

Forty-Niner Shops, Inc. dba Beach Shops

Financial Statements and Supplemental Information

Year Ended June 30, 2023



FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Financial Statements and Supplemental Information

Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Forty-Niner Shops, Inc. dba Beach Shops

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Forty-Niner Shops, Inc. (a nonprofit organization), dba Beach Shops which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forty-Niner Shops, Inc. dba Beach Shops as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forty-Niner Shops, Inc., dba Beach Shops and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Forty-Niner Shops, Inc., dba Beach Shops, as of June 30, 2022, were audited by other auditors whose report dated September 16, 2022, expressed an unmodified opinion on those statements.

Correction of Error

As discussed in Note 15 to the financial statements, errors resulting in the understatement of long-term debt and pension obligation, and an overstatement of net assets with donor restrictions were discovered during the current year. Accordingly, the amounts reported for long-term debt, pension obligation, and net assets without donor restrictions have been restated as of June 30, 2022 to correct the errors. Our Opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forty-Niner Shops, Inc. dba Beach Shops' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Forty-Niner Shops, Inc. dba Beach Shops' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forty-Niner Shops, Inc. dba Beach Shops' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 20 - 33 is presented for purposes of additional analysis and is 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of Forty-Niner Shops, Inc. dba Beach Shops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Forty-Niner Shops, Inc. dba Beach Shops' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forty-Niner Shops, Inc. dba Beach Shops' internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

Brea, California
September 29, 2023

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Statement of Financial Position**June 30, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$ 5,597,260
Accounts receivable	270,668
Accounts receivable - related parties	822,551
Investments	9,722,040
Inventories	1,163,033
Prepays and other current assets	<u>14,998</u>

Total Current Assets 17,590,550

Other Assets:

Property and Equipment, net of accumulated depreciation	4,801,588
Overfunded post-retirement medical benefits	<u>1,470,200</u>

Total Assets \$ 23,862,338

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 134,363
Accounts payable - related parties	553,703
Accrued payroll and benefits	1,617,210
Accrued taxes	54,110
Long-term debt, current portion	110,000
Other accrued liabilities	<u>93,170</u>

Total Current Liabilities 2,562,556

Non-Current Liabilities:

Long-term debt, net of current portion	3,034,022
Pension obligation	<u>5,399,467</u>

Total Non-Current Liabilities 8,433,489

Total Liabilities 10,996,045

Net Assets - Without Donor Restrictions:

Invested in property and equipment	1,657,566
Board designated	9,676,393
Undesignated	<u>1,532,334</u>

Total Net Assets - Without Donor Restrictions 12,866,293

Total Liabilities and Net Assets \$ 23,862,338

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Statement of Activities**Year Ended June 30, 2023

Revenue and Other Support Without Donor Restrictions:	
Sales	\$ 29,468,652
Commissions	1,931,699
Contributed non-financial assets	<u>75,160</u>
Total Revenue and Other	31,475,511
Support Cost of Sales	<u>12,241,520</u>
Net Revenue and Other Support	19,233,991
Operating Expenses:	
Program services	15,002,626
Supporting services - general and administrative	<u>3,061,716</u>
Total Operating Expenses	<u>18,064,342</u>
Change in Net Assets from Operations	1,169,649
Non-Operating Revenue (Expense):	
Investment income, net	1,021,997
Loss on disposal of fixed assets	(2,270)
Interest expense	(125,443)
Pension and other post retirement related changes other than service cost	<u>(4,302,580)</u>
Total Non-Operating Expense	<u>(3,408,296)</u>
Change in Net Assets	(2,238,647)
Net Assets - Without Donor Restrictions, beginning	<u>16,827,312</u>
Restatement (Note 15)	(1,722,372)
Net Assets - Without Donor Restrictions, beginning as restated	<u>15,104,940</u>
Net Assets - Without Donor Restrictions, ending	<u>\$ 12,866,293</u>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS
Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services						Supporting Services	
	Bookstore	Convenience Stores	ID Card Services	Residential Dining	Retail Dining	Total Programs	General and Administrative	Total
Cost of Sales	\$ 6,790,925	\$ 779,830	\$ -	\$ 3,472,885	\$ 1,197,880	\$ 12,241,520	\$ -	\$ 12,241,520
Payroll	2,346,314	287,857	232,833	3,240,168	1,245,929	7,353,101	1,510,994	8,864,095
Benefits	618,763	57,932	79,365	1,179,568	421,670	2,357,298	691,235	3,048,533
Total Personnel	2,965,077	345,789	312,198	4,419,736	1,667,599	9,710,399	2,202,229	11,912,628
Resident dining commissions	-	-	-	1,070,392	-	1,070,392	-	1,070,392
Repair and maintenance	179,136	13,756	215,964	74,690	235,683	719,229	328,060	1,047,289
Supplies	169,138	8,800	110,970	313,298	83,638	685,844	137,833	823,677
Depreciation	200,289	74,000	-	9,469	428,044	711,802	21,416	733,218
Services	66,589	20,789	-	237,896	153,940	479,214	19,438	498,652
Other operating expenses	104,031	16,490	6,081	61,150	63,456	251,208	165,909	417,117
Bank fees	189,865	69,845	7,354	6,905	108,318	382,287	15,134	397,421
Utilities	85,860	5,036	-	-	292,082	382,978	-	382,978
Insurance	87,191	5,254	631	57	103,895	197,028	8,492	205,520
Royalty and commissions	117,606	35,903	-	-	38,064	191,573	-	191,573
Professional services	21,399	-	-	-	1,317	22,716	138,064	160,780
Donations	10,635	-	-	76,321	-	86,956	25,141	112,097
Rent	79,200	-	9,600	-	22,200	111,000	-	111,000
Total Operating Expenses	4,276,016	595,662	662,798	6,269,914	3,198,236	15,002,626	3,061,716	18,064,342
Loss on disposal of fixed assets	-	-	-	-	-	-	2,270	2,270
Interest expense	-	43,908	-	-	81,535	125,443	-	125,443
Pension related charges other than net periodic pension cost	-	-	-	-	-	-	4,302,580	4,302,580
Total Expenses	\$ 11,066,941	\$ 1,419,400	\$ 662,798	\$ 9,742,799	\$ 4,477,651	\$ 27,369,589	\$ 7,366,566	\$ 34,736,155

See accompanying notes to the financial statements.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Statement of Cash Flows**Year Ended June 30, 2023

Cash Flows from Operating Activities:

Change in net assets \$ (2,238,647)

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation 733,218

Interest received on investments (353,691)

Unrealized gain on investments (901,813)

Realized loss on investments 282,713

Net loss on disposal of fixed assets 2,270

Amortization of bond premium 304,300

Changes in operating assets and liabilities:

Accounts receivable (671,978)

Inventories (89,875)

Prepays and other current assets 3,899

Overfunded postretirement medical benefits (435,088)

Accounts payable 600,420

Accrued payroll and benefits 62,056

Accrued taxes (12,361)

Other accrued liabilities (8,732)

Pension obligation 3,709,833

Net Cash Provided by Operating Activities 986,524

Cash Flows from Investing Activities:

Purchase of property and equipment (137,970)

Purchases of investments (3,097,164)

Proceeds from sale of investments 2,987,940

Net Cash Used by Investing Activities (247,194)

Cash Flows Used by Financing Activities:

Repayment of long-term debt (105,000)

Net Change in Cash and Cash Equivalents 634,330

Cash and Cash Equivalents, beginning 4,962,930

Cash and Cash Equivalents, ending \$ 5,597,260

Supplemental Cash Flow Information:

Cash paid for interest \$ 125,443

Cash paid for operating leases \$ 144,196

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Forty-Niner Shops, Inc. (the Organization) is a nonprofit, tax exempt, California State University auxiliary organization located on the campus of California State University, Long Beach (University). The University is one of 23 campuses in the California State University System (System). The Organization arranges for services to students and faculty including food services and bookstore activities.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- 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. These net assets may be used at the discretion of the Organization's management and the board of directors.
- 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 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 did not have any donor restrictions that were temporary or perpetual in nature for the year ended June 30, 2023.

Leases

Adoption of New Policy

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02 *Leases*, which hereinafter will be referred to as "ASC Topic 842", using the permitted modified retrospective method. The standard provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes previous U.S. GAAP guidance on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease liabilities, as well as additional disclosures (See Note 7). Management has analyzed the provisions contained in ASC Topic 842 and determined that there is no impact on net assets as of July 1, 2022, due to the adoption of the new policy.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management believes that all accounts receivable are fully collectible, therefore, no allowance for doubtful accounts is considered necessary.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Inventory

Bookstore inventory is valued using the lower of cost or net realizable value by the average unit cost inventory method of accounting. Food inventory is valued using lower of cost or net realizable value, as is determined on a first-in, first-out basis.

Investments

Investments are carried at fair value in the statement of financial position. Unrealized gains and losses are reflected in the change in net assets in the statement of activities.

Property and Equipment

The Organization capitalizes all expenditures for vehicles, equipment and furniture in excess of \$5,000. The Organization capitalizes all expenditures for building and building improvements in excess of \$10,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset of 5 to 40 years.

Pension Liability

For purposes of measuring the net pension liability related to the pension, and pension expense, information about the fiduciary net assets of the CalPERS plan (Plan) and additions to/deductions from the Plan's fiduciary net assets has been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Premium

Bond premium is amortized using the effective interest method over the term of the bonds. The amortization is recorded as a reduction of interest expense.

Revenue Recognition

A summary of significant revenue recognition policies are as follows:

Bookstore Sales

Bookstore sales revenues are recognized at the point of sale. Web sales are recorded upon delivery to the customer or upon customer pickup at the store.

Commission Fees

Commission fees revenues are recognized when cash is received or when contracted amounts are earned.

Food Service and Dining Sales

Food service and dining sales revenues are recognized at the point of sale.

Vending Machine Sales

Vending machine sales revenues are recognized when cash is received.

Textbook Rental Revenues

Textbook rental revenues are generally recognized at the beginning of the lease term and properly recognized within the applicable fiscal year.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Organization follows U.S. GAAP related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2023 and therefore no amounts have been accrued.

Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2023, due to the relative short maturities of these instruments.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 - Organization and 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 promotional, bad debts, bank and credit card fees, board, discounts and markdowns, freight out and postage, general expenses, inventory adjustments, Residence Hall commissions, royalties and commissions, subscriptions and dues and supplies are allocated based on estimated usage on general and administrative, bookstore, 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.

Subsequent Events

The Organization has evaluated subsequent events through September 29, 2023, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 5,597,260
Accounts receivable	270,668
Accounts receivable - related parties	822,551
	<hr/>
Total Financial Assets Available for General Operations	6,690,479
Less amounts not available to be used within one year:	
Restricted by the Board for Beach Deposits	(502,809)
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,187,670
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The Organization's financial assets have been reduced by refundable campus debit card deposits of \$502,810 since the amount is not available for general use. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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 3 - Inventory

Inventories consist of the following at June 30, 2023:

Supplies	\$ 805,646
Textbooks	194,580
Food service	162,807
	<hr/>
	\$ 1,163,033
	<hr/>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 4 - Investments

The fair market value of investments is categorized as follows:

	Level 1	Level 2	Level 3	NAV	Total
Money Market Funds	\$ 65,903	\$ -	\$ -	\$ -	\$ 65,903
Equities:					
Large cap - domestic	2,440,758	-	-	-	2,440,758
Mid cap - domestic	553,513	-	-	-	553,513
Small cap - domestic	51,466	-	-	-	51,466
Large cap - foreign	39,973	-	-	-	39,973
Small cap - foreign	14,375	-	-	-	14,375
Fixed Income:					
Exchange traded funds	1,303,096	-	-	-	1,303,096
Government securities	-	305,842	-	-	305,842
Corporate bonds - domestic	277,657	-	-	-	277,657
Alternative Investments:					
Investment funds	733,314	-	-	-	733,314
Mutual Funds:					
Equity funds	2,373,573	-	-	-	2,373,573
Bond funds	1,226,954	-	-	-	1,226,954
Investment funds	335,616	-	-	-	335,616
	<u>\$ 9,416,198</u>	<u>\$ 305,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,722,040</u>

Note 5 - Property and Equipment

Property and equipment and the related accumulated depreciation consist of the following:

Building	\$ 19,424,472
Equipment	5,433,421
Leasehold Improvements	96,566
Automobiles	46,735
	<u>25,001,194</u>
Less accumulated depreciation	<u>(20,199,606)</u>
	<u>\$ 4,801,588</u>

Note 6 - Long-Term Debt

In 2008, the Organization borrowed \$4,110,000 from the System in connection with the construction of certain food service leasehold improvements. CSU assisted in financing the construction through the issuance of Systemwide Revenue Bonds Series 2008A, by the State of California, in the amount of \$4,110,000.

On April 20, 2016, the System refinanced \$3,415,000 of the Systemwide Revenue Bonds Series 2008A by issuing \$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 the System was amended to reflect the refinancing of the bonds. The Organization is obligated to repay the System the amount of the indenture obligations, interest and costs by making payments to the System equal to the System's debt service on the bonds. The debt obligation is secured by the Organization's revenues.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 6 - Long-Term Debt, continued

Long-term debt is summarized as follows:

Note payable to the System, payable in semiannual installments, on May 1 and November 1 of each year including interest, maturing May 2039.	\$	2,640,000
Unamortized bond premium		504,022
Less: current portion of long-term debt		(110,000)
	\$	<u>3,034,022</u>

The following is a summary of future principal payments:

Year Ending June 30,	
2024	\$ 110,000
2025	115,000
2026	125,000
2027	130,000
2028	140,000
Thereafter	<u>2,020,000</u>
	\$ <u>2,640,000</u>

The following is a summary of future bond premium amortization:

Year Ending June 30,	
2024	\$ 27,051
2025	30,224
2026	34,760
2027	35,827
2028	36,837
Thereafter	<u>339,323</u>
	\$ <u>504,022</u>

Note 7 - Leasing Arrangements

The Organization leases certain property for the bookstore facility from the University and other unrelated third parties under short term lease agreements. The agreement with the University requires the Organization to manage and operate the facility for the benefit of the University. These leases expire in 2024. Total base monthly rental payments to the University were \$9,250 as of June 30, 2023.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2024 and 2026.

The following summarizes the line items in the statement of functional expense which include the components of lease expense for the year ended June 30, 2023:

Operating leases:	
Short term lease expense, included in rent	\$ 111,000
Short term lease expense, included in other operating expenses	<u>33,196</u>
Total lease expenses	\$ <u>144,196</u>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 7 - Leasing Arrangements, continued

Rent expense paid to the related parties under the operating leases was \$111,001.

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, 2023 are as follows:

Year Ending June 30,	
2024	\$ 64,741
2025	18,240
2026	18,240
	<u>\$ 101,221</u>

Note 8 - 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 five 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:

Year Ending June 30,	
2024	\$ 346,903
2025	157,430
2026	160,007
2027	154,837
2028	7,551
	<u>\$ 826,728</u>

Note 9 - 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.

The recorded unfunded pension liabilities at June 30, 2023 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement date for the report was June 30, 2022. Actuarial information as of June 30, 2023 is currently unavailable.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 9 - Pension Plan (CalPERS), continued

As of the measurement date, the plan was 81% funded. The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of the measurement date was \$5,399,467.

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.80%
Inflation Rate	2.30%
Salary Increases	Varies by entry age and service
Investment Rate of Return	4.50%, net of pension plan investment expenses, including inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post-Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.00% thereafter

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Organization is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2023 (the measurement date), the active employee contribution rate is 7.00% of annual pay for Tier 1 and Tier 2 and 7.75% of annual pay for PEPRA, and the average employer's contribution rate is 12.52% of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the year ended June 30, 2023, the employer and employee contributions were \$294,221 and \$220,758, respectively.

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

Year Ending June 30,	Miscellaneous	PEPRA	Total
2024	\$ 377,276	\$ 1,975	\$ 379,251
2025	501,031	9,876	510,907
2026	553,000	15,000	568,000
2027	603,000	21,000	624,000
2028	569,000	26,000	595,000
Thereafter	2,556,909	165,400	2,722,309
	<u>5,160,216</u>	<u>239,251</u>	<u>5,399,467</u>
Pension obligation	5,560,874	250,072	5,810,946
Less:			
Current year pension payment	(400,658)	(10,821)	(411,479)
Pension obligation	<u>\$ 5,160,216</u>	<u>\$ 239,251</u>	<u>\$ 5,399,467</u>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 10 - 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. The employer contributions amounted to \$42,700 for the year ended June 30, 2023.

Note 11 - 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, 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.

As of June 30, 2023, the number of eligible retired employees participating in the plan is 45. Currently, there are 16 active employees that could be eligible to participate in the plan in the future.

On September 30, 2011, the board of directors approved 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 Organization (VEBA) recognized under 501(c)(9). During the year ending June 30, 2023, no contributions were made to the account. Since 2001, the total amount invested in the VEBA Trust was \$4,000,000 and the total amount withdrawn from the VEBA Trust was \$800,000. 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, 2023, the VEBA trust held assets at fair market value of \$5,539,884.

As of June 30, 2023, the accumulated post-retirement benefit obligation amount has been accrued in the statement of financial position.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 11 - Post-Retirement Medical Benefits, continued

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:

Accumulated Post Retirement Benefit Obligation	
Retirees	\$ 2,969,974
Active Employees	1,099,710
	<u>4,069,684</u>
 Fair Value of Assets	 5,539,884
 Overfunded Accumulated Benefit Obligation	
Unamortized gain (loss)	-
Unamortized transition obligation	<u>(1,470,200)</u>
	<u>\$ (1,470,200)</u>
 Net periodic post retirement benefit cost	
Service cost	\$ 194,766
Interest cost	142,439
Expected return on assets	-
Amortized gain (loss)	<u>-</u>
 Net periodic benefit cost	 <u>\$ 337,205</u>

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 3%. 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, 2022, with the rate of increase decreasing each year thereafter until the year beginning July 1, 2027, and thereafter the Medical Cost trend rate is assumed to be the same as Consumer Price Index increases.

The Organization's policy is to have an actuarial study of the plan performed every 3 years. The Organization had a study performed in January 2022. The next study is expected to be performed for the fiscal year ending June 30, 2025. The Organization performs its own estimates and assumptions in interim years, also taking into consideration past actuarial assumptions.

As of June 30, 2023, the Organization's Post Retirement Medical Benefit Obligation is overfunded by \$1,470,200. A corridor is not used to amortize any actuarial gains and losses.

Note 12 - Net Assets

Included in the Organization's net asset without donor restrictions are amounts invested in property and equipment and Board designated reserve funds. Reserve funds are accounts that have been created by the Board of Directors for specific purposes.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 12 - Net Assets, continued

Net assets without donor restrictions at June 30, 2023, are comprised of the following:

Invested in Property and Equipment	\$ 1,657,566
Board Designated For:	
CalPERS Unfunded Liability	5,399,467
SRB Funding Outpost	3,144,022
Beach Investment Group	630,095
Beach Deposits	502,809
	<u>9,676,393</u>
Undesignated Net Assets	<u>1,532,334</u>
	<u>\$ 12,866,293</u>

Note 13 - Transactions with Affiliates

The Organization enters into transactions with the University. During the year ended June 30, 2023, the Organization paid the University for salaries, utilities, information technology management, debt service and reimbursements for other operating expenses. The Organization charges the University for reimbursement of expenses to operate the ID Card Services. The University earns a commission of 6-8% from the Organization to oversee resident dining. From time to time, the University makes purchases from the Organization's bookstore.

Payments made (received) were as follows:

Payments made to the University	\$ 1,632,377
Gifts-in-kind to the University	75,160
Payments received from the University	<u>(4,058,429)</u>
Net payments received from the University	<u>\$ (2,350,892)</u>

Amounts receivable (payable) are as follows:

University:

Accounts receivable	\$ 822,551
Accounts payable and accrued expenses	\$ (553,703)

Note 14 - Concentrations, Risks and Uncertainties

Credit Risks

The Organization maintains bank and investment accounts which may, at times, exceed depository insurance limits and therefore expose the Organization to credit risk. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. Investments held by other institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). The Organization monitors these balances regularly and evaluates the risk due to balances in excess of insurance limits.

Market and Interest Rate Risks

Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk exposure associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Notes to Financial Statements

Year Ended June 30, 2023

Note 15 - Restatement

During the year, it was determined that loss due to refinancing of long-term debt in 2016 was not fully recognized in 2016, resulting in an understatement of long-term debt and overstatement of net assets without donor restrictions at June 30, 2022. The restatement resulted in an increase in the beginning long-term debt and decrease the balance of net assets without donor restrictions of \$304,300 on the statement of activities.

In addition, it was identified that the balance previously reported as pension obligation was understated. The restatement resulted in an increase in the beginning balance of pension obligation and decrease in the beginning balance of net assets without donor restrictions of \$1,418,072 on the statement of activities.

SUPPLEMENTAL INFORMATION

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Schedule of Net Position**

June 30, 2023

(for inclusion in the California State University)

Assets:**Current assets:**

Cash and cash equivalents	5,597,260
Short-term investments	9,722,040
Accounts receivable, net	1,093,219
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	1,178,031

Total current assets**17,590,550****Noncurrent assets:**

Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	4,801,588
Other assets	1,470,200

Total noncurrent assets**6,271,788****Total assets****23,862,338****Deferred outflows of resources:**

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-

Total deferred outflows of resources**-**

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Schedule of Net Position**

June 30, 2023

(for inclusion in the California State University)

Liabilities:**Current liabilities:**

Accounts payable	688,066
Accrued salaries and benefits	1,617,210
Accrued compensated absences, current portion	-
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	110,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	147,280

Total current liabilities

2,562,556

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	3,034,022
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	5,399,467
Other liabilities	-

Total noncurrent liabilities

8,433,489

Total liabilities

10,996,045

Deferred inflows of resources:

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-

Total deferred inflows of resources

-

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS**Schedule of Net Position**

June 30, 2023

(for inclusion in the California State University)

Net position:

Net investment in capital assets	1,657,566
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	<u>11,208,727</u>
Total net position	<u><u>12,866,293</u></u>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-

Grants and contracts, noncapital:

Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	31,400,351
Scholarship allowances (enter as negative)	-
Other operating revenues	75,160

Total operating revenues	31,475,511
---------------------------------	-------------------

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	33,875,224
Depreciation and amortization	733,218

Total operating expenses	34,608,442
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Operating income (loss)	(3,132,931)
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FORTY-NINER SHOPS, INC. DBA BEACH SHOPS
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023
(for inclusion in the California State University)

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	1,021,997
Endowment income (loss), net	-
Interest expense	(125,443)
Other nonoperating revenues (expenses)	(2,270)
	<hr/>
Net nonoperating revenues (expenses)	894,284
	<hr/>
Income (loss) before other revenues (expenses)	(2,238,647)
	<hr/>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
	<hr/>
Increase (decrease) in net position	(2,238,647)
Net position:	
Net position at beginning of year, as previously reported	16,827,312
Restatements	(1,722,372)
	<hr/>
Net position at beginning of year, as restated	15,104,940
	<hr/>
Net position at end of year	12,866,293
	<hr/>

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		5,597,260
Total	\$	5,597,260

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 65,903	-	65,903
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	305,842	-	305,842
Municipal bonds	-	-	-
Corporate bonds	277,657	-	277,657
Asset-backed securities	-	-	-
Mortgage-backed securities	-	-	-
Commercial paper	-	-	-
Supranational	-	-	-
Mutual funds	3,936,143	-	3,936,143
Exchange-traded funds	1,303,096	-	1,303,096
Equity securities	3,100,085	-	3,100,085
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investments	733,314	-	733,314
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments:			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total other investments	-	-	-
Total investments	9,722,040	-	9,722,040
Less endowment investments (enter as negative number)		-	-
Total investments, net of endowments	\$ 9,722,040	-	9,722,040

See independent auditor's report.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 65,903	65,903	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	305,842	-	305,842	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	277,657	277,657	-	-	-
Asset-backed securities	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Supranational	-	-	-	-	-
Mutual funds	3,936,143	3,936,143	-	-	-
Exchange-traded funds	1,303,096	1,303,096	-	-	-
Equity securities	3,100,085	3,100,085	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investments	733,314	733,314	-	-	-
Other external investment pools					
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total other investments	-	-	-	-	-
Total investments	\$ 9,722,040	9,416,198	305,842	-	-

See independent auditor's report.

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g., - CSU Consolidated Investment Pool (formerly SWIFT):	\$ -	-	\$ -

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -	-	-	-	\$ -	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-	-
Intangible assets:	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	\$ -	-	-	-	\$ -	-	-	-	-
Depreciable/Amortizable capital assets:									
Buildings and building improvements	19,351,279	194,022	-	-	19,545,301	-	(120,829)	-	19,424,472
Improvements, other than buildings	-	37,664	-	-	37,664	58,902	-	-	96,566
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	6,188,286	(231,686)	-	-	5,956,600	79,068	(555,512)	-	5,480,156
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:	-	-	-	-	-	-	-	-	-
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	25,539,565	-	-	-	25,539,565	137,970	(676,341)	-	25,001,194
Total capital assets	\$ 25,539,565	-	-	-	\$ 25,539,565	137,970	(676,341)	-	25,001,194

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

Less accumulated depreciation/amortization:									
Buildings and building improvements	\$	(14,497,468)	-	-	-	\$	(14,497,468)	(511,191)	117,164
Improvements, other than buildings		-	-	-	-		-	-	-
Infrastructure		-	-	-	-		-	-	-
Leasehold improvements		-	(17,839)	-	-		-	-	-
Personal property:									
Equipment		(5,642,991)	17,839	-	-		(5,625,152)	(222,027)	556,907
Library books and materials		-	-	-	-		-	-	-
Intangible assets:									
Software and websites		-	-	-	-		-	-	-
Rights and easements		-	-	-	-		-	-	-
Patents, copyrights and trademarks		-	-	-	-		-	-	-
Licenses and permits		-	-	-	-		-	-	-
Other intangible assets:		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
Total Other intangible assets:		-	-	-	-		-	-	-
Total intangible assets		-	-	-	-		-	-	-
Total accumulated depreciation/amortization		(20,140,459)	-	-	-		(20,140,459)	(733,218)	674,071
Total capital assets, net excluding ROU assets	\$	5,399,106	-	-	-	\$	5,399,106	(595,248)	(2,270)
									4,801,588

Capital Assets, Right of Use

Composition of capital assets - Lease ROU, net:	Balance June 30, 2022	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Non-depreciable/Non-amortizable lease assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable lease assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable lease assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable lease assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets - lease ROU, net	-	-	-	-	-	-	-	-	\$ -

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

Composition of capital assets - SBITA ROU, net	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Depreciable/Amortizable SBITA assets:									
Software	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable SBITA assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:									
Software	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets - SBITA ROU, net	-	-	-	-	-	-	-	-	-

Composition of capital assets - P3 ROU, net:	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Non-depreciable/Non-amortizable P3 assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable P3 assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable P3 assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable P3 assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets - P3 ROU, net	-	-	-	-	-	-	-	- \$	-

Total capital assets, net including ROU assets

\$ 4,801,588

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$ 733,218
Amortization expense - Leases ROU	-
Amortization expense - SBITA ROU	-
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	-
Total depreciation and amortization	\$ 733,218

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 496,150	-	496,150	-	(496,150)	-	-	-
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations (pre ASC 842)	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	2,745,000	-	2,745,000	-	(105,000)	2,640,000	110,000	2,530,000
4.4 Finance purchase of capital assets	-	-	-	-	-	-	-	-
4.5 Others:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	2,745,000	-	2,745,000	-	(105,000)	2,640,000	110,000	2,530,000
4.6 Unamortized net bond premium/(discount)	199,722	304,300	504,022	-	-	504,022	-	504,022
Total long-term debt obligations	\$ 2,944,722	\$ 304,300	\$ 3,249,022	-	(105,000)	\$ 3,144,022	\$ 110,000	\$ 3,034,022

5. Lease, SBITA, P3 liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Lease liabilities	-	\$ -	-	-	-	-	-	-
SBITA liabilities	-	-	-	-	-	-	-	-
P3 liabilities - SCA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 2,944,722	\$ -	-	-	-	-	-	-
Total long-term liabilities						\$ 3,144,022	\$ 110,000	\$ 3,034,022

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(for inclusion in the California State University)

5 Future minimum payments schedule - leases, SBITA, P3:

	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2024	\$ -	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									
Present value of future minimum payments									
Total Leases, SBITA, P3 liabilities									
Less: current portion									
Leases, SBITA, P3 liabilities, net of current portion									

6 Future minimum payments schedule - Long-term debt obligations:

	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
Year ending June 30:									
2024	\$ -	-	-	110,000	61,825	171,825	110,000	61,825	171,825
2025	-	-	-	115,000	59,075	174,075	115,000	59,075	174,075
2026	-	-	-	125,000	56,200	181,200	125,000	56,200	181,200
2027	-	-	-	130,000	53,075	183,075	130,000	53,075	183,075
2028	-	-	-	140,000	49,825	189,825	140,000	49,825	189,825
2029 - 2033	-	-	-	2,020,000	46,325	2,066,325	2,020,000	46,325	2,066,325
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	2,640,000	326,325	2,966,325	2,640,000	326,325	2,966,325
Less: amounts representing interest									(326,325)
Present value of future minimum payments									2,640,000
Unamortized net premium/(discount)									504,022
Total long-term debt obligations									3,144,022
Less: current portion									(110,000)
Long-term debt obligations, net of current portion									\$ 3,034,022

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(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	1,632,377
Payments received from University for services, space, and programs	4,058,429
Gifts-in-kind to the University from discretely presented component units	75,160
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts payable to University	(553,703)
Other amounts payable to University	-
Accounts receivable from University	822,551
Other amounts receivable from University	-

8 Restatements

		Debit/(Credit)
Restatement #1	To correct balance of bond premium	
	Unrestricted	\$ 304,300
	Long-term debt obligations, current portion	(304,300)
		\$ -
Restatement #2	To correct FY 21-22 net pension liability	
	Unrestricted	\$
	Net pension liability	(
		\$ -

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowsh	Supplies and other services	Depreciation and	
Instruction	\$ -	-	-	-	-	-	-	
Research	-	-	-	-	-	-	-	
Public service	-	-	-	-	-	-	-	
Academic support	-	-	-	-	-	-	-	
Student services	-	-	-	-	-	-	-	
Institutional support	-	-	-	-	-	-	-	
Operation and maintenance of plant	-	-	-	-	-	-	-	
Student grants and scholarships	-	-	-	-	-	-	-	
Auxiliary enterprise expenses	8,864,095	3,048,533	4,425,612	(435,088)	-	17,972,072	-	
Depreciation and amortization	-	-	-	-	-	-	-	
Total operating expenses	\$ 8,864,095	3,048,533	4,425,612	(435,088)	-	17,972,072	733,218	\$ 34,608,442

Select type of pension plan >>

Defined Benefit Plan

FORTY-NINER SHOPS, INC. DBA BEACH SHOPS

Other Information

Year Ended June 30, 2023

(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 - leases		-
Deferred outflows - P3		-
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		-
Total deferred outflows of resources	\$	-

2. Deferred Inflows of Resources

Deferred inflows - P3 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 - leases		-
Deferred inflows - P3		-
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		-
Total deferred inflows of resources	\$	-

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$	-
Other nonoperating (expenses)		(2,270)
Total other nonoperating revenues (expenses)	\$	(2,270)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Audit Committee
Forty-Niner Shops, Inc. dba Beach Shops

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Forty-Niner Shops, Inc. (a nonprofit organization), dba Beach Shops which comprise the statements of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forty-Niner Shops, Inc. dba Beach Shops' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Forty-Niner Shops, Inc. dba Beach Shops' internal control. Accordingly, we do not express an opinion on the effectiveness of the Forty-Niner Shops, Inc. dba Beach Shops' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forty-Niner Shops, Inc. dba Beach Shops' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*, CONTINUED

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Forty-Niner Shops, Inc. dba Beach Shops' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forty-Niner Shops, Inc. dba Beach Shops' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

Brea, California
September 29, 2023