

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, October 30, 2020 – Zoom Conference Meeting

(Exception Made Due to Covid-19 Issues & Campus Safety Precautions)

Members Present: Mr. Scott Apel, Chair Dr. Praveen Soni
Dr. Wendy Reiboldt Ms. Adriana Andrade Rodriguez

Staff Present: Mr. Robert de Wit, Interim General Manager/Controller
Mr. Tom Collier, Accounting Manager
Ms. Marianne Russo, Executive Secretary

Guests: Mr. Mark Gray, Guzman & Gray
Mr. Juan Carlos Portillo, Guzman & Gray

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 30, 2020

Motion to accept the Agenda as presented.

M/S Dr. Soni / Dr. Reiboldt

By acclamation the Agenda for the meeting of October 30, 2020 was hereby approved.

C. Approval of Minutes: September 18, 2020

Motion to accept the Minutes as presented.

M/S Dr. Soni / Dr. Reiboldt

By acclamation the minutes of September 18, 2020 were hereby approved as presented.

D. Action Items:

- **Tax Return 990 and 990T:** Mr. Gray and Mr. Portillo 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 before the deadline of November 15th, 2020.
 - 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. de Wit pointed out that there would be a few unique items when it comes to our tax return this year due to the Paycheck Protection Loan along with the reserve designations.
- Mr. Gray stated there was a difference when it came to submitting these tax documents on the federal and state level due to the fact that the Shops reported net losses in 2019-2020.
 - Mr. de Wit clarified that when it comes to the UBIT reporting, these would include the Beach on 2nd Street and Catering. Our current agreement with the Great Plates program will be reported on next year's return.
- Schedule O – For this year's tax return, a mention was made regarding our operations and the Covid-19 pandemic crisis stating that the Shops were forced to close the majority of its operations starting March 18, 2020 through the rest of the fiscal year.

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

M/S Mr. Apel / Dr. Soni

By acclamation the 990 and 990T tax returns for 2019 – 2020 are hereby approved

- **1st Quarter 2020-2021 Financial Review:** 1st Quarter operating results are increasingly behind plan
 - Key Activities:
 - Sales at \$3,583,697 – 36.1% below plan
 - At the time our budget was created, the Residential Dining numbers were based on a 50% planned occupancy which has been reduced from 1,075 meal plans to only 330 with a further reduction in October due to the recent quarantine.
 - Bookstore volume sales are at only 50% volume of budget due to low textbook sales (down 40.1%) and very little in-store traffic.
 - The only retail dining facility open is the Outpost.
 - Margin rates are 10 point behind plan
 - Cash flow for the 1st Quarter was a negative \$584,636
 - \$1.1 million investment portfolio gain tempered the loss but markets are still very volatile.
 - PERS unfunded liability payment of \$380,402.
 - At this point, many of our assumed budget figures are no longer valid so the Shops are implementing a rolling forecast procedure to provide a better assessment of year-end as we anticipate a \$2 million impact moving forward.
 - The loan forgiveness submittal is still pending for the Paycheck Protection Program and we are anticipating an estimated minimum of 27% and targeting the Safe Harbor program option.
 - Mr. de Wit anticipates withdrawing \$3.5 million this quarter as cash flow is needed to fund the operations next quarter.
 - Capital Expenditures – current year expenditures of \$144,218
 - We recently upgraded the Bookstore front doors to be ADA compliant at \$10,500.
 - Point of Sale PCI Compliance expenditures are at \$43,248.
 - Last year before the pandemic crisis hit, we had budgeted \$160,000 for new

electronic carts for safety reasons and since we were planning to expand our catering functions at the Japanese Garden.

- We were able to reduce this order by 3 but still owed over \$95,000 for these new vehicles.
- Financial Statements Overview – September 2020
 - Cash/Investments are down \$2.7 million from last year with a net of the \$2 million Paycheck Protection Loan and over \$1 million investment gain.
 - In regards to our Balance Sheet, both inventory and A/R are down primarily due to the reduced business volume.
 - Liabilities are up \$1.2 million with the most impact coming from the PPP loan.
 - September and the 1st quarter cash flow comes in at a negative \$496,000
- Year-to-Year Comparison
 - Due to the extended Covid-19 pandemic impact, our sales are off by 63% with an operating income down by \$1.5 million.
 - Margin percentages continue to decline due to product scale and mix.
 - Investments have tempered the impact with a gain of \$687,000 for this year.

Motion to accept the 1st Quarter 2020-2021 Financial Review

M/S Dr. Reiboldt / Ms. Andrade Rodriguez

By acclamation the 1st Quarter 2020-2021 Financial Review was hereby approved to recommend to the Board.

E. Adjournment

- There being no further business, the meeting was adjourned at 9:40 a.m.