

MINUTES

FORTY-NINER SHOPS, INC.

AUDIT COMMITTEE

September 13, 2019

Members Present: Mr. Jeremy Harris, Chair Dr. Praveen Soni
Ms. Lizabeth Velasquez

Members Absent: Mr. Joe Nino

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 10:02 a.m. by Chair, Mr. Jeremy Harris

B. Approval of the Agenda: September 13, 2019

Motion to approve the Agenda for September 13, 2019

M/S Dr. Soni / Mr. Harris

By acclamation the Agenda for the meeting of September 13, 2019 was hereby approved.

C. Approval of Minutes: July 12, 2019

Motion to accept the Minutes as presented.

M/S Dr. Soni / Mr. Harris

By acclamation the minutes of July 12, 2019 were hereby approved as presented.

D. NEW BUSINESS

- **Exit Conference 2018-2019 Fiscal Year End Audit**

- It is the opinion of Guzman and Gray that the accompanying financial statements do accurately reflect the financial position of the corporation. This year, the organization adopted the financial standards board's accounting standards updates for not-for-profit entities and will be using this standard moving forward.
 - Balance Sheets reflect Current Assets totaling \$25,665,041 – compared to \$27,571,939 at the end of the prior year.
 - This past year the Board approved formal investment designations for various purposes which is included in this breakdown and detailed further in the Notes section.
 - Total Liabilities and Net Assets are \$25,665,041 with the company depicting a strong working capital position.
 - Current Liabilities \$3,988,706 (includes current year portions of both pension and accrued post-retirement liabilities).
 - Non-Current Liabilities is \$11,104,097 which includes our long-term pension obligation and accrued post-retirement benefits.
 - This amount has dramatically been reduced this past year due to the Board approved \$2 million contribution made to CalPERS program
 - Enterprise Operating Revenues \$37,903,547
 - Enterprise Operating Expenses total \$36,591,290
 - Enterprise Operating Income came in at \$1,312,257
 - Non-Operating Income (Expense) of \$164,169
 - Net Assets have been categorized this year as “Net Assets without Donor Restrictions” as per the new standards utilized for the audit:
 - Ending Net Assets \$14,560,944 compared to \$11,827,825 in prior year.
 - The Statement of Activities looks different this year since the expenses are presented now by natural classification and function.
 - The program services and the support services have been broken down to be consistent with the statement of functional expense.
 - This year we have netted the investment income to so that any investment expenses are now included in this amount.
 - Included the contributions to the University and University programs
 - The Statements of Functional Expense are new this year and are broken down by division which is basically a sub-set of the detailed reporting that is provided to the F&I Committee monthly.
 - A suggestion was made to reclassify and combine the “Cash Operations” and “Vending” sections to “Retail Dining”.
 - Additionally, it was requested that “Management And General” be changed to “General And Administrative” and to remove the “Supporting Services” header in order to be more consistent with 49er Shops financial statements.
 - Net Cash from Operating Activities was at \$21,142 and Ending Cash and Cash Equivalents came in at \$3,346,097
- Note 1: Summary of Significant Accounting Policies
 - Under the Basis of Presentation, the new accounting pronouncements are discussed in detail taking into account liquidity along with the new classification of expenses.

- Note 4: Investments
 - This section includes the breakdown of designated investments that were approved earlier this year by the Board.
- Note 6: Investments Designated for Sick Pay
 - This note will need to be removed as it is now included in the detailed investment designation breakdown as seen in Note 4.
- Note 12 Pension Plan (CalPERS):
 - Details the Board approved \$2 million payment to reduce the unfunded pension liability.
- Note 14: Post-retirement Medical Benefits
 - Mr. de Wit discussed with the Committee that we will not be doing a VEBA actuarial assessment for the next few years. Based on this last assessment, there is enough money within the account to start looking at withdrawing funds to help support the post-retirement benefits moving forward.
- Note 20: Liquidity
 - This is a new Note section that details and discloses the financial assets that would be available for one year from the balanced sheet date for general operating purposes. This would include cash equivalents, receivables and trade receivables that are available but not Board designated.
- Note 21: Contingencies
 - This is also a new Note section which denotes that the 49er Shops has been named in an employment related lawsuit. These claims are being currently investigated and management does not believe there will be a material adverse effect on the organization's financial position.
- Communication with Those Charged with Governance:
 - There were no material weaknesses or significant deficiencies in operations. There were no disagreements with Management in the course of this audit. No difficulties in performing the audit.
- Other Comments and Recommendations:
 - Consider Lowering Idle Cash Bank Balances – During the audit, it was noted that the 49er Shops had an account with \$4,279,056 at the year end. The auditors recommended that the Shops consider lowering idle cash to maximize returns and to minimize balances in excess of the FDIC insured limit of \$250,000.
 - Mr. de Wit explained that during the summer months with the cycle of our business we have limited revenue coming in, however, we still need to process payroll for these months along with any promised outstanding payments to the campus and a July payment to CalPERS. Therefore, from a cash management perspective even though the amount seems high, it works well for our business model.

E. Adjournment

There being no further business, the meeting was adjourned at 11:06 a.m.