

**THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE FISCAL YEAR ENDED
JUNE 26, 2021**

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
FOR THE FISCAL YEAR ENDED
JUNE 26, 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
The Princeton University Store
Princeton, New Jersey

We have reviewed the accompanying financial statements of The Princeton University Store (A Cooperative Organization) (the "Store"), which comprise the balance sheet as of June 26, 2021, and the related statements of income, changes in equity and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Store management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the schedules of selling, general and administrative expenses and other income is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Schulman Lobel LLP

Schulman Lobel LLP
Princeton, New Jersey
October 7, 2021

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
BALANCE SHEET
AS OF JUNE 26, 2021

ASSETS

CURRENT ASSETS:

Cash	\$	600,166
Accounts receivable, net		58,111
Merchandise inventory, net		668,224
Prepaid expenses and other current assets		72,775

TOTAL CURRENT ASSETS 1,399,276

PROPERTY AND EQUIPMENT, NET 1,521,334

OTHER ASSETS:

Deferred tax assets, net		812,000
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TOTAL ASSETS \$ 3,732,610

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Line of credit borrowings	\$	-
Current maturities of long term debt		148,592
Accounts payable		514,938
Accrued vacation		99,318
Accrued expenses and other current liabilities		210,647
SBA - Paycheck Protection Program loan		329,328

TOTAL CURRENT LIABILITIES 1,302,823

LONG-TERM LIABILITIES:

Deferred rent		45,263
Long-term debt, net of current maturities		1,334,031

TOTAL LONG-TERM LIABILITIES 1,379,294

TOTAL LIABILITIES 2,682,117

EQUITY:

Capital contribution		453,700
Members' investments		288,629
Retained earnings		308,164

TOTAL EQUITY 1,050,493

TOTAL LIABILITIES AND EQUITY \$ 3,732,610

See independent accountants' review report and notes to financial statements

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

		<u>Percent of Sales</u>
NET SALES	\$ 4,052,195	100.0%
COST OF MERCHANDISE SOLD	<u>2,360,785</u>	<u>58.3%</u>
GROSS PROFIT	1,691,410	41.7%
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,111,527</u>	<u>52.1%</u>
LOSS FROM OPERATIONS	(420,117)	-10.4%
OTHER INCOME (EXPENSES):		
Other income	89,630	2.2%
Forgiveness of debt - SBA PPP Loan	329,200	8.1%
Interest expense	<u>(62,215)</u>	<u>-1.5%</u>
TOTAL OTHER INCOME, NET	<u>356,615</u>	<u>8.8%</u>
LOSS BEFORE (BENEFIT)/PROVISION FOR INCOME TAXES	<u>(63,502)</u>	<u>-1.6%</u>
(BENEFIT)/PROVISION FOR INCOME TAXES		
Current state income taxes	2,000	0.0%
Deferred income tax (benefit)	<u>(122,000)</u>	<u>-3.0%</u>
TOTAL (BENEFIT) FOR INCOME TAXES	<u>(120,000)</u>	<u>-3.0%</u>
NET INCOME	<u>\$ 56,498</u>	<u>1.4%</u>

See independent accountants' review report and notes to financial statements

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
STATEMENT OF CHANGES IN EQUITY
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

	<u>Capital Contribution</u>	<u>Members' Investments</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance at June 27, 2020	\$ 453,700	\$ 277,654	\$ 251,666	\$ 983,020
Members' investments	-	10,975	-	10,975
Net income	-	-	56,498	56,498
Balance at June 26, 2021	<u>\$ 453,700</u>	<u>\$ 288,629</u>	<u>\$ 308,164</u>	<u>\$ 1,050,493</u>

See independent accountants' review report and notes to financial statements

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 56,498
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	157,530
Bad debt	1,429
Deferred tax asset	(122,000)
SBA - PPP loan forgiveness	(329,200)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(39,483)
Decrease in merchandise inventory	210,926
Increase in prepaid expenses and other current assets	(48,391)
Increase in accounts payable	234,702
Decrease in accrued expenses and other current liabilities	(2,225)
Increase in state income taxes payable	2,000
Decrease in accrued vacation	<u>(22,980)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>98,806</u>
CASH USED IN INVESTING ACTIVITIES:	
Capital improvements	<u>(562,850)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(562,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Line of credit borrowings	617,910
Proceeds from SBA - PPP loan	329,328
Repayments on long term debt	(108,905)
Members' investments	<u>10,975</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>849,308</u>
NET INCREASE IN CASH	385,264
CASH, BEGINNING OF FISCAL YEAR	<u>214,902</u>
CASH, END OF FISCAL YEAR	<u><u>\$ 600,166</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during fiscal year for interest expense	<u>\$ 62,215</u>
Cash paid during fiscal year for income taxes	<u><u>\$ -</u></u>

See independent accountants' review report and notes to financial statements

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

The Princeton University Store (the “Store”) is considered to be a cooperative organization which was incorporated on October 20, 1905 and a retailer of Princeton University insignia items, school supplies, dormitory furnishings, food and other merchandise to students, faculty and alumni of Princeton University and to the general public. The Princeton University Store is located in Princeton, New Jersey. The Store generates sales through two locations at Princeton University and on its internet website.

The Store is a cooperative organization and is owned entirely by its members. A person is required to pay a one-time fee to become a member. The Store records any new lifetime or annual membership fees as income which is included in other income in the accompanying financial statements. Members receive discounts on their purchases and on sale prices that are unavailable to nonmember customers. The member discounts were \$600,663 for the fiscal year ended June 26, 2021 and are included in sales in the accompanying financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) in compliance with the Accounting Standards Codification (“ASC”) of the Financial Accounting Standards Board (“FASB”).

Fiscal Year

The Store’s fiscal year-end is the Saturday nearest to June 30. The fiscal year ended June 26, 2021 was comprised of 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of amounts due from credit card companies and customers which are presented net of the allowance for doubtful accounts.

The Store records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon historical collection experience and past transaction history, current economic trends and management's evaluation of outstanding accounts receivable. Accounts receivable are written off when they are deemed uncollectable.

The Store does not require collateral from its customers. The allowance for doubtful accounts had a balance of \$0 as of the fiscal year ended June 26, 2021.

Merchandise Inventory

Inventory consists solely of finished goods. Inventory is valued at the lower of cost or net realizable value with cost determined by the first-in first-out ("FIFO") method. The Store complies with guidance from Accounting Standards Update ("ASU") 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). The core principal of the guidance is that an entity should measure inventory at the "lower of cost or net realizable value." ASU 2015-11 defines net realizable value as the "estimated selling prices in the ordinary course of business less reasonably predictable cost of completion, disposal, and transportation. Inventory is presented net of any allowances for obsolete inventory; changes in the provision for obsolete inventory is included in cost of merchandise sold. Obsolete inventory items are written off against the allowance when identified. As of fiscal year ended June 26, 2021 inventory is reflected net of obsolescence reserves amounting to \$10,000.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repair costs are charged to operations as incurred; renewals and betterments are charged to the appropriate asset account.

Upon retirement or sale of property and equipment, the respective property and equipment accounts are reduced by the cost of the property and equipment retired or sold and the accumulated depreciation thereon is eliminated, and the resulting gains and losses are credited or charged to operations.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Leases

The Store has operating lease arrangements for its store locations and offices, some of which contain provisions for future rent increases or periods in which rent payments are abated. Operating leases which provide for lease payments that vary materially from the straight-line basis are adjusted for financial accounting purposes to reflect rental income or expenses on the straight-line basis in accordance with the authoritative guidance. The Store has recorded a deferred rent liability in the amount of \$45,263 in connection with its operating leases as of the fiscal year ended June 26, 2021.

Revenue Recognition

The Store complies with ASC Topic 606, *Revenue from Contracts with Customers* which provides a five-step model to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP.

The Store determines revenue recognition by applying the following five-step model:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue as the performance obligations are satisfied.

See Note 12 for the detailed disclosures pertaining ASC Topic 606, *Revenue from Contracts with Customers*.

Impairment of Long-Lived Assets

The Store reviews long-lived assets, including intangible assets and property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Store assesses recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Store determines that the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Store considers all highly liquid instruments purchased with original maturities of three months or less when purchased to be cash equivalents. As of the fiscal year ended June 26, 2021 the Store did not hold any cash equivalents.

Advertising Costs

The Store expenses advertising costs as incurred. Advertising costs for the fiscal year ended June 26, 2021 was \$23,282. The advertising costs are net of cooperative advertising reimbursements and credits the Store has received from various vendors amounting to \$11,835. The credits pertain to the Store achieving certain dollar or unit sales level as defined.

Income Taxes

The Store operates as a nonexempt cooperative for federal income tax purposes and is subject to taxes on all income not paid or allocable to members as patronage dividends, if any. There were no patronage dividends for the fiscal year ended June 26, 2021.

Deferred income taxes have been provided for temporary differences between financial statement and income tax reporting under the liability method, using expected tax rates and laws that are expected to be in effect when the differences are expected to reverse. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized. As of the fiscal year ended June 26, 2021, management of the Store has concluded that no valuation allowance was necessary to reduce its deferred income tax assets.

The Store's policy is to classify income tax assessments, if any, for interest expense and for penalties in general and administrative expenses on unrecognized tax benefits. No such interest and penalties were recorded for the fiscal year ended June 26, 2021.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Store's income tax returns are subject to examination by the taxing authority of the Internal Revenue Service and the state of New Jersey for three years after the income tax returns are filed.

As of June 26, 2021, management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Store's financial statements.

Concentrations of Credit Risk

Cash

The Store maintains its cash in bank deposit accounts with two financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The balances, at times, may exceed current FDIC limits; however no known losses have been attributed to this risk. Management periodically reviews the stability of the financial institutions.

Major Vendors

During the fiscal year ended June 26, 2021, two vendors accounted for 24% of total cost of merchandise sold. One vendor accounted for 13% and the other vendor accounted for 11% of total cost of merchandise sold. Major vendors are those who accounted for more than 10% of total cost of merchandise sold.

Recent Accounting Pronouncements

In March 2019, the FASB issued ASU Topic No. 2019-01, "Leases," intended to improve financial reporting for lease transactions by increasing transparency and comparability among organizations. This is a codification improvement to ASU Topic 2016-02 issued in February 2016. The guidance in ASU No. 2019-01 requires a lessee to recognize the following at the commencement date for all leases with lease terms of more than 12 months: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance in ASU No 2019-01 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Store is currently assessing the impact the guidance will have upon adoption.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The carrying amounts of cash, accounts receivable, net and accounts payable approximate their fair value, due to the short-term nature of these instruments. The carrying amount of the Store's borrowing arrangements under its bank debt agreements approximates their fair value since the loans bear interest at rates that approximate the Store's incremental borrowing rates for similar types of borrowing arrangements.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 26, 2021</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 3,564,201	10 years
Data processing equipment	848,496	5 years
Delivery equipment and vehicles	22,184	5 years
Computer hardware and software	57,820	10 years
	<u>4,492,701</u>	
Less: accumulated depreciation	<u>(2,971,367)</u>	
Property and equipment, net	<u><u>\$ 1,521,334</u></u>	

Depreciation expense for the fiscal year ended June 26, 2021 amounted to \$157,530.

NOTE 4: LINE OF CREDIT

In December 2017, the Store entered into a commercial loan and security agreement with First Bank which consisted of three separate line of credit agreements not to exceed borrowings of \$2,500,000.

\$1,000,000 Line of Credit Loan (“Nassau Street Store Loan”)

\$1,000,000 Line of Credit Loan (“University Place Store Loan”)

\$ 500,000 Line of Credit Loan (“Working Capital Loan”)

Each of these lines of credit had a one-year drawdown period beginning at loan inception and expiring on the one-year anniversary of the loan in December 2018.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 4: LINE OF CREDIT (Continued)

Advances were to be used for working capital, store improvements and equipment. During this one-year period interest was charged on the outstanding principal balance at a rate equal to the Prime Rate published in the Wall Street Journal and any borrowings were collateralized by all the assets of the Store.

After the drawdown period has concluded, any unpaid balances on these lines of credit will be converted to a term loan payable over ten years expiring on December 21, 2028. Interest will then accrue at a rate selected by the borrower. The rate options are as follows:

- 1) Floating rate equal to the Wall Street Journal's publicly declared "prime rate".
- 2) Five year daily US Treasury Yield Curve rate plus 235 basis points.
- 3) Seven year daily US Treasury Yield Curve rate plus 235 basis points.

At the end of the second year draw down period the Store had utilized two of the three line of credit loans. First Bank agreed to extend the drawdown period on the lines of credit to December 2020. In March 2020, First Bank changed the terms of the agreement by reducing the University Place Store Loan to \$750,000 and increasing the Working Capital Loan to \$750,000, all other terms remained the same.

The outstanding balance on the first and second lines of credit were converted to term loans effective December 2018 and December 2020. See Long-Term debt (Note 5) for additional provisions.

NOTE 5: LONG-TERM DEBT

On December 21, 2020 the Store converted an existing line of credit with First Bank to a term note in the amount of \$822,873. The terms of repayment include 120 principal and interest payments of \$8,354 with interest calculated at a rate of 4.000% per annum. The loan will mature on December 21, 2030. The loan balance was \$789,142 as of June 26, 2021.

On December 21, 2018 the Store converted an existing line of credit with First Bank to a term note in the amount of \$879,769. The terms of repayment include 120 principal and interest payments of \$9,350 with interest calculated at a rate of 4.970% per annum. The loan will mature on December 21, 2028. The loan balance was \$693,481 as of June 26, 2021.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 5: LONG TERM DEBT (Continued)

The Store’s term notes with First Bank contain a financial covenant which requires the Store to maintain a debt service coverage ratio of not less than 1.20 to 1.00 as defined in the Commercial Loan and Security Agreement (the “Agreement”). The Store is also required to comply with additional non-financial restrictions as defined in the Agreement.

The future minimum loan repayments are as follows:

<u>Fiscal Years Ending June,</u>	<u>Annual Repayment</u>
2022	\$ 148,592
2023	155,543
2024	162,687
2025	170,439
2026	178,424
Thereafter	<u>666,938</u>
Total	1,482,623
Less: current portion	<u>(148,592)</u>
Long-term debt, net	<u><u>\$ 1,334,031</u></u>

NOTE 6: PAYCHECK PROTECTION PROGRAM LOANS (PPP)

The Store entered into a promissory note agreement on April 20, 2020 with First Bank and received \$329,200 in Paycheck Protection Program (PPP) funds. If the Store was not able to comply with the requirements for the loan to be forgiven then the outstanding principal balance plus accrued interest on the promissory note would be due on April 20, 2022. The Store applied for loan forgiveness with the U.S. Small Business Administration (SBA) and received notification on January 15, 2021 from the SBA that the application was approved, forgiving the entire loan balance. The forgiven outstanding balance amounting to \$329,200 has been reflected in other income in the accompanying statement of income.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 6: PAYCHECK PROTECTION PROGRAM LOANS (Continued)

The Store entered into a second promissory note agreement on January 22, 2021 with First Bank and received \$329,328 in PPP funds. If the Store is not able to comply with the requirements for the loan to be forgiven then the outstanding principal balance plus accrued interest on the promissory note would be due on January 22, 2026. The Store applied for loan forgiveness with the SBA on July 29, 2021 and received notification on August 6, 2021 that the application was approved, forgiving the entire loan balance.

NOTE 7: RETIREMENT PLAN

Since 1998, the Store has maintained a 401(k) salary reduction benefit plan (the “Plan”) for its eligible employees. The Store matches 100% of the first 3% of the employee contributions, and 50% of the next 2% of the employee contributions for a maximum Store contribution of 4%. The Store matching contributions are immediately fully vested. Eligible employees must be 21 years of age and have at least six months of service with the Store.

During the fiscal year ended June 26, 2021 the Store contributed \$4,997 to the Plan on behalf of the Plan’s participants.

Effective June 30, 2020, the Store decided to eliminate the safe harbor matching contributions. It will be reinstated with an effective date of January 1, 2022.

NOTE 8: RETAINED EARNINGS

Although there is no intent to dissolve the Store, in the event of dissolution, the amended certificate of incorporation provides that after liquidation of all indebtedness, any assets remaining are to be transferred, pursuant to the direction of the Board of Trustees of the Store, to one or more domestic or foreign corporations engaged in activities substantially similar to those of the Store, or other non-profit, charitable, benevolent or educational corporations or institutions.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 9: COMMITMENTS

Operating Lease – (University Place)

The Store entered into a lease agreement for the University Place location in July 2007. The lease was subsequently amended in July 2009 and July 2011. Rent and property taxes were reduced by 10% effective July 1, 2011 as a result of vacating approximately 1,000 square feet on the mezzanine. The lease expired on October 31, 2019 and contained two five-year renewal options for an additional ten-year term. In October 2019 the Store amended the lease agreement by extending the lease for the first five-year renewal option, the lease will now expire October 31, 2024. In connection with the same amendment the Store can further extend the lease for a second five-year renewal option with an expiration date of June 29, 2029.

Rental payments were fixed at \$165,000 annually for years one through two of the lease, \$120,000 annually for years three through four of the lease, \$108,000 for year five, \$127,636 annually for years six through twelve, \$86,341 for year thirteen, \$107,536 for year fourteen and \$128,732 annually for years fifteen through twenty-two of the lease. In addition, the Store shall pay during the remaining term of the lease 24.47% of the real estate taxes, assessments and other public charges levied or imposed upon the building and including the Store's proportionate share of the parking area.

Due to the impact of COVID-19 (Novel Coronavirus) the Store was able to negotiate monthly lease concessions equal to the percent decline in comparative monthly gross sales. The calculated credits were applied against rent and real estate tax payments for the period covering April 2020 through June 2021. Total rental payments for the fiscal year ended June 26, 2021 were \$61,485.

Operating Lease - (114 and 116 Nassau Street)

The Store entered into a lease agreement for a location at 114 and a portion of 116 Nassau Street in August 2007. The lease provides for 4,052 square feet in 114 Nassau Street and 2,217 square feet in the adjacent 116 Nassau Street location. The lease terminated on October 31, 2017 and was renewed for an additional five-year term through October 31, 2022. The Store will then have the option to extend the lease for an additional five-year term for the 114 Nassau Street location and for the portion of the 116 Nassau Street location contingent upon the landlord having control of the property.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 9: COMMITMENTS (Continued)

The rental payments for the combined 114 and 116 store location were fixed at \$223,062 annually for the period of November 1, 2007 through March 31, 2012, then adjusted annually for the Consumer Price Index. On April 1, 2019, the combined annual rent is \$264,554 then adjusted annually for the Consumer Price Index.

In addition, the Store will pay 6% of all gross sales in this location in excess of \$6,000,000 in a single year during years 1 to 10, and 6% of all gross sales in this location in excess of \$6,500,000 in a single year during years 11 to 20. The Store did not meet the sales requirement for the fiscal year ended June 26, 2021. In addition, the Store is responsible for its proportional share of taxes and common area maintenance expenses.

Due to the impact of COVID-19 (Novel Coronavirus) the Store was able to negotiate monthly lease concessions equal to the percent decline in comparative monthly gross sales. The calculated credits were applied against rent, taxes and common area maintenance for the period covering April 2020 through June 2021. Total rental payments for the fiscal year ended June 26, 2021 were \$108,828.

Operating Lease - (112 Nassau Street)

The Store entered into a lease agreement for office space located at 112 Nassau Street in June 2009. The lease was amended in June 2014. The amendment provided for approximately 1,047 square feet of additional space, for a total leased space of approximately 5,566 square feet. The lease term was for 5 years and terminated on June 30, 2019. The Store agreed to extend the lease term through July 31, 2020 with monthly rental payments of \$11,659.

Effective August 1, 2020, the Store did not renew the lease agreement for office space located at 112 Nassau Street.

Due to the impact of COVID-19 (Novel Coronavirus) the Store was able to negotiate monthly lease concessions equal to the percent decline in comparative monthly gross sales. The calculated credits covered the period of April 2020 through July 2020. Total rental credits amounted to (\$24,098) and were applied against rent, taxes and common area maintenance for the other operating leases noted above for the fiscal year ended June 26, 2021.

Total rent expense including property taxes under all operating leases described above was \$146,215 for fiscal year ended June 26, 2021.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 9: COMMITMENTS (Continued)

Future minimum lease payments required under operating leases are as follows:

<u>Fiscal Years Ending June,</u>	<u>36 University Place</u>	<u>114 & 116 Nassau Street</u>	<u>Total</u>
2022	\$ 128,723	\$ 271,529	\$ 400,252
2023	128,723	281,274	409,997
2024	128,723	283,560	412,283
2025	128,723	285,890	414,613
2026	128,723	288,264	416,987
2027 & thereafter	386,199	388,189	774,388
	<u>\$ 1,029,814</u>	<u>\$ 1,798,706</u>	<u>\$2,828,520</u>

NOTE 10: COLLECTIVE BARGAINING AGREEMENT

The Store has entered into a collective bargaining agreement covering approximately 60% of the Store’s labor force dated February 12, 2019 with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America - UAW and Local 2326 AFL-CIO (the “Agreement”). The Store recognizes that the Union in accordance with the Agreement acts as the sole and exclusive bargaining agent for the Store employees covered under the Agreement. The Agreement applies to full-time and part-time employees of the Store who are required to pay union dues ranging from \$6 to \$12 per bi-weekly payroll. The Agreement, which defines employee status, wages (subject to change based upon the minimum wage law), hours, seniority, grievances, arbitrations, lock-outs and strikes, leave of absences, benefits and certain other provisions, remains in effect through February 11, 2023 and will be renewed for the agreed upon term based upon any negotiated changes.

NOTE 11: INCOME TAXES

The Store operates as a cooperative and is subjected to federal and state corporate income taxes. The Store has recorded New Jersey prepaid income taxes amounting to \$11,821 as of fiscal year ended June 26, 2021. The Store does not anticipate any additional state taxes to be owed.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 11: INCOME TAXES (Continued)

The provision/(benefit) for income taxes, which is included in continuing operations for the fiscal year ended June 26, 2021, includes the following:

	June 26, 2021
Current state income taxes	\$ 2,000
Deferred income tax (benefit)	(122,000)
	\$ (120,000)

Temporary differences, which give rise to deferred tax assets and liabilities, are summarized as follows:

	June 26, 2021
	Deferred Tax Asset
Inventory allowance	\$ 3,000
Vacation accrual	32,000
Property and equipment and other	114,000
Federal and state net operating loss carryforward	663,000
Deferred tax asset, net	\$ 812,000

As of the fiscal year ended June 26, 2021, the Store has approximately \$2,400,000 in federal net operating loss carryforwards for tax purposes that will expire at various future dates. In addition, the Store has approximately \$1,550,000 in state net operating loss carryforwards that will expire at various future dates.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Store engages in the sale of Princeton University insignia items, school supplies, dormitory furnishings, food and other merchandise to students, faculty and alumni of Princeton University and to the general public. The Princeton University Store is in Princeton, New Jersey. The Store generates sales through two locations at Princeton University and on its internet website. Goods are transferred at a point in time. Revenue from contracts with customers totaled \$4,052,195 for the year ended June 26, 2021.

The Store estimates credit losses on accounts receivable, if necessary, based on regularly evaluating individual customer receivables. Losses on accounts receivable are recognized when collection efforts are exhausted. The Store did not record a reserve for credit losses for the year ended June 26, 2021.

Revenue is recognized in two major segments – Insignia products and campus products. The timing for revenue recognition for these two product segments are both transferred at a point in time.

The following economic factors affect the nature, amount, timing, and uncertainty of the Store’s revenue and cash flows as indicated:

Type of customer: All the products sold by the Store are sold to customers who enter the physical store locations or shop on the website.

Type of contract: All contracts with customers are established at point of sale when inventory is exchanged, and payment is received.

The opening and closing balances for accounts receivable from contracts with customers is as follows:

Accounts Receivable

Balance 6/27/20	\$20,057
Balance 6/26/21	\$58,111

Performance Obligations: Timing of Satisfaction

The Store satisfies its performance obligations at point of sale when the product is transferred to the customer in exchange for payment.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations: Significant Payment Terms

Payments are received at the point the products are sold either by cash or by credit card. None of the Store's contracts have a significant financing component.

Performance Obligation: Nature

Products that the Store contracts to transfer to customers are purchased by the Store for resale. In no case does the Store act as an agent or provide a service of arranging for another party to transfer products to the customer.

Performance Obligations: Returns, Refunds, Etc.

Products that the customers purchase from the Store are accepted at time of purchase and customers are provided with a receipt. If a customer wishes to return any of the products later the Store will issue a refund if the products are in good condition, product labels/price tags attached and are accompanied by the receipt.

NOTE 13: SUBSEQUENT EVENTS

The Store has evaluated all events and transactions occurring after June 26, 2021 through October 7, 2021, the date these financial statements were available to be issued, to identify subsequent events which may need to be recognized or non-recognizable events which would need disclosure. Except for forgiveness of the PPP second promissory note as disclosed in Note 6, the Store's management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
SUPPLEMENTARY INFORMATION
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

		<u>Percent of Sales</u>
Salaries and wages	\$ 1,173,049	28.95%
Fringe benefits	202,790	5.00%
Advertising	23,282	0.57%
Supplies	26,469	0.65%
Utilities	25,953	0.64%
Services purchased	147,504	3.64%
Travel	65	0.00%
Communications	14,464	0.36%
Insurance	32,880	0.81%
Depreciation	157,530	3.89%
Professional fees	28,148	0.69%
Donations	150	0.00%
Bad debt	1,429	0.04%
Equipment rentals and maintenance	11,836	0.29%
Real property rentals	146,215	3.61%
Credit card processing charges	116,485	2.87%
Miscellaneous	3,278	0.08%
	<hr/>	<hr/>
Total selling, general and administrative expenses	<u>\$ 2,111,527</u>	<u>52.11%</u>

See independent accountants' review report

THE PRINCETON UNIVERSITY STORE
(A Cooperative Organization)
SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER INCOME
FOR THE FISCAL YEAR ENDED JUNE 26, 2021

		<u>Percent of Sales</u>
Lease income	\$ 6,000	0.15%
Other Sources:		
Membership income	67,230	1.66%
Miscellaneous	<u>16,400</u>	<u>0.40%</u>
Total other sources	<u>83,630</u>	<u>2.06%</u>
Total other income	<u>\$ 89,630</u>	<u>2.21%</u>

See independent accountants' review report