

MINUTES

FORTY-NINER SHOPS, INC.

AUDIT COMMITTEE

Friday, May 26, 2023 – Corporate Conference Room

Members Present: Mr. Jeremy Harris, Chair Mr. Milton Ordoñez
Mr. Alvin Tu

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Mr. Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Ms. Marianne Russo, Board Administrator
Mr. Tom Collier, Accounting Manager, 49er Shops
Mr. Idris Aydin, Director of Finance and Administration, ASI, Inc.
Mr. Stewart Ohanesian, Senior Accountant, ASI, Inc.

Guests: Mr. Bobby LaCour, Aldrich Advisors
Mr. Dennis LaCour, Aldrich Advisors

A. Call to Order:

The meeting was called to order at 10:06 a.m. by Chair, Mr. Jeremy Harris

B. Approval of the Agenda: May 26, 2023

Motion to accept the Agenda as presented.

M/S Mr. Harris / Mr. Ordoñez

By acclamation the Agenda for the meeting of May 26, 2023 was hereby approved as presented.

C. Approval of Minutes: September 26, 2022

Motion to accept the Minutes as presented.

Mr. Harris / Mr. Ordoñez

By acclamation the minutes of September 26, 2022 were hereby approved as presented.

D. NEW BUSINESS

- Entrance Conference for FY 2022-2023 Audit:
 - Mr. Copley explained that this past year, the Shops sent out an RFP to look at different Auditing firms since best practices dictate to routinely change auditors every 5 to 10 years.
 - After several interviews and discussions, Aldrich Advisors was chosen to organize and manage the Audit process this year.

- Mr. Bobby LaCour introduced himself and mentioned that he was excited to be working with the Shops as their firm has performed audit services for several non-profit auxiliary organizations throughout the CSU system.
 - He began with a breakdown of the audit process addressing the scope of what these activities would include:
 - Represent that the 49er Shops' financial statements are fairly presented and materially stated overall.
 - Reviewing the internal control processes in an effort to understand how certain functions are handled throughout the divisions.
 - Verifying compliance in terms of FASB guidelines and regulations.
 - Putting together a supplemental schedules and materials report that will be sent to the Chancellor's Office by September 22nd, 2023.
- At the end of the Audit process, the following services would be provided:
 - Financial statement audit documentation with supplemental information as of June 30, 2023.
 - A Management Letter will be put together and will provide comments about what was observed in terms of fiscal management practices and professional observations along with reviews of the internal controls.
 - An official letter will be prepared for the Audit Committee reviewing accounting policies, management judgements as well as accounting estimates, audit adjustments or any other matters that came up for the auditors during this process.
 - This information will be reviewed and discussed at the next meeting scheduled for September.
 - Preparation of the 990 form on the Shops' behalf.
- The Audit services timeline was reviewed with the group:
 - Planning and interim fieldwork is scheduled to begin on Monday, June 5th that will lead to the Bookstore's Inventory observation on or around June 30th.
 - From there, Aldrich would be sending out request items to departments through July to hopefully complete fieldwork by the middle of August.
 - In September there will be documentation submitted and discussed with the Audit Committee and then delivery of the audit final report to the CSU Chancellor's Office by the September 22nd deadline.
 - Aldrich would then be preparing the tax returns for the Shops by October 22nd.
- The Audit process will look at certain significant areas and issues such as:
 - Revenue recognition throughout all the divisions.
 - Functional allocation of expenses and their classifications.
 - The implementation of ASU 2016-2 which is a new standard that states all lease assets along with lease liabilities would need to be recognized on the balance sheet moving forward.
 - This only applies to leases that were deemed long-term or past 12 months.
 - Consideration of fraud risk on all levels especially in terms of misappropriation of assets, fraudulent financial activity and even cyber security.

E. Adjournment

There being no further business, the meeting was adjourned at 10:40 a.m.