

MINUTES

FORTY-NINER SHOPS, INC.

AUDIT COMMITTEE

Friday, July 10, 2020 – Zoom Conference Meeting

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

Members Present: Mr. Jeremy Harris, Chair Dr. Praveen Soni

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 10:02 a.m. by Chair, Mr. Jeremy Harris

B. Approval of the Agenda: July 10, 2020

Motion to approve the Agenda for July 10, 2020

M/S Mr. Harris / Dr. Soni

By acclamation the Agenda for the meeting of July 10, 2020 was hereby approved.

C. Approval of Minutes: September 13, 2019

Motion to accept the Minutes as presented.

M/S Mr. Harris / Dr. Soni

By acclamation the minutes of September 13, 2019 were hereby approved as presented.

D. NEW BUSINESS

- Entrance Conference for FY 2019-2020 Audit by Guzman & Gray:
 - Mr. Gray discussed that, unlike last year, all accounting pronouncements have been delayed that would have affected the audit for this past fiscal year.
 - Due to the circumstances of the COVID-19 situation with campus, Mr. de Wit spoke with Mr. Gray and his associates during our Bookstore Inventory and

prepped them in advance of some of the major changes that have occurred within the 49er Shops:

1. Campus announced that they were moving towards an alternative digital method in mid-March which brought in changed dynamics for the Shops 4th quarter results.
 - From an audit review standpoint this could affect our segregation of duties and mitigation of controls more so than in past years.
 - Due to the closures, a reduction in force was necessary and the Shops laid off 601 employees.
 - With the Bookstore being closed to in-store customers, there was more of a focus on online web sales through the end of the year.
 2. The Shops applied for a Payroll Protection Loan administered through the Small Business association and were approved for a \$2 million loan.
- Mr. Gray asked if there are any contingencies, commitments, unasserted or asserted claims or law suits that should be noted for this year's audit process.
1. Mr. de Wit reported that the Shops did sign a new contract to extend the lease for the Beach on 2nd Street for the next 3 years.
 2. We are currently meeting with the Housing & Residential Life department regarding a discrepancy on the payback amount for the student meal programs that are being refunded for part of the Spring Semester. We are expecting to pay back between \$593,000 - \$693,000 at this point.
 3. The 49er Shops are part of a larger Cal State University class action lawsuit brought on by students looking to recover student fees with the closure of campus facilities. We are only involved in a smaller portion since room, board and meals were included which directly involves our Residential Dining division.
- Mr. Gray inquired if there were any major changes and/or risk assessment issues that would need to be included in the financial statements for this past year.
1. Due to the size of the Payroll Protection loan, there may be a higher potential of scrutiny involving the funds. Mr. de Wit is working with the bank to get more of a clarification if that is the case.
 2. The Shops will not be conducting a VEBA actuarial this year.
 3. CalPERS unfunded liability is up by \$860,000 based on their latest actuarial.
 4. While this will not affect this year's audit, Mr. de Wit informed the committee that we will be moving from a cost accounting to retail accounting moving forward.

E. Adjournment

There being no further business, the meeting was adjourned at 10:39 a.m.