wages, employee benefits, employees' appreciation, professional services, service, training and travel are based on time and effort. Certain costs such as advertising and promo, bad debts, bank and credit card fees, board, discounts and markdowns, freight out and postage, general expenses, inventory adjustments, Residence Hall commissions, royalties and commissions, subscriptions and dues and supplies are allocated based on estimated usage on general and administrative, book store, ID card services and food service. Costs related to space include insurance, interest, rent, repairs and maintenance which include maintenance of information and technology and other, telephone and data lines and utilities are allocated on a square footage basis.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements, if any.

Reporting of Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 8, 2021 which represents the date the financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE, CSULB AUXILIARY ORGANIZATIONS

Accounts receivable from CSULB auxiliary organizations are comprised of the following:

	June 30,	
	2021	2020
Associated Students	\$ 0	\$ 2,624
	\$ 0	\$ 2,624

NOTE 3 – INVENTORIES

Inventories consist of the following:

	June 30,	
	2021	2020
New textbooks	\$ 214,964	\$ 261,148
Computer equipment, supplies and software	65,122	148,379
Supplies	485,672	904,340
Used textbooks	167,047	254,751
Trade books	7,048	8,649
Food service	92,062	218,221
	\$ 1,031,915	\$ 1,795,488

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 – INVESTMENTS

Investments are recorded at fair market value. The historical and market values are as follows:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$2,978,680	\$3,519,017	\$4,090,511	\$3,826,559
Common stocks	3,859,511	5,782,764	4,865,997	5,782,764
Investments in alternative funds	<u>1,129,841</u>	<u>1,210,377</u>	<u>968,471</u>	<u>923,028</u>
	<u>\$7,968,032</u>	<u>\$10,512,158</u>	<u>\$9,924,979</u>	<u>\$10,532,351</u>

A summary of investment income, net is as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 207,801	\$ 269,755
Net unrealized gain (loss)	1,844,043	290,553
Net realized gain (loss)	1,025,560	(245,626)
Investment advisory fee	(53,092)	(42,371)
	<u>\$ 3,024,312</u>	<u>\$ 272,311</u>

NOTE 5 - CAPITAL ASSETS

Capital assets and the related accumulated depreciation consist of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 19,351,279	\$ 19,954,976
Equipment, furniture and fixtures	6,026,644	7,370,229
Automobiles	<u>46,734</u>	<u>46,734</u>
	25,424,657	27,371,939
Less: accumulated depreciation	<u>(19,355,028)</u>	<u>(20,373,894)</u>
	6,069,629	6,998,045
Construction in progress	<u>122,730</u>	<u>36,499</u>
	<u>\$ 6,192,359</u>	<u>\$ 7,034,544</u>

Construction in progress at June 30, 2021 consists primarily of capital leasehold improvement expenditures for the bookstore and food service facilities.

Depreciation expense for the years ended June 30, 2021 and 2020 was \$1,012,842 and \$1,045,233, respectively.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 6 – ACCOUNTS PAYABLE, CSULB AUXILIARY ORGANIZATIONS

There were no accounts payable to CSULB auxiliary organizations at June 30, 2021 and 2020.

NOTE 7 – LONG TERM DEBT

Long term debt is summarized as follows:

	JUNE 30,	
	2021	2020
Note payable to CSU is payable semiannually on May 1 and November 1 of each year including interest and matures May 1, 2039.	\$ 2,845,000	\$ 2,940,000
Unamortized net deferred amount on refinancing	212,531	225,339
Less: Current portion	(100,000)	(95,000)
Noncurrent portion	\$ 2,957,531	\$ 3,070,339

In 2008, the Organization borrowed \$4,110,000 from CSU in connection with the construction of certain food service leasehold improvements. The CSU assisted in financing the construction through the issuance of System wide Revenue Bonds Series 2008A, by the State of California in the amount of \$4,110,000.

On April 20, 2016, CSU refinanced \$3,415,000 of the System wide Revenue Bonds Series 2008A by issuing a \$3,125,000 of System wide Revenue Bonds Series 2016A. Interest rates range from 2% to 5% with an average face coupon rate of 4.61% and effective rate of 3.32%. The bonds will mature over the next 23 years with an average maturity of 14.25 years. On May 1, 2016 the loan agreement between the Organization and CSU was amended to reflect the refinancing of the bonds. The Organization is obligated to repay the CSU the amount of the indenture obligations, interest and costs by making payments to the CSU equal to the CSU's debt service on the bonds. The debt obligation is secured by the Organization's revenues.

The future scheduled maturities of long term debt for the next five years and thereafter are as follows:

Year ending June 30,	
2022	\$ 100,000
2023	105,000
2024	110,000
2025	115,000
2026	125,000
Thereafter	2,502,531
	\$3,057,531

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 8 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

The Paycheck Protection Program (PPP) allows certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP loan with the same general loan terms as their First Draw PPP loan. In April 2021, the Organization received loan proceeds of \$2,000,000 from a local bank under the PPP administered by the SBA as part of the Second Draw PPP loan. The first draw of the PPP loan which was recorded as a liability at June 30, 2020 was forgiven during the year. The PPP, established as part of the CARES Act, can loan a qualifying organization up to 2.5 times the qualifying organization's average monthly payroll expenses.

The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds during the 8 or 24 week covered period it selects for payroll, healthcare benefits, interest on loan obligations incurred before February 15, 2020, rent and utilities as outlined in the loan agreement.

The unforgiven portion of the PPP loan is payable over five years from the disbursement date. Interest on the loan of 1% from the disbursement date which is April 1, 2021. Payments of the principal and interest are deferred until the date the lender receives notification from the SBA of any unforgiven loan amount but not to exceed the final loan forgiveness application due date. Any remaining balance due on the loan must be repaid on or before the maturity date of the loan.

The Organization will recognize any portions forgiven by the SBA as income and any amounts due as liabilities.

NOTE 9 – NET ASSETS WITHOUT RESTRICTIONS

Net assets without restrictions at June 30, are comprised of the following:

	2021	2020
Invested in capital assets	\$ 3,869,205	\$ 3,869,205
Board Designated For:		
PERS unfunded liability	4,506,552	3,862,825
SRB Funding Outpost	3,070,339	3,178,148
SBA PPP 2	2,000,000	
UDP Repairs and replacements		1,000,000
Beach Deposits	447,862	400,000
VEBA-Post Retirement Medical		400,000
Beach Investment Group	681,590	500,000
AORMA Unemployment Insurance	499,859	
Sick pay benefits	520,000	768,432
	11,726,202	9,609,405
Undesignated net assets (Deficit)	(3,485,081)	(1,158,172)
	\$ 12,110,326	\$ 12,320,438

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 10 - LEASE COMMITMENTS

The Organization leases certain properties for the bookstore and food service facilities from California State University, Long Beach (CSULB) and other unrelated third parties. The agreements with CSULB require the Organization to manage and operate the facilities for the benefit of the University. Some of the leases for the facilities are non-cancellable and expired in 2018 with options to renew each year for five years. Under the terms of these leases, the Organization is required to make monthly lease payments totaling \$9,824 and is responsible for repairs, maintenance, alterations, and insurance. Non-cancellable operating lease agreements with Associated Students, Inc. and other unrelated third parties for retail and food service facilities commenced in 2009, 2015, 2017 and 2021 and expire in 2022, 2023, and 2025.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2022 and 2024.

Future minimum rental payments required for equipment and facilities under operating leases that have an initial or remaining non-cancellable lease term in excess of one year, as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	
2022	\$ 118,450
2023	93,905
2024	3,785
2025	<u>1,145</u>
	<u>\$ 217,285</u>

Rent expense was \$105,000 and \$118,800 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 – OPERATING AGREEMENTS

The Organization has entered into certain non-cancellable operating agreements with selected food service providers for catering, vending and other food services. Royalties are due to the Organization based on a percentage of monthly gross sales of the Operator or a set annual amount, whichever is greater. Also, the Operators will pay a percent of monthly gross sales for common area maintenance charges. Initial terms of the leases vary from one to fifteen years and have varying expiration dates.

The Organization has also entered into an agreement that contains guaranteed minimum commission payments. Commissions are due to the Organization based on a percentage of qualifying revenues.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 11 – OPERATING AGREEMENTS (Continued)

The estimated guaranteed annual payments are as follow:

<u>Year ending June 30,</u>	
2022	\$ 201,707
2023	107,900
2024	13,200
2025	13,200
2026	<u>6,600</u>
	<u>\$ 342,607</u>

NOTE 11 - PENSION PLAN (CALPERS)

The Organization participates in a cost-sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System plan (CalPERS) which covers substantially all regular salaried full-time employees of the Organization. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. The Organization's CalPERS Employer Identification Number is 4917586175.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office- 400 P Street – Sacramento, CA 95814.

The recorded unfunded pension liabilities at June 30, 2021 and 2020 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2020 and 2019, respectively.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2020 and June 30, 2019 (the measurement dates) were \$4,506,552 and \$3,862,825, respectively.

The plan's proportionate share of fiduciary net asset position which is the total assets less certain reserve and expense requirements at June 30, 2020 and June 30, 2019 (the measurement dates) were \$23,081,237 and \$22,468,153, respectively.

The actuarially assumed investment return as of June 30, 2020 was 7.15% per annum. The salary scale used assumes salary increases that vary by entry age and service. The total increase in any future year includes an assumed 2.50% inflation rate.

For employees hired before January 1, 2013, the Organization is required to contribute at an actuarially determined rate. For the year ended June 30, 2021 the total employer's contribution rate is 29.8% of annual payroll. This rate is comprised of 11.031% of normal cost rate and 18.769% of UAL contribution.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 11 - PENSION PLAN (CALPERS) (Continued)

The active employee contribution rate is 6.908% of annual pay. For employees hired on and after January 1, 2013, the total employer and employee contribution rates for the years ending June 30, 2021 and 2020 are 8.328% and 6.75%, respectively.

Employer's contribution rates are assumed to increase 10.897% each year for the next five years. Employer's contribution rates may change if plan contracts are amended. Payroll is assumed to increase on average 5.494% each year for the next five years. CalPERS requires a minimum contractual contribution of 10.88% of payroll and either a monthly dollar payment of \$35,927 or an annual lump sum prepayment of \$416,791.

As of the measurement date June 30, 2019, the plan was between 73-83% funded. As of June 30, 2021, management estimated that the total unfunded accrued liability was \$5,512,542.

During the 2021 fiscal year, the employer and employee contributions were \$276,497 and \$190,701, respectively.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 477,775
2023	509,584
2024	543,670
2025	560,692
2026	575,446
Thereafter	<u>1,839,385</u>
	<u>\$ 4,506,552</u>

NOTE 12 - RETIREMENT PLAN (403B)

Effective July 2009, the Organization adopted an Internal Revenue Code 403(b) tax deferred retirement plan for all eligible employees. The plan is a defined contribution plan covering part time and full time employees except for student employees performing specified services, nonresident aliens, and employees who normally work less than twenty hours per week. Each year, participants may contribute an amount or percentage of their base pay by means of payroll deductions up to the elective deferral limit set by law.

The plan provides for an employer matching contribution and an employer non-elective contribution for all employees that have obtained one year of service equivalent to one thousand hours. The Organization may contribute a discretionary percentage up to six percent of the amount of the employees' elective deferral. This contribution is allocated to all participants in proportion to each eligible employee's compensation. For the years ending June 30, 2021 and 2020 the employer contributions amounted to \$34,386 and \$36,593.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS

The Organization provides post-retirement health care and dental insurance benefits for certain qualified retired employees. Only full time salaried employees hired prior to January 1, 2009 and that were participating in CalPERS as of January 1, 2009, that terminate employment after attaining five years of service time and have reached age 50 while working for the Organization are eligible for the plan. As of June 30, 2021 and 2020 the number of eligible retired employees participating in the plan were 20 and 22, respectively. Currently, there are 2 active employees that could be eligible to participate in the plan in the future.

On September 30, 2011, the board of directors approved the participation in the Auxiliary Multiple Employer VEBA, a consortium of CSU Auxiliary organizations organized to provide retiree health care benefits through a Voluntary Employees Benefit Organization (VEBA) recognized under 501(c)(9). During the years ending June 30, 2021 and June 30, 2020 no contributions were made to the account. During the year ending June 30, 2021 the Organization withdrew \$800,000 from the trust account as reimbursement for the plan's current year medical costs of \$351,431 and future medical costs of \$448,569. Since 2011, the total amount invested in the VEBA Trust was \$4,000,000 and the total amount withdrawn from the VEBA Trust was \$800,000. The assets of the VEBA Trust are invested primarily in equity and fixed income securities. The assets held in the VEBA Trust reduce the accumulated post retirement obligation, as reported in the statement of financial position. As of June 30, 2021 and 2020, the VEBA trust held assets at fair market value of \$6,353,835 and \$5,710,370, respectively.

As of June 30, 2021 and 2020, the accumulated post-retirement benefit obligation amount has been accrued in the statements of financial position.

The following table sets forth the funded status of the plan reconciled to the recorded post-retirement benefits cost recognized in the Organization's financial statements:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Accumulated Post Retirement Benefit Obligation		
Retirees	\$ 3,311,516	\$ 3,311,516
Active Employees	<u>3,029,170</u>	<u>3,029,170</u>
	6,340,686	6,340,686
Fair Value of Assets	<u>(6,353,835)</u>	<u>(5,710,370)</u>
Overfunded APBO	(13,330)	630,316
Unamortized gain (loss)	NONE	NONE
Unamortized transition obligation	<u>(13,330)</u>	<u>NONE</u>
Accrued Post Retirement Benefit Cost (Asset)	<u>(\$ 13,330)</u>	<u>\$ 630,316</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS (Continued)

	June 30,	
	<u>2021</u>	<u>2020</u>
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	\$ 630,316	\$ 829,664
Service cost	36,000	136,483
Interest cost	315,249	215,514
Contributions	NONE	NONE
Withdrawals	800,000	NONE
Asset return loss (gain)	(1,443,464)	(199,348)
Expected Return on assets	NONE	NONE
Actuarial loss (gain)	NONE	NONE
Benefits paid	<u>(351,431)</u>	<u>(351,997)</u>
Balance of (Over) or Under Funded Benefit Obligation	<u>(\$ 13,330)</u>	<u>\$ 630,316</u>
Pension-related changes other than net periodic pension cost		
Amortization of transition obligation	\$ NONE	\$ NONE
Net gain (loss)	<u>NONE</u>	<u>NONE</u>
	<u>NONE</u>	<u>NONE</u>
Net periodic post retirement benefit cost		
Service cost	\$ 36,000	\$ 136,483
Interest cost	315,249	215,514
Expected return on assets	NONE	NONE
Amortized gain (loss)	<u>NONE</u>	<u>NONE</u>
Net periodic benefit cost	<u>\$ 351,249</u>	<u>\$ 351,997</u>

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 3.00 %. The Consumer Price Index assumed is 3% less than the discount rate assumption. Medical costs are assumed to increase 3% during the year beginning July 1, 2019 with the rate of increase decreasing each year thereafter until the year beginning July 1, 2025 and thereafter the Medical Cost trend rate is assumed to be the same as Consumer Price Index Increases.

The Organization's policy is to have an actuarial study of the plan performed every 3 years. The next study is expected to be performed for the fiscal year ending June 30, 2022. The measurement of the last Actuarial Report was July 1, 2019. The Organization performs its own estimates and assumptions in interim years also taking into consideration past actuarial assumptions.

As of June 30, 2021 the Organization's Post Retirement Medical Benefit Obligation is overfunded by \$13,330.

A corridor is not used to amortize any actuarial gains and losses. Based on current market conditions the Organization is not assuming any net long-term rate of return on plan assets in the near future.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 14 – SELF-INSURANCE

The California State University System (System) and certain auxiliary organizations have established a public entity risk pool, California State University Risk Management Authority (CSURMA), a blended component unit of the System, to manage centrally workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The Organization has a commitment in the self-insurance coverage. Management believes the CSURMA self-insurance claims liability balance is fully funded at June 30, 2021.

NOTE 15 – FAIR VALUE MEASUREMENTS

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021:

	<u>Fair Market Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 3,519,017	\$ 3,519,017		
Common stocks	5,782,764	5,782,764		
Investments in alternative funds	<u>1,210,377</u>	<u> </u>	<u>\$1,210,377</u>	<u> </u>
	<u>\$10,512,158</u>	<u>\$ 9,301,781</u>	<u>\$1,210,377</u>	<u>NONE</u>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2020:

	<u>Fair Market Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 3,826,559	\$ 3,826,559		
Common stocks	5,782,764	5,782,764		
Investments in alternative funds	<u>923,028</u>	<u> </u>	<u>\$ 923,028</u>	<u> </u>
	<u>\$10,532,351</u>	<u>\$ 9,609,323</u>	<u>\$ 923,028</u>	<u>NONE</u>

NOTE 16 – REIMBURSEMENTS TO AND FROM CSULB

The Organization paid reimbursements to CSULB for the year ended June 30, 2021 in the amount of \$693,102.

These reimbursements have been included in the financial statements as follows:

Repairs and maintenance	\$ 9,454
Communications	45,772
Allocated general and administrative	77,729
Utilities and rent	317,167
Supplies	11,705
Interest and principal on note payable	<u>231,275</u>
	<u>\$ 693,102</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 16 – REIMBURSEMENTS TO AND FROM CSULB (Continued)

The Organization paid reimbursements to CSULB for the year ended June 30, 2020 in the amount of \$1,053,411.

These reimbursements have been included in the financial statements as follows:

Buildings and improvements	\$ 13,980
Repairs and maintenance	137,817
Communications	61,627
Allocated general and administrative	104,856
Utilities and rent	478,533
Supplies	26,450
Interest and principal on note payable	<u>230,148</u>
	<u>\$1,053,411</u>

NOTE 17 – OTHER RELATED PARTY TRANSACTIONS

The Organization charged CSULB \$550,302 and \$491,678 at June 30, 2021 and 2020, respectively, for reimbursement of expenses to operate the ID Card Services.

CSU and CSULB charges the Organization a fee from 3% to 7% to oversee any on campus construction projects.

NOTE 18 – CONCENTRATIONS, RISKS AND UNCERTAINTIES

Credit Risks

The Organization maintains cash in various financial institutions located in Southern California. All accounts at an insured depository institution, including all non-interest bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC).

However, the SIPC does not protect against losses in market value. At times, cash balances may exceed federally insured limits, but management believes the Organization was not exposed to any significant credit risk. Uninsured balances were \$4,701,291 and \$4,315,500 at June 30, 2021, and 2020, respectively.

Market and Interest Rate Risks

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Uncertainties

On June 15, 2021, the California Governor temporarily lifted certain COVID-19 restrictions and put in place a new public health order. California continues to follow certain COVID-19 public health guidance for certain establishments. Any unknown increased risk exposure from the COVID-19 pandemic could have an adverse financial impact on the Organization's programs and business.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 19 – LIQUIDITY

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 4,456,147
Accounts receivable	1,158,232
Accounts receivable, CSULB	<u>302,353</u>
 Total Financial Assets Available to Management for General Expenditures Within One Year	 <u>\$ 5,916,732</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing. In addition, cash and cash equivalents have been reduced by refundable campus debit card deposits of \$447,862.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Although the funds not limited can be appropriated for general expenditures as part of its annual budget approval and appropriation process and amounts from its investments for which uses are limited by board designations could be made available with board approval if necessary.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 20 – CONTINGENCIES

LOSS CONTINGENCY

During the year, the Organization has been named in an employment related lawsuit. The plaintiff has not stated any specific amounts of damage sought in their complaint. Management is vigorously investigating the claims and does not believe there will be a material adverse effect upon the Organization’s financial position, operations or cash flows. At this time management cannot estimate any potential loss that maybe incurred from the lawsuit including its share of legal fees, if any, to defend against the claims since the case is in the preliminary stages.

ADDITIONAL INFORMATION

DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW PURPOSES

FORTY-NINER SHOPS, INC.
SCHEDULE OF ENTERPRISE ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAMS								
	TOTAL	GENERAL AND ADMINISTRATIVE	BOOKSTORE	CONVENIENCE STORE	ID CARD SERVICES	FOOD SERVICES			
						TOTAL	RESIDENCE HALL	VENDING	RETAIL DINING
ENTERPRISE OPERATING REVENUES									
Sales	\$ 10,263,290	-	\$ 5,858,041	\$ 2,256,022	\$ 542,161	\$ 1,607,066	\$ 1,511,863	\$ -	\$ 95,203
Contracted revenue and commissions	1,485,718	-	664,488	792,465	5,252	23,513	-	16,897	6,616
Other	4,853	-	-	-	-	4,853	-	4,853	-
	<u>11,753,861</u>	<u>-</u>	<u>6,522,529</u>	<u>3,048,487</u>	<u>547,413</u>	<u>1,635,432</u>	<u>1,511,863</u>	<u>21,750</u>	<u>101,819</u>
COST OF SALES	<u>6,389,735</u>	<u>-</u>	<u>4,656,128</u>	<u>1,249,532</u>	<u>-</u>	<u>484,075</u>	<u>460,890</u>		<u>23,185</u>
GROSS PROFIT	<u>5,364,126</u>	<u>-</u>	<u>1,866,401</u>	<u>1,798,955</u>	<u>547,413</u>	<u>1,151,357</u>	<u>1,050,973</u>	<u>21,750</u>	<u>78,634</u>
PROGRAM EXPENSES	7,836,789	-	2,707,588	773,641	436,895	3,918,665	2,592,527	-	1,326,138
SUPPORTING SERVICES EXPENSES	2,814,061	2,814,061	-	-	-	-	-	-	-
	<u>10,650,850</u>	<u>2,814,061</u>	<u>2,707,588</u>	<u>773,641</u>	<u>436,895</u>	<u>3,918,665</u>	<u>2,592,527</u>	<u>-</u>	<u>1,326,138</u>
ENTERPRISE OPERATING INCOME(LOSS)	<u>(5,286,724)</u>	<u>(2,814,061)</u>	<u>(841,187)</u>	<u>1,025,314</u>	<u>110,518</u>	<u>(2,767,308)</u>	<u>(1,541,554)</u>	<u>21,750</u>	<u>(1,247,504)</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
SCHEDULE OF ENTERPRISE ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAMS								
	TOTAL	GENERAL AND ADMINISTRATIVE				FOOD SERVICES			
		TOTAL	BOOKSTORE	CONVENIENCE STORE	ID CARD SERVICES	TOTAL	RESIDENCE HALL	VENDING	RETAIL DINING
OPERATING EXPENSES									
Salaries and wages	\$ 4,526,788	\$ 1,143,105	\$ 1,214,430	\$422,715	\$ 164,212	\$ 1,582,326	\$ 1,232,995		\$ 349,331
Employee benefits	2,940,701	1,080,417	477,689	158,055	51,863	1,172,677	923,542		249,135
Advertising/promo	23,802	2,150	5,359	14,202	-	2,091	1,605		486
Bad debts	5,285	-	5,215	3	-	67	54		13
Bank and credit card fees	107,586	6,998	88,876	2,568	872	8,272	424		7,848
Board	15,246	15,246	-	-	-	-	-		-
Discounts and markdowns	(15)	-	(15)	-	-	-	-		-
Employees' appreciation	825	81	709	-	-	35	25		10
Equipment rental	36,666	2,599	18,767	617	-	14,683	7,091		7,592
Freight out/postage	(71,144)	1,265	(72,552)	143	2	(2)	-		(2)
General expenses	21,021	579	(535)	2,908	1	18,068	10,437		7,631
Insurance	123,780	5,175	53,468	2,922	348	61,867	71		61,796
Professional services	108,366	108,066	-	300	-	-	-		-
R/H commissions	71,608	-	-	-	-	71,608	71,608	-	-
Rent	105,000	-	73,200	-	9,600	22,200	-		22,200
Repairs & maintenance	718,335	286,994	161,286	3,416	154,932	111,707	30,342		81,365
Royalties & commissions	51,522	-	16,177	35,345	-	-	-		-
Services	267,161	7,445	50,697	3,353	-	205,666	140,581		65,085
Subscriptions & dues	20,222	10,122	8,332	(206)	-	1,974	795		1,179
Supplies	358,159	26,772	135,285	5,823	53,092	137,187	156,726		(19,539)
Telephone/data lines	74,335	25,129	26,449	7,143	1,973	13,641	6,218		7,423
Training	7,914	5,225	996	-	-	1,693	1,280		413
Travel	2,341	809	926	114	-	492	160		332
Utilities	122,504	-	70,355	6,105	-	46,044	-		46,044
	<u>9,638,008</u>	<u>2,728,177</u>	<u>2,335,114</u>	<u>665,526</u>	<u>436,895</u>	<u>3,472,296</u>	<u>2,583,954</u>	<u>-</u>	<u>888,342</u>
DEPRECIATION									
Depreciation	1,012,842	85,884	372,474	108,115	-	446,369	8,573		437,796
	<u>1,012,842</u>	<u>85,884</u>	<u>372,474</u>	<u>108,115</u>	<u>-</u>	<u>446,369</u>	<u>8,573</u>	<u>-</u>	<u>437,796</u>
TOTAL EXPENSES	10,650,850	2,814,061	2,707,588	773,641	436,895	3,918,665	2,592,527	-	1,326,138
ENTERPRISE OPERATING INCOME (LOSS)	<u>\$ (5,286,724)</u>	<u>\$ (2,814,061)</u>	<u>\$ (841,187)</u>	<u>\$ 1,025,314</u>	<u>\$ 110,518</u>	<u>\$ (2,767,308)</u>	<u>\$ (1,541,554)</u>	<u>\$ 21,750</u>	<u>\$ (1,247,504)</u>

See Independent Auditors' Report and Notes to Financial Statements.

Forty-Niner Shops, Inc. (Long Beach)
Schedule of Net Position
June 30, 2021
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	4,904,009
Accounts receivable, net	1,460,585
Prepaid expenses and other current assets	1,082,712

Total current assets	7,447,306
-----------------------------	------------------

Noncurrent assets:

Other long-term investments	10,512,158
Capital assets, net	6,192,359
Other assets	13,331

Total noncurrent assets	16,717,848
--------------------------------	-------------------

Total assets	24,165,154
---------------------	-------------------

Liabilities:

Current liabilities:

Accounts payable	1,941,591
Accrued salaries and benefits	1,378,277
Long-term debt obligations, current portion	100,000

Total current liabilities	3,419,868
----------------------------------	------------------

Noncurrent liabilities:

Long-term debt obligations, net of current portion	4,957,531
Net pension liability	4,028,777

Total noncurrent liabilities	8,986,308
-------------------------------------	------------------

Total liabilities	12,406,176
--------------------------	-------------------

Net position:

Net investment in capital assets	3,869,205
Unrestricted	7,889,773

Total net position	11,758,978
---------------------------	-------------------

OK

Forty-Niner Shops, Inc. (Long Beach)
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(for inclusion in the California State University)

Revenues:

Operating revenues:

Sales and services of auxiliary enterprises, gross	11,753,861
Total operating revenues	11,753,861

Expenses:

Operating expenses:

Auxiliary enterprise expenses	16,027,743
Depreciation and amortization	1,012,842
Total operating expenses	17,040,585
Operating income (loss)	(5,286,724)

Nonoperating revenues (expenses):

Investment income (loss), net	3,024,312
Interest expense	(122,716)
Other nonoperating revenues (expenses) - excl. interagency transfers	1,823,668
Net nonoperating revenues (expenses)	4,725,264
Income (loss) before other revenues (expenses)	(561,460)

Increase (decrease) in net position	(561,460)
--	------------------

Net position:

Net position at beginning of year, as previously reported	12,320,438
Net position at beginning of year, as restated	12,320,438
Net position at end of year	11,758,978

OK

See independent auditors' report and notes to the financial statements

Forty-Niner Shops, Inc. (Long Beach)
Other Information
June 30, 2021

If N/A, select "Nothing to report"

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalent

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

		-Agree with SNP-
	4,904,009	-Agree with SNP-
\$	4,904,009	

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds			-
Repurchase agreements			
Certificates of deposit			
U.S. agency securities			
U.S. treasury securities:			
Municipal bonds			
Corporate bonds			
Asset backed securities:			
Mortgage backed securities:			
Commercial paper			
Mutual funds		3,519,017	3,519,017
Exchange traded funds			
Equity securities		5,782,764	5,782,764
Alternative investments			
Private equity (including limited partnerships)			
Hedge funds			
Managed futures			
Real estate investments (including REITs)			
Commodities			
Derivatives		1,210,377	1,210,377
Other alternative investment			
Other external investment pools			
CSU Consolidated Investment Pool (formerly SWIFT)			
State of California Local Agency Investment Fund (LAIF)			
State of California Surplus Money Investment Fund (SMIF)			
Other investments:			

Total Other investments

Total investments

Less endowment investments (enter as negative number)

Total investments, net of endowments

		10,512,158	10,512,158	-Agree with SNP-
		-	-	
\$	-	10,512,158	10,512,158	
	-Agree with SNP-	-Agree with SNP-		

DRAFT SUBJECT TO CHANGE FOR MANAGEMENT REVIEW PURPOSES

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -				-Agree with Note 2.1-
Repurchase agreements	-				-Agree with Note 2.1-
Certificates of deposit	-				-Agree with Note 2.1-
U.S. agency securities	-				-Agree with Note 2.1-
U.S. treasury securities	-				-Agree with Note 2.1-
Municipal bonds	-				-Agree with Note 2.1-
Corporate bonds	-				-Agree with Note 2.1-
Asset backed securities	-				-Agree with Note 2.1-
Mortgage backed securities	-				-Agree with Note 2.1-
Commercial paper	-				-Agree with Note 2.1-
Mutual funds	3,519,017	3,519,017			-Agree with Note 2.1-
Exchange traded funds	-				-Agree with Note 2.1-
Equity securities	5,782,764	5,782,764			-Agree with Note 2.1-
Alternative investments					
Private equity (including limited partnerships)	-				-Agree with Note 2.1-
Hedge funds	-				-Agree with Note 2.1-
Managed futures	-				-Agree with Note 2.1-
Real estate investments (including REITs)	-				-Agree with Note 2.1-
Commodities	-				-Agree with Note 2.1-
Derivatives	1,210,377	1,210,377			-Agree with Note 2.1-
Other alternative investment	-				-Agree with Note 2.1-
Other external investment pools	-				-Agree with Note 2.1-
CSU Consolidated Investment Pool (formerly SWIFT)	-				-Agree with Note 2.1-
State of California Local Agency Investment Fund (LAIIF)	-				-Agree with Note 2.1-
State of California Surplus Money Investment Fund (SMIF)	-				-Agree with Note 2.1-
Other investments:					
	-				-Agree with Note 2.1-
	-				-Agree with Note 2.1-
	-				-Agree with Note 2.1-
	-				-Agree with Note 2.1-
	-				-Agree with Note 2.1-
Total Other investments	\$ -				
Total investments	10,512,158	10,512,158	-	-	
					-Agree with Note 2.1-

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):			\$ -

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

3.1 Composition of capital assets:

	Balance June 30, 2020	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2020 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2021
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements					\$ -			\$ -	-
Works of art and historical treasure					-			-	-
Construction work in progress (CWIP)	35,571				35,571	204,035		(116,876)	122,730
Intangible assets									
Rights and easements					-			-	-
Patents, copyrights and trademark:					-			-	-
Intangible assets in progress (PWIP)					-			-	-
Licenses and permits					-			-	-
Other intangible assets					-			-	-
					-			-	-
					-			-	-
					-			-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	\$ 35,571	-	-	-	\$ 35,571	204,035	-	(116,876)	\$ 122,730
Depreciable/Amortizable capital assets:									
Buildings and building improvement	19,917,313				19,917,313		(603,698)		19,313,615
Improvements, other than building:	37,664				37,664				37,664
Infrastructure					-				-
Leasehold improvements					-				-
Personal property									
Equipment	7,416,964				7,416,964	54,847	(1,515,308)	116,876	6,073,379
Library books and material					-				-
Intangible assets									
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademark:					-				-
Licenses and permits					-				-
Other intangible assets					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	27,371,941	-	-	-	27,371,941	54,847	(2,119,006)	116,876	25,424,658
Total capital assets	\$ 27,407,512	-	-	-	\$ 27,407,512	258,882.0	(2,119,006.0)	-	\$ 25,547,388
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvement	(13,983,692)				(13,983,692)	(549,373)	603,698		(13,929,367)
Improvements, other than building:	(37,664)				(37,664)				(37,664)
Infrastructure					-				-
Leasehold improvements					-				-
Personal property									
Equipment	(6,352,538)				(6,352,538)	(463,469)	1,428,009		(5,387,998)
Library books and material					-				-
Intangible assets									
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademark:					-				-
Licenses and permits					-				-
Other intangible assets					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(20,373,894)	-	-	-	(20,373,894)	(1,012,842)	2,031,707	-	(19,355,029)
Total capital assets, net	\$ 7,033,618	-	-	-	\$ 7,033,618	(753,960)	(87,299)	-	6,192,359

-Net to zero-

-Total Transfers Net to zero-
-Transfers of Intangible Assets net to zero-

-Agree with SNP-

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

3.2 Detail of depreciation and amortization expense
Depreciation and amortization expense related to capital asset
Amortization expense related to other asset
Total depreciation and amortization

\$	1,012,842	
\$	1,012,842	-Agree with Note 9-

4 Long-term liabilities:

	Balance June 30, 2020	Prior Period Adjustments/Reclassifications	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion	
1. Accrued compensated absences	\$ -		-			\$ -		\$ -	-Agree with SNP-
2. Claims liability for losses and loss adjustment expense	-		-			-		-	-Agree with SNP-
3. Capital lease obligations:									
Gross balance	-		-			-		-	
Unamortized net premium/(discount)	-		-			-		-	
Total capital lease obligations	\$ -		-			-		-	-Agree with SNP-
						-Agree with Note 5-	-Agree with Note 5-		
4. Long-term debt obligations:									
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -		-	
4.2 Commercial paper	-		-			-		-	
4.3 Notes payable (SRB related)	4,845,000		4,845,000			4,845,000	100,000	4,745,000	
4.4 Others:	-		-			-		-	
	-		-			-		-	
	-		-			-		-	
Total others	-		-			-		-	
Sub-total long-term debt	\$ 4,845,000		4,845,000			4,845,000	100,000	4,745,000	
4.5 Unamortized net bond premium/(discount)	225,339		225,339		(12,808)	212,531		212,531	
Total long-term debt obligations	5,070,339		5,070,339		(12,808)	5,057,531	100,000	4,957,531	-Agree with SNP-
						-Agree with Note 6-	-Agree with Note 6-		
Total long-term liabilities	\$ 5,070,339		5,070,339		(12,808)	\$ 5,057,531	100,000	\$ 4,957,531	

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									
Present value of future minimum lease payment:									
Unamortized net premium/(discount)									
Total capital lease obligations									
Less: current portion									
Capital lease obligations, net of current portion									\$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2022	-	-	-	100,000	131,400	231,400	100,000	131,400	231,400
2023	-	-	-	2,105,000	126,275	2,231,275	2,105,000	126,275	2,231,275
2024	-	-	-	110,000	120,900	230,900	110,000	120,900	230,900
2025	-	-	-	115,000	115,275	230,275	115,000	115,275	230,275
2026	-	-	-	125,000	109,275	234,275	125,000	109,275	234,275
2027 - 2031	-	-	-	2,290,000	729,175	3,019,175	2,290,000	729,175	3,019,175
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	4,845,000	1,332,300	6,177,300	4,845,000	1,332,300	6,177,300
Less: amounts representing interest									(1,332,300)
Present value of future minimum payment:									4,845,000
Unamortized net premium/(discount)									212,531
Total long-term debt obligations									5,057,531
Less: current portion									(100,000)
Long-term debt obligations, net of current portion									4,957,531

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs		
Payments to University for other than salaries of University personnel	\$	693,102.00
Payments received from University for services, space, and programs	\$	3,415,586.00
Gifts-in-kind to the University from discretely presented component units	\$	61,909.00
Gifts (cash or assets) to the University from discretely presented component units		
Accounts (payable to) University ^(enter as negative number)	\$	145,848.00
Other amounts (payable to) University ^(enter as negative number)	\$	(302,353.00)
Accounts receivable from University ^(enter as positive number)		
Other amounts receivable from University ^(enter as positive number)		

8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

		Debit/(Credit)
Restatement #1	Enter transaction description	
		-
		-Net to zero-
Restatement #2	Enter transaction description	
		-
		-Net to zero-

DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW PURPOSES

Forty-Niner Shops, Inc. (Long Beach)
Other Information
6/30/2021

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarship:	-	-	-	-	-	-	-	-
Auxiliary enterprise expense	4,526,788	2,940,701	-	-	-	8,560,254	1,012,842	16,027,743
Depreciation and amortization	-	-	-	-	-	-	1,012,842	1,012,842
Total operating expenses	\$ 4,526,788	2,940,701	-	-	-	8,560,254	1,012,842	17,040,585

Agrees with SRECNP

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)
 Deferred outflows - net pension liability
 Deferred outflows - net OPEB liability
 Deferred outflows - others
 Sales/intra-entity transfers of future revenue
 Gain/loss on sale leaseback
 Loan origination fees and cost
 Change in fair value of hedging derivative instrument
 Irrevocable split-interest agreement

Total deferred outflows - other

Total deferred outflows of resources

\$	-
----	---

-Agree with SNP-

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangement
 Deferred inflows - net pension liability
 Deferred inflows - net OPEB liability
 Deferred inflows - unamortized gain on debt refunding(s)
 Deferred inflows - nonexchange transaction
 Deferred inflows - others
 Sales/intra-entity transfers of future revenue
 Gain/loss on sale leaseback
 Loan origination fees and cost
 Change in fair value of hedging derivative instrument
 Irrevocable split-interest agreement

Total deferred inflows - other

Total deferred inflows of resources

\$	-
----	---

-Agree with SNP-

11 Other nonoperating revenues (expenses)

Other nonoperating revenues
 Other nonoperating (expenses)

Total other nonoperating revenues (expenses)

	2000000
	-176332
\$	1,823,668

-Agree with SRECNP-

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Forty Niner Shops, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Forty Niner Shops, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forty Niner Shops, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Forty Niner Shops, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS (Continued)*

Internal Control Over Financial Reporting (Continue)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forty Niner Shop, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Guzman & Gray, CPAs
Long Beach, CA
September 8, 2021