

MINUTES

BEACH SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, October 20, 2023 – Corporate Conference Room

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

Absent: Dr. Beth Lesen

Staff Present: Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.
Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.
Tom Collier, Accounting Manager, 49er Shops
Idris Aydin, Director of Finance and Administration, ASI, Inc.
Kristy Nguyen, Accounting & Financial Analyst, ASI, Inc.
Stewart Ohanesian, Senior Accountant, ASI, Inc.

A. Call to Order:

The meeting was called to order at 8:49 a.m. by Chair, Scott Apel

B. Approval of the Agenda: October 20, 2023

Motion to accept the Agenda as presented.

M/S Ms. Jain / Dr. Soni

By acclamation the Agenda for the meeting of October 20, 2023 was hereby approved.

C. Approval of Minutes: September 1, 2023

Motion to accept the Minutes as presented.

M/S Ms. Jain / Dr. Soni

By acclamation the minutes of September 1.2023 were hereby approved as presented.

D. Action Items:

- **1st Quarter 2022-2023 Financial Review** – Mr. Copley reported out on the 1st Quarter financials that were essentially just favorable to budget since there reflect only 5 weeks of normal operations, so we typically see a loss for this quarter and this year was no different.
 - When looking at our 1st Quarter in review, he mentioned the following activities:
 - This was the first fall semester since 2019 that we were returning to full on-campus operations since the pandemic.
 - While the Beach Hut location was now officially open, it is a work in progress.
 - Projects and Programs Update:

- Compensation Salary Survey is currently in process
- Equitable Textbook Access program is moving forward as anticipated as we see the marketplace shift to digital course materials.
- The Shops are currently processing our IRS Form 990 tax returns through our new partner, Aldrich Associates.
- Staff Leadership Training program through Employers Group is underway with our management staff.
- EBT and Restaurant Meal Programs are currently being transitioned into our Retail and Residential Dining locations.
- Performance to Budget – 1st Quarter
 - Revenue was slightly unfavorable to budget, however, the Bookstore division was favorable to their budget numbers.
 - These financial figures were also influenced by the fact that we budgeted differently this year by the traditional calendar year moving away from the outdated 5-4-4 Retail Calendar previously used for this process.
 - Cost of Goods results are mixed but remain essentially on budget, however, unfavorable revenue numbers have driven an unfavorable gross profit for the quarter.
 - Credit and Revenues are favorable due to the higher D1DA access program payments that were seen this semester.
 - Operating expenses came in favorable to budget due to our newly re-negotiated Residential Dining commissions and lower expense repair costs than were previously anticipated.
 - G&A expenditures are 11.3% favorable due to better cost containment throughout the organization along with cost sharing arrangements.
 - Investments for the quarter are significantly unfavorable, and Mr. Copley will be discussing that further within the presentation.
- Yearly 1st Quarter 23-24 to 1st Quarter 22-23
 - This year's quarter financial results represent a return to full operational volumes seen from more student traffic returning to campus.
 - As such, our overall revenue is up in nearly all segments yielding a 5.3% increase for Retail Dining in part due to the Nugget being open this fall as opposed to last year when it was still closed.
 - ID Card department shows unfavorable due to a payment budgeted in July that was realized in June for the prior year.
 - Operating expenses are up from prior fiscal year because we have staffed up to a better degree this year to help meet with operational demands.
 - G&A expenses were up as well for the additional staff needed within our support departments like Communications and IT.
 - The investment marketplace has improved this year considerably over the prior year.
- Capital Expenditures
 - This quarter saw around \$37,000 spent on Capital Expenditures for our Retail Dining division which consisted of the following:
 - Beach Hut start-up costs came in around \$20,000.
 - There was \$17,000 spent on the Caffeine Lab for new equipment.
 - There is an anticipated capital expenditure cost for our new accounting system to be realized within the 2nd or 3rd Quarter of the year.

- Investment Results:
 - Over the past 24 months the overall economic/marketplace investment returns have shown significant volatility with remarkable losses that are then followed by unexpected gains.
 - With that being said, our 1st Quarter investment results were down with losses totaling around \$210,000 from Morgan Stanley and BIG combined along with the VEBA trust down \$266,000.
 - ❖ This seems to be a trend occurring during the month of September and is actually known as the “September Effect” which historically goes back nearly a century, and many believe to be caused by investors returning from summer to lock in gains as well as tax losses before the end of the year.
- Statement of Financial Position:
 - This financial statement shows an increase in current assets largely driven by increased cash balances.
 - One such balance reflects a \$3.5 million Residential Dining payment received in September which reduced A/R and inventories held converted to cash.
 - The reduced A/P figures indicate a use of this cash, however, we seek to remain in good credit standing with our vendors.
 - There is an increase in “Other Accrued Liabilities” due to an accrued \$1.5 million eBook payment for DIDA transactions.
 - A decrease in “Non-current Liabilities” is because of the unfunded accrued liability from our CalPERS Pension obligations.
- Comparative Cash Flow Statement
 - In terms of the Cash Flows from Operating Activities, the Change in Net Assets shows a reduced loss driven by the prior year’s non-cash CalPERS unfunded liability transaction.
 - The Cash Flows from Operations figures were largely favorable to prior year end which indicates a favorable balance between sources of cash and uses of cash that are generated from operations overall.
 - Additionally, there were smaller than anticipated PPE expenditures and lower capital expenses which are favorable to cash balances for the quarter.

Motion to accept the 1st Quarter 2023-2024 Financial Review

M/S Ms. Jain / Dr. Soni

By acclamation the 1st Quarter 2023-2024 Financial Review was hereby approved to recommend to the Board.

E. General Information

- **Tax Return 990 and 990T**
 - Mr. Copley discussed that the Shops are required to submit the Tax Return forms 990 and 990T every year in October.
 - In the past, these documents were reviewed in depth by the F&I Committee with the Auditors as part of this process, however, a strategic decision was made this by the Executive team and our Board Chair, to go ahead and process these without this extensive meeting discussion.

- This year, we are processing these forms with our new Aldrich tax consultant and the completed documents were sent to out the prior week as needed.
- **Shared Services Report**
 - Mr. Copley discussed the following Student Auxiliary Enterprises (SAE) Shared Services updates:
 - There is a meeting scheduled for the following week with our MS365 Business Implementor for the new Shops Chart-of-Accounts system to hopefully help the Shops operate better moving forward.
 - In terms of ASI's Chart-of-Accounts, this would be a longer process due to the fact that they had used an older methodology stemming from their previous system.
 - Account naming would be more in line with General Accounting Accepted Practices (GAAP).
 - The new system will be able to provide reporting enhancements that will prove overwhelmingly beneficial, especially on the ASI side.
 - Additionally, the new system would have an add-on Procurement module which Mr. Copley and his team are looking into include as well since it would help provide process consistency throughout the organization.
 - We are currently in the process of putting together the ASI proposal for Beach Investment Group and if approved on their end, they would have BIG invest money as part of their overall portfolio like they do currently for the Shops.
 - The Shops and ASI are actively engaged in applying for the Employee Retention Tax Credit (ERTC) Program.
 - While the campus is ineligible for this, Auxiliary departments can pursue tax credit for remaining open during the pandemic.
 - ❖ We are currently working with a vendor that was recommended by ADP who would be able to use the data from this system needed for this process.

F. New Business

- Mr. Apel had recently attended a Chief Administrators and Business Office (CABO) Retreat this past week and one of the discussions had was a growing concern about the increase of 11-04 claims from the CSU Auxiliary departments.
 - As such, the Shops and ASI would need to be aware of this moving forward especially since this could be included in future CSU Audits.

G. Adjournment

- There being no further business, the meeting was adjourned at 9:33 a.m.