

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, April 21, 2023

Members Present: Mr. Scott Apel, Chair
Mr. Milton Ordoñez
Dr. Praveen Soni
Ms. Mitali Jain

Absent: Dr. Beth Lesen

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Mr. Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Mr. Tom Collier, Accounting Manager, 49er Shops
Mr. Idris Aydin, Director of Finance and Administration, ASI, Inc.

Guest(s): Ms. Kristina Randig, Business Manager, Financial Management

A. Call to Order:

The meeting was called to order at 8:40 a.m. by Chair, Scott Apel

B. Approval of the Agenda: April 21, 2023

Motion to accept the Agenda as presented.

M/S Mr. Ordoñez / Ms. Jain

By acclamation the Agenda for the meeting of April 21, 2023 was hereby approved as presented.

C. Approval of Minutes: January 20, 2023

Motion to accept the Minutes as presented.

M/S Ms. Jain / Dr. Soni

By acclamation the minutes of January 20, 2023 were hereby approved as presented.

D. Action Items:

- **3rd Quarter 2021-2022 Financial Review:** 3rd Quarter bottom line reports favorably to budget.
 - Mr. Copley reminded the committee that from a revenue point of view last year's budget was made while still considering the pandemic along with reviewing financial numbers from 2019 which means these budgeted numbers were conservatively made with many unknowns.
 - Overall sales for the quarter were down by 6% largely due to Bookstore textbook sales numbers that continue to decline significantly.
 - Although some of the gross profit loss is mitigated by the favorable trend seen in their higher margin merchandise sales.

- Additionally, Bookstore credits and revenues figures are favorable due to Grad Fair activity seen in March.
- In terms of Operating Expenses, these remain favorable to budget largely due to staffing as seen previously.
 - Conversely, G&A expenses are unfavorable to budget numbers with higher employee counts than previously anticipated.
- When looking at the full year comparison of 2023 to 2022, operational results exceed last year due to the continued recovery of the pandemic especially in our Retail Dining and Residential Dining areas.
 - Margin rates have declined by 1.9% especially in the Convenience Stores primarily due to the inflationary costs we are experiencing across the board.
 - There is a positive net contribution of about \$753,000 in terms of looking at 3rd Quarter from a full year perspective given the prior year's reported 2nd Payroll Protection Program loan forgiveness of \$2 million that is driving unfavorable year over year net contribution results.
 - There was a question about whether the Shops would be eligible for the IRS' Employee Retention Credit which Mr. Copley does believe that the organization would be and is working with our new Auditing firm to pursue this year.
- Year-to-date 2023 results are favorable to budget as the overall net contribution is up by \$1.6 million because of favorable operating and G&A expenses along with increased credit and revenue performance.
 - Moving forward, Mr. Copley asserted that the Bookstore will be earning more through the Credit & Revenue process than through traditional sales moving forward.
 - As such, he would like to align this section closer to the top of the financial revenue number breakdowns since he is concerned that by only looking at the Bookstore's sales revenue without considering the credits and commissions received through graduation and commencement sales as well as digital materials, the Bookstore figures don't convey the overall hard work of the staff.
 - Dining sales have seen increases in favorability from the Convenience Store to the Retail Food Services and Residential Dining with the latter two seeing increases of \$1 million each.
 - Operating expenses and G&A expenses are favorable to budget by \$519,00 and \$272,000 respectively and this is primarily due to more favorable labor and benefits spending with lower staff counts towards the beginning of this year.
- As far as the Year-to-Year comparison, the Shops' net contribution is up \$1.7 million which is just slightly lower than 2022 which included a \$2 million PPP loan forgiveness.
- Capital Year Expenditures remain minimal at \$92,531 which includes the following:
 - Bookstore 3rd Quarter expenditure of around \$8,000 for air purifier equipment.
 - Beach Hut Flooring and Caffeine Lab upgraded water filtration systems which cost around \$19,000.
 - Elevator ADA improvement deposit of \$8,000 from the 2nd Quarter along with PCI system compliance and security upgrades totally \$39,000.
 - In the 1st Quarter there was an expenditure of around \$21,000 for upgrades to the Residence Dining Halls security cameras.

- Investments Results in the 3rd Quarter saw gains of about \$407,000 with year-to-date increased investment returns totaling around \$543,000.
- Financial Statements Overview
 - On the Balance Sheet side:
 - While cash balances have increased year-to-date from the end of the prior year so has Accounts Receivable which we will continue to focus on since it supports greater cash balances overall.
 - Long-term liability has increased due to reported large debt balances from the over-funded post-retirement medical benefits.
 - The CalPERS adjustment in period 12 of over \$5.1 million is an unfavorable development although it was anticipated when looking at last year's actuarial which Mr. Copley will be reviewing with our new Auditors.
 - When looking from a Cash Flow Statement perspective, net contribution is down from prior year due to a partial year of transactions versus a full year and last year's receipt of the PPP Loan's forgiveness.

Motion to accept the 3rd Quarter 2022-2023 Financial Review

M/S Ms. Jain / Dr. Soni

By acclamation the 3rd Quarter 2022-2023 Financial Review was hereby approved to recommend to the Board.

E. Discussion Items

- Budget Status:
 - Mr. Copley reported that the first-round of this year's budget was conducted and finished by April 5th.
 - Budget Review meeting were subsequently conducted that proved to be very productive with opportunities for improvement identified and communicated.
 - The second-round is currently underway and will commence that day, Friday, April 21st in time to be analyzed and put together for the May F&I Committee and Board meetings coming up over the next few weeks.
 - Ms. Randig clarified that the final budget presentation would not need to be submitted to the campus until mid-May.
- Shared Services Updates
 - Our Accounting Manager, Mr. Collier, has been working very hard to align the General Ledgers for both ASI and the 49er Shops.
 - He and his accounting staff are currently in the process of interviewing a consulting firm to help with the implementation of this unified General Ledger system moving forward.
 - The ASI Finance Team will be moved into the 49er Shops' Accounting Offices as of this week.

F. Adjournment

- There being no further business, the meeting was adjourned at 9:35 a.m.