

FORTY-NINER SHOPS, INC.  
FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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# *Guzman & Gray*

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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, 2020 and 2019, 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.

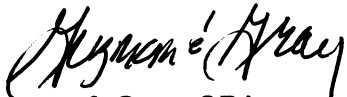
## INDEPENDENT AUDITORS' REPORT (Continued)

### **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, 2020 and 2019, 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.



Guzman & Gray, CPAs  
Long Beach, California  
September 14, 2020

FORTY-NINER SHOPS, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,677,939	\$ 3,346,097
Accounts receivable	1,159,509	1,162,087
Accounts receivable, CSULB auxiliary organizations	2,624	48,662
Accounts receivable, CSULB	402,414	352,771
Inventories	1,795,488	2,669,620
Prepaid expenses	43,420	598
	<u>8,081,394</u>	<u>7,579,835</u>
<b>CAPITAL ASSETS, net of accumulated</b>		
Depreciation	<u>7,034,544</u>	<u>7,832,355</u>
<b>OTHER ASSETS</b>		
Investments, undesignated	922,946	438,542
Investments designated for various purposes	9,609,405	9,814,309
	<u>10,532,351</u>	<u>10,252,851</u>
<b>TOTAL ASSETS</b>	<u>\$25,648,289</u>	<u>\$25,665,041</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,	
	2020	2019
<b>CURRENT LIABILITIES</b>		
Long term debt, current portion	\$ 95,000	\$ 90,000
Accounts payable, trade	351,014	33,273
Accounts payable, CSULB	882,675	141,738
Refundable campus debit card deposits	339,937	304,501
Accrued liabilities	430,205	272,306
Accrued payroll	384,594	602,369
Accrued vacation	462,115	512,228
Accrued sick pay	818,831	1,174,949
Pension obligation, current	580,883	491,342
Accrued post-retirement, current	372,000	366,000
	<u>4,717,254</u>	<u>3,988,706</u>
<b>NONCURRENT LIABILITIES</b>		
Long term debt, net of current portion	3,070,339	3,178,148
Paycheck Protection Program Forgivable Loan	2,000,000	
Pension obligation, net of current portion	3,281,942	3,473,579
Accrued postretirement benefits	258,316	463,664
	<u>8,610,597</u>	<u>7,115,391</u>
Total Liabilities	<u>13,327,851</u>	<u>11,104,097</u>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Invested in capital assets	3,869,205	4,564,207
Board designated	9,609,405	9,814,309
Undesignated (Deficit)	( 1,158,172)	182,428
	<u>12,320,438</u>	<u>14,560,944</u>
Total Net Assets	<u>12,320,438</u>	<u>14,560,944</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$25,648,289</b></u>	<u><b>\$25,665,041</b></u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
STATEMENTS OF ACTIVITIES

	JUNE 30,	
	2020	2019
<b>ENTERPRISE OPERATING REVENUES</b>		
Sales	\$ 28,636,242	\$ 35,737,829
Commission	1,727,952	1,866,290
Vending	244,435	250,016
Other	15,247	49,412
	<u>30,623,876</u>	<u>37,903,547</u>
<b>ENTERPRISE OPERATING EXPENSES</b>		
Cost of sales	13,088,496	15,543,824
Program	15,433,961	17,098,539
General and administrative	4,088,188	3,948,927
	<u>32,610,645</u>	<u>36,591,290</u>
<b>ENTERPRISE OPERATING (LOSS) INCOME</b>	<u>( 1,986,769)</u>	<u>1,312,257</u>
<b>NONOPERATING INCOME (EXPENSE)</b>		
Interest imputed from net loan premiums and costs	12,809	12,809
Interest expense	( 139,548)	( 144,334)
Investment income, net	272,311	293,494
Net gain (loss) on disposal of fixed assets	_____	<u>2,200</u>
	<u>145,572</u>	<u>164,169</u>
<b>NONMANDATORY TRANSFERS TO UNIVERSITY</b>		
Contributions to University and University programs	( 399,309)	( 308,268)
<b>POST RETIREMENT - RELATED CHANGES OTHER THAN NET PERIODIC COST</b>	_____	<u>1,564,961</u>
<b>(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(\$ 2,240,506)</u>	<u>\$ 2,733,119</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,	
	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING	\$ 14,560,944	\$ 11,827,825
(DECREASE) INCREASE IN NET ASSETS	( <u>2,240,506</u> )	<u>2,733,119</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING	<u>\$ 12,320,438</u>	<u>\$ 14,560,944</u>

See Independent Auditors' Report and Notes to Financial Statements.



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

	PROGRAMS						
	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	TOTAL
			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/promo	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
Equipment rental	20,862	-	5,912	28,338	55,112	2,782	57,894
Freight out/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 & maintenance	178,048	119,203	65,064	234,063	596,378	354,242	950,620
Royalties & commissions	148,006	-	-	233,762	381,768	-	381,768
Services	85,027	-	189,441	231,181	505,649	11,051	516,700
Subscriptions & 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/data lines	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
Depreciation	466,457	-	852	477,348	944,657	100,576	1,045,233
TOTAL EXPENSES	<u>\$ 5,391,290</u>	<u>\$ 461,509</u>	<u>\$ 4,784,473</u>	<u>\$ 4,796,689</u>	<u>\$ 15,433,961</u>	<u>\$ 4,088,188</u>	<u>\$ 19,522,149</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAMS						
	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	TOTAL
			RESIDENCE HALL	RETAIL DINING			
OPERATING EXPENSES							
Salaries and wages	\$ 2,792,821	\$ 190,969	\$ 2,654,058	\$ 2,499,449	\$ 8,137,297	\$ 1,849,559	\$ 9,986,856
Employee benefits	782,403	48,310	1,048,606	722,857	2,602,176	987,032	3,589,208
Advertising/promo	83,967	3,183	13,495	41,521	142,166	(31,574)	110,592
Bad debts	4,321	-	172	8,199	12,692	-	12,692
Bank and credit card fees	275,006	22,577	4,071	222,208	523,862	74,769	598,631
Board	-	-	-	-	-	76,024	76,024
Discounts and markdowns	447,374	-	-	-	447,374	-	447,374
Employees' appreciation	4,798	92	3,261	4,653	12,804	62,761	75,565
Equipment rental	42,423	-	7,231	21,454	71,108	3,603	74,711
Freight out/postage	199	102	7	44	352	3,295	3,647
General expenses	33,711	661	7,990	63,488	105,850	27,560	133,410
Insurance	41,275	279	60	45,403	87,017	4,143	91,160
Professional services	8,276	1,680	-	-	9,956	197,141	207,097
R/H commissions	-	-	853,073	792	853,865	-	853,865
Rent	87,901	8,800	-	22,200	118,901	-	118,901
Repairs & maintenance	241,753	121,576	44,826	319,544	727,699	361,677	1,089,376
Royalties & commissions	201,770	-	-	446,474	648,244	-	648,244
Services	73,408	-	194,615	277,969	545,992	9,258	555,250
Subscriptions & dues	22,101	915	-	7,666	30,682	11,965	42,647
Supplies	213,623	60,839	233,946	235,555	743,963	106,269	850,232
Telephone/data lines	41,119	4,104	8,809	23,880	77,912	27,470	105,382
Training	22,015	4,591	14,896	1,977	43,479	31,703	75,182
Travel	5,815	-	2,518	4,239	12,572	24,118	36,690
Utilities	68,221	-	-	141,214	209,435	-	209,435
Depreciation	457,837	-	-	475,304	933,141	122,154	1,055,295
<b>TOTAL EXPENSES</b>	<b>\$ 5,952,137</b>	<b>\$ 468,678</b>	<b>\$ 5,091,634</b>	<b>\$ 5,586,090</b>	<b>\$ 17,098,539</b>	<b>\$ 3,948,927</b>	<b>\$ 21,047,466</b>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	(\$ 2,240,506)	\$ 2,733,119
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,045,233	1,055,295
Interest imputed from net loan premiums and costs	( 12,809)	( 12,809)
Unrealized (gain) loss on investments	( 290,553)	459,353
Realized (gain) loss on investments	245,625	( 352,107)
Net (gain) loss on disposal of fixed assets		( 2,200)
(Increase) decrease in:		
Accounts receivable	2,578	507,802
Accounts receivable, CSULB auxiliary organizations	46,038	( 5,447)
Accounts receivable, CSULB	( 49,643)	( 186,782)
Inventories	874,132	300,575
Prepaid expenses	( 42,822)	61,551
Increase (decrease) in:		
Accounts payable	317,741	( 345,923)
Accounts payable, CSULB	740,937	7,367
Refundable campus debit card deposits	35,436	1,906
Accrued liabilities	157,899	( 267,201)
Accrued payroll	( 217,775)	7,617
Accrued vacation	( 50,113)	13,307
Accrued sick pay	( 356,118)	91,384
Accrued pension obligation	( 102,096)	( 1,888,244)
Accrued post retirement benefits	( 199,348)	( 2,157,421)
Net Cash From Operating Activities	<u>( 96,164)</u>	<u>21,142</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>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	( 247,423)	( 584,689)
Purchase of investments	( 3,506,852)	( 5,301,112)
Proceeds from sale of investments	<u>3,272,281</u>	<u>4,749,162</u>
Net Cash From Investment Activities	<u>( 481,994)</u>	<u>( 1,136,639)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term debt	( 90,000)	( 90,000)
Proceeds from paycheck protection program forgivable loan	<u>2,000,000</u>	<u>                    </u>
Net Cash From Financing Activities	<u>1,910,000</u>	<u>( 90,000)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>1,331,842</u>	<u>( 1,205,497)</u>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>3,346,097</u>	<u>4,551,594</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 4,677,939</u>	<u>\$ 3,346,097</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash disclosure		
Cash paid for interest	<u>\$ 139,548</u>	<u>\$ 144,334</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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.

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 2019, 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.

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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

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.

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.

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 conventional retail inventory method. Inventories for the food service are valued using the lower of cost (first-in, first-out) or market method.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, R/H 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.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The new standard is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the effect the standard will have on the financial statements, if any.

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 14, 2020 which represents the date the financial statements were available to be issued.



FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 – ACCOUNTS RECEIVABLE, CSULB AUXILIARY ORGANIZATIONS

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

	June 30,	
	2020	2019
Forty-Niner Foundation		\$ 44,578
University Student Union		55
Associated Students	\$ 2,624	4,029
	\$ 2,624	\$ 48,662

NOTE 3 – INVENTORIES

Inventories consist of the following:

	June 30,	
	2020	2019
New textbooks	\$ 261,148	\$ 686,778
Computer equipment, supplies and software	148,379	336,407
Supplies	904,340	814,453
Used textbooks	254,751	485,386
Trade books	8,649	14,280
Food service	218,221	332,316
	\$ 1,795,488	\$ 2,669,620

NOTE 4 – INVESTMENTS

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

	June 30, 2020		June 30, 2019	
	Cost	Market	Cost	Market
<b>INVESTMENTS, LONG TERM</b>				
Mutual funds	\$4,090,511	\$3,826,559	\$4,455,780	\$4,355,479
Common stocks	4,865,997	5,782,764	3,955,992	4,908,668
Investments in alternative funds	968,471	923,028	942,854	988,704
	\$9,924,979	\$10,532,351	\$9,354,626	\$10,252,851

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 4 – INVESTMENTS (Continued)

A summary of designated investments are presented on the statement of financial position is as follows:

	June 30,	
	2020	2019
Investments, undesignated	\$ 922,946	\$ 438,542
Investments, designated for various purposes		
PERS unfunded liability	3,862,825	3,964,920
SRB Funding Outpost	3,178,148	3,280,957
UDP Repairs and replacements	1,000,000	1,000,000
Beach Deposits	400,000	400,000
VEBA-Post Retirement Medical	400,000	400,000
Sick pay benefits	768,432	768,432
	<u>9,609,405</u>	<u>9,814,309</u>
	<u>\$ 10,532,351</u>	<u>\$ 10,252,851</u>

A summary of investment income, net is as follows:

	June 30,	
	2020	2019
Dividends and interest	\$ 269,755	\$ 435,815
Net unrealized gain (loss)	290,553	( 459,353)
Net realized gain (loss)	( 245,626)	352,107
Investment advisory fee	( 42,371)	( 35,075)
	<u>\$ 272,311</u>	<u>\$ 293,494</u>

NOTE 5 - CAPITAL ASSETS

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

	June 30,	
	2020	2019
Buildings and improvements	\$ 19,954,976	\$ 19,954,976
Equipment, furniture and fixtures	7,370,229	7,033,299
Automobiles	46,734	46,734
	<u>27,371,939</u>	<u>27,035,009</u>
Less: accumulated depreciation	<u>( 20,373,894)</u>	<u>( 19,328,661)</u>
	6,998,045	7,706,348
Construction in progress	36,499	126,007
	<u>\$ 7,034,544</u>	<u>\$ 7,832,355</u>

Construction in progress at June 30, 2020 consists primarily of capital leasehold improvement expenditures for the bookstore and food service facilities.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense for the years ended June 30, 2020 and 2019 was \$1,045,233 and \$1,055,295, respectively.

NOTE 6 – ACCOUNTS PAYABLE, CSULB AUXILIARY ORGANIZATIONS

There were no accounts payable to CSULB auxiliary organizations at June 30, 2020 and 2019.

NOTE 7 – LONG TERM DEBT

Long term debt is summarized as follows:

	JUNE 30,	
	2020	2019
Note payable to CSU is payable semiannually on May 1 and November 1 of each year including interest and matures May 1, 2039.	\$ 2,940,000	\$ 3,030,000
Unamortized net deferred amount on refinancing	225,339	238,148
Less: Current portion	( 95,000)	( 90,000)
Noncurrent portion	<u>\$ 3,070,339</u>	<u>\$ 3,178,148</u>

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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 7 – LONG TERM DEBT (Continued)

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

<u>Year ending June 30,</u>	
2021	\$ 95,000
2022	100,000
2023	105,000
2024	110,000
2025	115,000
Thereafter	<u>2,640,339</u>
	<u>\$3,165,339</u>

NOTE 8 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 19, 2020 Forty-Niner Shops, Inc. received loan proceeds of \$2,000,000 from a local bank under the Paycheck Protection Program (“PPP”) administered by the U. S. Small Business Administration (“SBA”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (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 loans incurred after February 15, 2020, rent and utilities as outlined in the loan agreement. Additionally, the Organization must maintain certain payroll levels in order for the loan to be forgiven. The amount of the loan forgiveness could be reduced if the borrower terminates employees or reduces salaries during the selected covered period.

The unforgiven portion of the PPP loan is payable over two years from the disbursement date. Interest on the loan of 1% from the disbursement date which is April 19, 2020. 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.

Certain entities have elected to recognize the PPP loans as a liability until debt or a portion of the debt is forgiven. Certain qualified charitable organizations consider PPP loans as conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met and recognizes contribution income as barriers are met. Although, the Organization is a qualified charitable non-profit organization, its sole operations are enterprise activities consisting of exchange transactions. Furthermore, the Organization historically does not receive non-reciprocal promises to give, contributions or grants including government funding.

Based on the above facts and circumstances, including the complexity and uncertainty of the timing of any forgiveness, the Organization has adopted a policy to recognize the loan as a liability and will recognize income once any forgiveness is realized.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 9 – NET ASSETS WITHOUT RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Invested in capital assets	\$ 3,869,205	\$ 4,564,207
Board Designated For:		
PERS unfunded liability	3,862,825	3,964,920
SRB Funding Outpost	3,178,148	3,280,957
UDP Repairs and replacements	1,000,000	1,000,000
Beach Deposits	400,000	400,000
VEBA-Post Retirement Medical	400,000	400,000
Sick pay benefits	<u>768,432</u>	<u>768,432</u>
	<u>9,609,405</u>	<u>9,814,309</u>
Undesignated net assets	<u>( 1,158,172)</u>	<u>182,428</u>
	<u>\$ 12,320,438</u>	<u>\$ 14,560,944</u>

NOTE 10 - LEASE COMMITMENTS

The Organization leases certain property 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. Under the terms of the leases, the Organization is required to make monthly lease payments totaling \$1,850 and is responsible for repairs, maintenance, alterations, and insurance. The leases for the facilities are non-cancellable and expire in 2018 and 2019 with an option to renew for five years. Non-cancellable operating lease agreements with Associated Students, Inc. and other unrelated third parties for retail and food service facilities commenced in 2008, 2011, 2012 and 2015 and expire in 2019 and 2020. Monthly minimum lease payments for these facilities total \$8,750.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2021 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, 2020 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 175,721
2022	146,206
2023	122,858
2024	<u>2,640</u>
	<u>\$ 447,425</u>

Rent expense was \$118,800 and \$118,901 for the years ended June 30, 2020 and 2019, respectively.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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. The estimated guaranteed annual payments are as follows:

<u>Year ending June 30,</u>	
2021	\$ 208,579
2022	201,707
2023	107,900
2024	13,200
2025	13,200
Thereafter	<u>6,600</u>
	<u>\$ 551,186</u>

NOTE 12 - 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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 12 - PENSION PLAN (CALPERS) (Continued)

The recorded unfunded pension liabilities at June 30, 2020 and 2019 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2019 and 2018, respectively. In February 2020, the Board of Directors approved a contribution of \$500,000 in excess of scheduled payments to reduce the unfunded pension liability. In June 2019, the Organization contributed \$2,000,000 to reduce the unfunded pension liability. The most recent Valuation Reports provided by CalPERS did not recognize the \$500,000 contribution nor consider how this contribution would affect the future positions or activities of the plan. The Organization has recognized the \$500,000 payment during the year.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2020 and June 30, 2019 were \$3,862,825 and \$3,964,921, 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, 2019 and June 30, 2018 (the measurement dates) were \$22,468,153 and \$18,888,440, respectively.

The actuarially assumed investment return as of June 30, 2019 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, 2020 the total employer's contribution rate is 28.347% of annual payroll. This rate is comprised of 10.221% of normal cost rate and 18.126% of UAL contribution. The active employee contribution rate is 6.906% 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, 2020 and 2019 are 7.112% and 6.75%, respectively.

Employer's contribution rates are assumed to increase 11% 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 6.166% each year for the next five years. CalPERS requires a minimum contractual contribution of 11.031% of payroll and either a monthly dollar payment of \$41,575.81 or an annual lump sum prepayment of \$482,314.

As of the measurement date June 30, 2018, the plan was between 65-83% funded. As of June 30, 2020, management estimated that the total unfunded accrued liability was \$7,118,284.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 12 - PENSION PLAN (CALPERS) (Continued)

During the 2020 fiscal year, the employer and employee annual payroll contributions were \$340,227 and \$258,867, 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>
2021	\$ 580,883
2022	641,947
2023	677,711
2024	715,984
2025	735,673
Thereafter	<u>510,627</u>
	<u>\$ 3,862,825</u>

NOTE 13 - 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, 2020 and 2019 the employer contributions amounted to \$36,593 and \$28,887.

NOTE 14 - 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.



FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 14 - POST RETIREMENT MEDICAL BENEFITS (Continued)

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 Association (VEBA) recognized under 501(c)(9). During the years ending June 30, 2020 and June 30, 2019 no contributions were made to the account. Since 2011, the total amount invested in the VEBA Trust was \$4,000,000. 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, 2020 and 2019, the VEBA trust held assets at fair market value of \$5,710,370 and \$5,511,022, respectively.

As of June 30, 2020 and 2019, the entire unfunded 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>2020</u>	<u>2019</u>
Accumulated Post Retirement Benefit Obligation		
Retirees	\$ 3,311,516	\$ 3,563,952
Active Employees	<u>3,029,170</u>	<u>2,776,734</u>
	6,340,686	6,340,686
Fair Value of Assets	<u>(5,710,370)</u>	<u>(5,511,022)</u>
Unfunded APBO	630,316	829,664
Unamortized gain (loss)	NONE	( 412,609)
Unamortized transition obligation	<u>NONE</u>	<u>NONE</u>
Accrued Post Retirement Benefit Cost	<u>\$ 630,316</u>	<u>\$ 417,055</u>
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	\$ 829,664	\$ 2,717,908
Service cost	136,483	39,224
Interest cost	215,514	331,010
Contributions	NONE	NONE
Asset return loss (gain)	( 199,348)	112,164
Expected Return on assets	NONE	( 343,199)
Actuarial loss (gain)	NONE	( 1,627,449)
Benefits paid	<u>( 351,997)</u>	<u>( 399,994)</u>
Benefit Obligation at end of year	<u>\$ 630,316</u>	<u>\$ 829,664</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 14 - POST RETIREMENT MEDICAL BENEFITS (Continued)

Pension-related changes other than net periodic pension cost

Amortization of transition obligation	\$ NONE	\$ NONE
Net gain (loss)	<u>NONE</u>	<u>1,564,961</u>
	<u>NONE</u>	<u>1,564,961</u>
Net periodic post retirement benefit cost		
Service cost	\$ 136,483	\$ 39,224
Interest cost	215,514	331,010
Expected return on assets	NONE	( 343,199)
Amortized gain (loss)	<u>NONE</u>	<u>( 42,963)</u>
Net periodic benefit cost	<u>\$ 351,997</u>	<u>(\$ 15,928)</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 measurement date of the plan was July 1, 2019.

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

Year ending June 30,

2021	\$ 372,000
2022	<u>258,316</u>
	<u>\$ 630,316</u>

NOTE 15 – 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 is fully funded at June 30, 2020.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 16 – FAIR VALUE MEASUREMENTS

Generally Accepted Accounting Principles (GAAP) establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization's assumptions. These include inputs that are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

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>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2019:

	<u>Fair Market Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 4,355,479	\$ 4,355,479		
Common stocks	4,908,668	4,908,668		
Investments in alternative funds	<u>988,704</u>	<u>                    </u>	<u>\$ 988,704</u>	<u>                    </u>
	<u>\$10,252,851</u>	<u>\$ 9,264,147</u>	<u>\$ 988,704</u>	<u>NONE</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**NOTE 17 – REIMBURSEMENTS TO AND FROM CSULB**

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>

The Organization paid reimbursements to CSULB for the year ended June 30, 2019 in the amount of \$969,372.

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

Buildings and improvements	\$ 324
Repairs and maintenance	153,662
Communications	60,873
Allocated general and administrative	102,653
Utilities and rent	385,513
Supplies	31,397
Interest and principal on note payable	<u>234,950</u>
	<u>\$ 969,372</u>

**NOTE 18 – OTHER RELATED PARTY TRANSACTIONS**

The Organization charged CSULB \$491,678 and \$488,294 at June 30, 2020 and 2019, 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 19 – 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).

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 19 – CONCENTRATIONS, RISKS AND UNCERTAINTIES (Continued)

Credit Risks (Continued)

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 \$4,315,500 and \$3,946,855 at June 30, 2020, and 2019, 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

Toward the end of December 2019, an outbreak of a novel strain of coronavirus (“COVID - 19”) emerged globally. On March 13, The US President declared a national emergency. The extent to which COVID-19 may impact the Organization’s results will depend on future developments, which are highly uncertain and cannot be predicted at this time.

In conjunction with the national emergency, in May 2020, the CSU system suspended on campus live classroom instruction. Due to the suspension of live classroom instruction, exit costs related to the temporary closure of food service facilities and for involuntary employee termination benefits were not significant and no liability has been accrued for any exit costs at June 30, 2020.

NOTE 20 – 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	\$ 4,338,002
Accounts receivable	1,159,509
Accounts receivable, CSULB auxiliary Organizations	2,624
Accounts receivable, CSULB	<u>402,414</u>
 Total Financial Assets Available to Management for General Expenditures Within One Year	 <u>\$ 5,902,549</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 \$339,937.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has investments of \$922,946 for which uses are not limited and long term investments of \$9,609,405 limited by board designations.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 20 – LIQUIDITY (Continued)

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 21 – CONTINGENCIES

GAIN CONTINGENCY

The Organization received a \$2,000,000 Paycheck Protection Program (“PPP”) loan that may be partially or completely forgiven based on the conditions set forth by the Small Business Administration (“SBA”). Loan forgiveness is further conditioned upon the Organization providing the lender, in a timely manner, all documentation required under the Forgiveness Guidelines, established by the CARES Act and administered by the SBA. The lender will determine what amount, if any, of the loan will be forgiven in accordance with, and to the extent not expressly prohibited by the Forgiveness Guidelines. The Organization’s policy is to recognize any gain contingencies from early extinguishment of debt once it becomes fully realized or realizable.

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

FORTY-NINER SHOPS, INC.  
SCHEDULE OF ENTERPRISE ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAMS						
	TOTAL	GENERAL AND ADMINISTRATIVE	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		
					TOTAL	RESIDENCE HALL	RETAIL DINING
ENTERPRISE OPERATING REVENUES							
Sales	\$ 28,636,242	-	\$ 14,487,676	\$ 491,678	\$ 13,656,888	\$ 4,624,721	\$ 9,032,167
Contracted revenue and commissions	1,972,387	-	1,133,677	-	838,710	-	838,710
Other	15,247	\$15,247	-	-	-	-	-
	<u>30,623,876</u>	<u>15,247</u>	<u>15,621,353</u>	<u>491,678</u>	<u>14,495,598</u>	<u>4,624,721</u>	<u>9,870,877</u>
COST OF SALES	<u>13,088,496</u>	<u>-</u>	<u>7,899,669</u>	<u>-</u>	<u>5,188,827</u>	<u>246,891</u>	<u>4,941,936</u>
GROSS PROFIT	<u>17,535,380</u>	<u>15,247</u>	<u>7,721,684</u>	<u>491,678</u>	<u>9,306,771</u>	<u>4,377,830</u>	<u>4,928,941</u>
PROGRAM EXPENSES	15,433,961	-	5,391,290	461,509	9,581,162	4,784,473	4,796,689
SUPPORTING SERVICES EXPENSES	4,088,188	4,088,188	-	-	-	-	-
	<u>19,522,149</u>	<u>4,088,188</u>	<u>5,391,290</u>	<u>461,509</u>	<u>9,581,162</u>	<u>4,784,473</u>	<u>4,796,689</u>
ENTERPRISE OPERATING INCOME(LOSS)	<u>(1,986,769)</u>	<u>(4,072,941)</u>	<u>2,330,394</u>	<u>30,169</u>	<u>(274,391)</u>	<u>(406,643)</u>	<u>132,252</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, 2020

	PROGRAMS						
	TOTAL	GENERAL AND ADMINISTRATIVE			FOOD SERVICES		
		BOOKSTORE	ID CARD SERVICES	TOTAL	RESIDENCE HALL	RETAIL DINING	
OPERATING EXPENSES							
Salaries and wages	\$ 8,982,681	\$ 1,515,618	\$ 2,517,077	\$ 190,012	\$ 4,759,974	\$ 2,584,692	\$ 2,175,282
Employee benefits	4,033,420	1,648,725	690,285	52,039	1,642,371	1,004,529	637,842
Advertising/promo	56,458	(31,035)	48,444	2,067	36,982	8,478	28,504
Bad debts	(657)	-	(460)	-	(197)	65	(262)
Bank and credit card fees	462,995	53,963	238,229	17,997	152,806	3,057	149,749
Board	42,435	42,435	-	-	-	-	-
Discounts and markdowns	464,182	-	464,182	-	-	-	-
Employees' appreciation	34,867	29,556	1,775	64	3,472	1,758	1,714
Equipment rental	57,894	2,782	20,862	-	34,250	5,912	28,338
Freight out/postage	44,905	2,659	42,245	-	1	-	1
General expenses	118,685	14,318	7,800	47	96,520	7,860	88,660
Insurance	113,599	5,078	51,459	348	56,714	71	56,643
Professional services	220,283	202,586	17,572	-	125	-	125
R/H commissions	703,130	-	-	-	703,130	702,716	414
Rent	118,800	-	88,600	8,000	22,200	-	22,200
Repairs & maintenance	950,620	354,242	178,048	119,203	299,127	65,064	234,063
Royalties & commissions	381,768	-	148,006	-	233,762	-	233,762
Services	516,700	11,051	85,027	-	420,622	189,441	231,181
Subscriptions & dues	21,890	7,864	4,985	1,740	7,301	-	7,301
Supplies	658,742	65,427	162,481	64,725	366,109	194,705	171,404
Telephone/data lines	95,516	28,843	36,195	2,081	28,397	6,487	21,910
Training	58,684	20,640	25,843	3,186	9,015	6,892	2,123
Travel	22,301	12,860	1,206	-	8,235	1,894	6,341
Utilities	317,018	-	94,972	-	222,046	-	222,046
	<u>18,476,916</u>	<u>3,987,612</u>	<u>4,924,833</u>	<u>461,509</u>	<u>9,102,962</u>	<u>4,783,621</u>	<u>4,319,341</u>
DEPRECIATION							
Depreciation	1,045,233	100,576	466,457	-	478,200	852	477,348
	<u>1,045,233</u>	<u>100,576</u>	<u>466,457</u>	<u>-</u>	<u>478,200</u>	<u>852</u>	<u>477,348</u>
TOTAL EXPENSES	<u>19,522,149</u>	<u>4,088,188</u>	<u>5,391,290</u>	<u>461,509</u>	<u>9,581,162</u>	<u>4,784,473</u>	<u>4,796,689</u>
ENTERPRISE OPERATING INCOME(LOSS)	<u>\$ (1,986,769)</u>	<u>\$ (4,088,188)</u>	<u>\$ 2,330,394</u>	<u>\$ 30,169</u>	<u>\$ (274,391)</u>	<u>\$ (406,643)</u>	<u>\$ 132,252</u>

See Independent Auditors' Report and Notes to Financial Statements.

**Forty-Niner Shops, Inc. (Long Beach)**  
Schedule of Net Position  
June 30, 2020  
(for inclusion in the California State University)

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	4,677,939
Short-term investments	-
Accounts receivable, net	1,564,547
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	1,838,908
<b>Total current assets</b>	<b>8,081,394</b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	10,532,351
Capital assets, net	7,034,544
Other assets	-
<b>Total noncurrent assets</b>	<b>17,566,895</b>
<b>Total assets</b>	<b>25,648,289</b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
<b>Total deferred outflows of resources</b>	<b>-</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	2,956,714
Accrued salaries and benefits	1,665,540
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	95,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
<b>Total current liabilities</b>	<b>4,717,254</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	5,070,339
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	258,316
Net pension liability	3,281,942
Other liabilities	-
<b>Total noncurrent liabilities</b>	<b>8,610,597</b>
<b>Total liabilities</b>	<b>13,327,851</b>
<b>Deferred inflows of resources:</b>	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
<b>Total deferred inflows of resources</b>	<b>-</b>
<b>Net position:</b>	
Net investment in capital assets	3,869,205
<b>Restricted for:</b>	
Nonexpendable – endowments	-
<b>Expendable:</b>	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	8,451,233
<b>Total net position</b>	<b>12,320,438</b>

See independent auditors' report and notes to the financial statements

**Forty-Niner Shops, Inc. (Long Beach)**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2020  
(for inclusion in the California State University)

**Revenues:**

**Operating revenues:**

Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	30,623,876
Scholarship allowances (enter as negative)	-
Other operating revenues	-
<b>Total operating revenues</b>	<b><u>30,623,876</u></b>

**Expenses:**

**Operating expenses:**

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	31,565,412
Depreciation and amortization	1,045,233
<b>Total operating expenses</b>	<b><u>32,610,645</u></b>
<b>Operating income (loss)</b>	<b><u>(1,986,769)</u></b>

**Nonoperating revenues (expenses):**

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	272,311
Endowment income (loss), net	-
Interest expense	(126,739)
Other nonoperating revenues (expenses) - excl. interagency transfers	(399,309)
<b>Net nonoperating revenues (expenses)</b>	<b><u>(253,737)</u></b>
<b>Income (loss) before other revenues (expenses)</b>	<b><u>(2,240,506)</u></b>

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase (decrease) in net position</b>	<b><u>(2,240,506)</u></b>

**Net position:**

Net position at beginning of year, as previously reported	14,560,944
Restatements	-
<b>Net position at beginning of year, as restated</b>	<b><u>14,560,944</u></b>
<b>Net position at end of year</b>	<b><u>12,320,438</u></b>

See independent auditors' report and notes to the financial statements







**Forty-Niner Shops, Inc. (Long Beach)**  
**Other Information**  
**June 30, 2020**  
(for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense:**

Depreciation and amortization expense related to capital assets	\$ 1,045,233
Amortization expense related to other assets	
<b>Total depreciation and amortization</b>	<b>\$ 1,045,233</b>

**4 Long-term liabilities:**

	Balance June 30, 2019	Prior Period Adjustments/Reclas- sifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
<b>1. Accrued compensated absences</b>	\$ 1,687,177	(1,687,177)	-			\$ -		\$ -
<b>2. Claims liability for losses and loss adjustment expenses</b>	-		-			-		-
<b>3. Capital lease obligations:</b>								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
<b>Total capital lease obligations</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Long-term debt obligations:</b>								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			\$ -	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	3,030,000		3,030,000	2,000,000	(90,000)	4,940,000	95,000	4,845,000
4.4 Others:								
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-		-			-	-	-
<b>Sub-total long-term debt</b>	<b>\$ 3,030,000</b>	<b>-</b>	<b>3,030,000</b>	<b>2,000,000</b>	<b>(90,000)</b>	<b>\$ 4,940,000</b>	<b>95,000</b>	<b>4,845,000</b>
4.5 Unamortized net bond premium/(discount)	238,148		238,148		(12,809)	225,339		225,339
<b>Total long-term debt obligations</b>	<b>3,268,148</b>	<b>-</b>	<b>3,268,148</b>	<b>2,000,000</b>	<b>(102,809)</b>	<b>5,165,339</b>	<b>95,000</b>	<b>5,070,339</b>
<b>Total long-term liabilities</b>	<b>\$ 4,955,325</b>	<b>(1,687,177)</b>	<b>3,268,148</b>	<b>2,000,000</b>	<b>(102,809)</b>	<b>\$ 5,165,339</b>	<b>95,000</b>	<b>\$ 5,070,339</b>

See independent auditors' report and notes to the financial statements

**Forty-Niner Shops, Inc. (Long Beach)**  
**Other Information**  
**June 30, 2020**  
(for inclusion in the California State University)

**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
<b>Year ending June 30:</b>									
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum lease payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									-
Unamortized net premium/(discount)									-
<b>Total capital lease obligations</b>									-
Less: current portion									-
<b>Capital lease obligations, net of current portion</b>									<b>\$ -</b>

**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
<b>Year ending June 30:</b>									
2021	-	95,000	136,275	231,275	95,000	136,275	231,275	136,275	231,275
2022	-	2,100,000	131,400	2,231,400	2,100,000	131,400	2,231,400	131,400	2,231,400
2023	-	105,000	126,275	231,275	105,000	126,275	231,275	126,275	231,275
2024	-	110,000	120,900	230,900	110,000	120,900	230,900	120,900	230,900
2025	-	115,000	115,275	230,275	115,000	115,275	230,275	115,275	230,275
2026 - 2030	-	2,415,000	838,450	3,253,450	2,415,000	838,450	3,253,450	838,450	3,253,450
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>4,940,000</b>	<b>1,468,575</b>	<b>6,408,575</b>	<b>4,940,000</b>	<b>1,468,575</b>	<b>6,408,575</b>
Less: amounts representing interest									(1,468,575)
<b>Present value of future minimum payments</b>									4,940,000
Unamortized net premium/(discount)									225,339
<b>Total long-term debt obligations</b>									5,165,339
Less: current portion									(95,000)
<b>Long-term debt obligations, net of current portion</b>									<b>5,070,339</b>



**Forty-Niner Shops, Inc. (Long Beach)**  
**Other Information**  
**June 30, 2020**  
(for inclusion in the California State University)

**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	1,053,411.00
Payments received from University for services, space, and programs	4,152,390.00
Gifts-in-kind to the University from discretely presented component units	136,294.00
Gifts (cash or assets) to the University from discretely presented component units	
Accounts (payable to) University (enter as negative number)	(882,675.00)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	402,414.00
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	-
Restatement #2	-

**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 scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	8,982,681	4,033,420	-	-	-	18,549,311	-	31,565,412
Depreciation and amortization	-	-	-	-	-	-	1,045,233	1,045,233
<b>Total operating expenses</b>	<b>8,982,681</b>	<b>4,033,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,549,311</b>	<b>1,045,233</b>	<b>32,610,645</b>

See independent auditors' report and notes to the financial statements

**Forty-Niner Shops, Inc. (Long Beach)**  
**Other Information**  
**June 30, 2020**  
**(for inclusion in the California State University)**

**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 revenues  
     Gain/loss on sale leaseback  
     Loan origination fees and costs  
     Change in fair value of hedging derivative instrument  
     Irrevocable split-interest agreements

Total deferred outflows - others	-
<b>Total deferred outflows of resources</b>	<b>\$ -</b>

**2. Deferred Inflows of Resources**

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

Total deferred inflows - others	-
<b>Total deferred inflows of resources</b>	<b>\$ -</b>