

MINUTES

FORTY-NINER SHOPS, INC.

AUDIT COMMITTEE

Friday, June 17, 2022 – Zoom Conference Meeting

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

Members Present: Dr. Wendy Reiboldt, Chair Mr. Jeremy Harris
Mr. Milton Ordoñez Mr. Isaac Julian

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 10:03 a.m. by Chair, Dr. Wendy Reiboldt

B. Approval of the Agenda: June 17, 2022

Motion to accept the Agenda as presented.

M/S Mr. Harris / Mr. Ordoñez

By acclamation the Agenda for the meeting of June 17, 2022 was hereby approved as presented.

C. Approval of Minutes: September 10, 2021

Motion to accept the Minutes as presented.

M/S Mr. Harris / Dr. Reiboldt

By acclamation the minutes of September 10, 2021 were hereby approved as presented.

D. NEW BUSINESS

- Entrance Conference for FY 2021-2022 Audit by Guzman & Gray:
 - Mr. Gray reviewed an Entrance Conference presentation to help the committee understand the different aspects of the 49er Shops annual audit process.
 - He began with an overview of the Audit Scope and Auditors Responsibilities which better define how this process will be conducted with the Shops.
 - Mr. Gray asked if the Shops had any Employee Retention Credit on file for this past year.
 - Mr. de Wit explained that we did not, however, we did have an additional

Unemployment Insurance liability from CSURMA/AORMA due to the layoffs that resulted at the beginning of the pandemic in March 2020.

- ❖ This invoice had been paid in full in May of this year so there shouldn't be any liability associated with employee retention.
- Mr. Gray inquired if an attorney had been engaged to defend or protect any rights, claims or lawsuits?
 - Mr. de Wit discussed that we do have attorneys on retainer through AOA for ongoing HR activities but those were not related to any kind of lawsuits currently.
- Mr. de Wit reported that he has some concerns when it comes to any potential loss or gain contingencies as the stock market has recently been volatile leading to a major downturn in our financial investments.
 - Additionally, Mr. de Wit noted that major swings may be seen in the year end financials due to prior year gains.
 - ❖ One of these areas would be the recent GASB 68 analysis that was done for the CalPERS retirement activity showing a markedly decreased liability since this assessment is done 18 to 24-months in arrears when the markets were in a much better position.
 - ◆ He would appreciate if a disclaimer was included in the footnotes of the financial statements that the reduced liability could come back due to the market volatility for this year.
 - ❖ At the end of 2021, a VEBA Actuarial assessment was conducted that showed a \$4 million pick-up on that account, however, since the markets have significantly downturned over this past year, this will be reduced accordingly pending year-end account balance.
 - ◆ As such, Mr. de Wit has decided not to withdraw the \$400,000 to cover the retiree medical benefits as had been done in the past few years since there was enough cash in the bank to support the business and thus avoiding withdrawing funds at the bottom of the market.
- Mr. Gray then asked if there were any significant changes in activities, operations, locations, key personnel or sites?
 - The 49er Shops and ASI have been engaged in a Shared Services project in association with the campus which would affect our Support Services departments like IT, Accounting, HR and Facility Maintenance.
 - ❖ To help facilitate Mr. de Wit's retirement, a new CFO was recently hired who will be responsible for overseeing the Accounting and IT services for the Shops along with ASI under Mr. Miles Nevin, their Executive Director.
 - ❖ Mr. Nevin will also be stepping in to take over executive duties for the 49er Shops when Mr. de Wit retires.
- In terms of any new significant commitments, leases or contracts, Mr. de Wit mentioned that the Shops recently filed a new CSU Operating Agreement with the Chancellor's Office which been approved.
 - Additionally, a Shared Services Memorandum of Understanding is being developed between the two auxiliary organizations to help with defining

the processes and procedures for this activity moving forward.

- Mr. Gray then went over the proposed engagement timeline extending through the summer months and ending with the Audit Committee Exit Conference in September.
 - After some discussion, the Exit Conference was rescheduled to Friday, September 16th, to allow for more time for the Audit Report findings to be reviewed and discussed with the management and staff.
- He ended his presentation by stating that while there will not be any new Accounting Pronouncements for this upcoming year, there will be some changes occurring next year that could impact the organization.
 - Topic 842 states that Lessees would now be required to recognize lease assets along with lease liabilities on the balance sheet for all leases with terms longer than 12 months.
 - These leases will then be classified as either finance or operating with classification affecting the pattern of expense recognition within the income statement.
 - FASB issued ASU 202-07 Not-for-Profit Entities (Topic 958) which relates to the presentation and disclosures by these entities for contributed nonfinancial assets.
 - Mr. Guzman doesn't believe that this pronouncement would impact the Shops as monetary gifts and donations are not typically received by our organization.

E. Adjournment

There being no further business, the meeting was adjourned at 10:50 a.m.