

MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

Friday, October 22, 2021 – Zoom Conference Meeting

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

Members Present: Mr. Scott Apel, Chair Dr. Praveen Soni
Dr. Beth Lesen Mr. John Barcelona

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 8:33 a.m. by Chair, Scott Apel

B. Approval of the Agenda: October 22, 2021

Motion to accept the Agenda as presented.

M/S Dr. Soni / Dr. Lesen

By acclamation the Agenda for the meeting of October 22, 2021 was hereby approved.

C. Approval of Minutes: September 17, 2021

Motion to accept the Minutes as presented.

M/S Dr. Soni / Dr. Lesen

By acclamation the minutes of September 17, 2021 were hereby approved as presented.

D. Action Items:

- **Tax Return 990 and 990T:** Mr. Gray and Mr. Portillo presented a detailed review of the Form 990 and Form 990T State Tax Returns for the committee members. The final versions will be signed and sent out accordingly before the deadline of November 15th, 2021.
 - The numbers reported in the 990 are based on the audited financial statements and reclassified for IRS reporting. The first page is an executive summary of the activity, description of our mission and our activities and a summary of the board members. Then the listing of the revenues, expenses and net assets in a summary form. This shows both current and prior year.

- Mr. Gray mentioned that the original Paycheck Protection Program loan had been included under Part VIII under “Contributions and Grants”.
- Schedule O – Mr. de Wit noticed that the updated list of Board Members provided was not included on this form.
 - Mr. Gray and Mr. Portillo will go back and update that information accordingly.
- When reviewing the 990T, Mr. Gray discussed that there had been significant changes made to this form based on recently passed laws stating that each activity that could be considered exempt must be tracked separately when considering losses.
 - A such, there will be two forms filed this year, one for the Catering Services and another for the Beach on 2nd Street.
 - Additionally, Mr. de Wit noted that on the Catering Services 990T form, there was a sizable increase to the Unrelated Taxable Revenue due to the income received from the Great Plates contract with LA County which mitigated overall losses from Residential Dining the past year.

Motion to accept the 990 and 990T tax returns drafts as discussed

M/S Dr. Soni / Dr. Lesen

By acclamation the 990 and 990T tax returns for 2020 – 2021 are hereby approved

- **1st Quarter 2021-2022 Financial Review:** 1st Quarter operating results are ahead of plan.
 - Key Activities:
 - Sales at \$5,432,285 – 20% below budget
 - Textbooks continue to be a challenge coming in at \$1.4 million below plan.
 - Mr. de Wit explained that Ms. Cyndi Farrington, our Bookstore Services Director, was scheduled to speak with the Board about this as part of the meeting scheduled later that day.
 - Operating expenses have been held in check with an operating income of \$285,973 which was \$509,092 better than budgeted.
 - Part of this is due to issues we have had with hiring enough part-time and student employees for our Retail and Residential Dining areas.
 - Margin rates are 6.5 points better than planned as we shift in volume from lower margin products.
 - We saw an investment loss of \$182, 281 from the recent market downturn.
 - Cash flow for the 1st Quarter came in at a negative \$744,778.
 - This includes the CalPERS unfunded liability payment of \$426,370.
 - Residential Dining sales were up \$521,606 as the Shops had budgeted for 70% occupancy and that number is closer is to 90% with 2,580 meal plans.
 - Capital Expenditures – current year expenditures are at \$72,381
 - Most of this was from the Caffeine Lab opening in the University Library which came in below budget at \$34,571
 - \$15, 297 was for Outpost table repairs
 - There was a maintenance repair to the Nugget done by Beach Building Services that came in at \$27,592
 - Financial Statements Overview – September 2021
 - Cash/Investments are down \$2.1 million from last year with the recent market

downturn, however, the Shops just received a pending campus payment of \$3.2 million for Residential Dining that hit in October.

- In regards to our Balance Sheet, both inventory and A/R are down \$823,000 and \$120,000 respectively due to reduced textbook business volume.
- While the 1st quarter cash flow comes in at around a negative \$775,000, August and September were positive.
- Year-to-Year Comparison
 - Operating results are continuing to improve over last year with sales up by 49.1% overall from increased activity in Retail and Residential Dining divisions.
 - Margin percentages are up 20 points due to product scale.
 - Even with an operating contribution loss of \$375,000 for the quarter, this is a 67% improvement over the first quarter last year.
- Future Plans and Objectives
 - The Shops are gearing up for the spring semester by expanding retail food services and hiring staff needed to support these locations with more anticipated traffic on campus.
 - We plan on managing cash flow through the 2nd quarter by reinvesting idle cash as per the Auditors' recommendation.
 - This will include a paydown of the CalPERS unfunded accrued liability as planned with the Board before the onset of the COVID pandemic.
 - A midyear VEBA actuarial will be conducted to assess if it is currently overfunded.
 - In the 3rd quarter, the second PPP loan forgiveness assessment is anticipated to start.

Motion to accept the 1st Quarter 2021-2022 Financial Review

M/S Dr. Lesen / Dr. Soni

By acclamation the 1st Quarter 2021-2022 Financial Review was hereby approved to recommend to the Board.

E. Adjournment

- There being no further business, the meeting was adjourned at 9:46 a.m.