

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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 25, 2022 AND JUNE 26, 2021**

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**FOR THE FISCAL YEARS ENDED**  
**JUNE 25, 2022 AND JUNE 26, 2021**

CONTENTS

	<u>Page(s)</u>
Independent Accountants' Review Report	1 - 2
Financial Statements:	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Equity	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 21
Supplementary Information:	
Schedule of Selling, General and Administrative Expenses	22
Schedule of Other Income	23



**Schulman Lobel**

certified public accountants and advisors

NEW YORK • 1001 Avenue of the Americas, 2<sup>nd</sup> Floor • New York, NY 10018  
Tel 212.602.0195

NEW JERSEY • 155 Village Blvd, Suite 310 • Princeton, New Jersey 08540  
Tel 908.964.8300

LOS ANGELES • 15233 Ventura Blvd, Suite 610 • Sherman Oaks, CA 91403  
Tel 818.501.8580

BANGALORE • Villa 8, Purva Parkridge • Mahadevapura, Bangalore, 560048 India  
www.schulmanlobel.com

## **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 sheets as of June 25, 2022 and June 26, 2021, and the related statements of income, changes in equity and cash flows for the fiscal years ended June 25, 2022 and June 26, 2021, 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 engagements 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 us 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.

We are required to be independent of the Store and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### **Accountants’ Conclusion**

Based on our reviews, 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 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 11, 2022

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**BALANCE SHEETS**  
**AS OF JUNE 25, 2022 AND JUNE 26, 2021**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 924,643	\$ 600,166
Accounts receivable, net	82,439	58,111
Merchandise inventory, net	834,040	668,224
Prepaid expenses and other current assets	101,040	72,775

<b>TOTAL CURRENT ASSETS</b>	1,942,162	1,399,276
-----------------------------	-----------	-----------

<b>PROPERTY AND EQUIPMENT, NET</b>	1,380,005	1,521,334
------------------------------------	-----------	-----------

**OTHER ASSETS:**

Deferred tax assets, net	632,000	812,000
--------------------------	---------	---------

<b>TOTAL ASSETS</b>	<u>\$ 3,954,167</u>	<u>\$ 3,732,610</u>
---------------------	---------------------	---------------------

**LIABILITIES AND EQUITY**

**LIABILITIES:**

**CURRENT LIABILITIES:**

Current maturities of long term debt	\$ 155,543	\$ 148,592
Accounts payable	668,204	514,938
Accrued vacation	128,552	99,318
Accrued expenses and other current liabilities	366,822	210,647
SBA - Paycheck Protection Program loan	-	329,328

<b>TOTAL CURRENT LIABILITIES</b>	1,319,121	1,302,823
----------------------------------	-----------	-----------

**LONG-TERM LIABILITIES:**

Deferred rent	51,839	45,263
Long-term debt, net of current maturities	1,178,517	1,334,031

<b>TOTAL LONG-TERM LIABILITIES</b>	1,230,356	1,379,294
------------------------------------	-----------	-----------

<b>TOTAL LIABILITIES</b>	2,549,477	2,682,117
--------------------------	-----------	-----------

**EQUITY:**

Capital contribution	453,700	453,700
Members' contributions	288,629	288,629
Retained earnings	662,361	308,164

<b>TOTAL EQUITY</b>	<u>1,404,690</u>	<u>1,050,493</u>
---------------------	------------------	------------------

<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 3,954,167</u>	<u>\$ 3,732,610</u>
-------------------------------------	---------------------	---------------------

See independent accountant's review report and note to financial Statement

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**STATEMENTS OF INCOME**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

		<u>Percent of Sales</u>		<u>Percent of Sales</u>
<b>NET SALES</b>	\$ 8,372,274	100.0%	\$4,052,195	100.0%
<b>COST OF MERCHANDISE SOLD</b>	<u>4,858,748</u>	<u>58.0%</u>	<u>2,360,785</u>	<u>58.3%</u>
<b>GROSS PROFIT</b>	3,513,526	42.0%	1,691,410	41.7%
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>3,364,948</u>	<u>40.2%</u>	<u>2,111,527</u>	<u>52.1%</u>
<b>INCOME/(LOSS) FROM OPERATIONS</b>	148,578	1.8%	(420,117)	-10.4%
<b>OTHER INCOME (EXPENSES):</b>				
Other income	122,165	1.5%	89,630	2.2%
Forgiveness of debt - SBA PPP Loan	329,328	3.9%	329,200	8.1%
Interest expense	<u>(63,874)</u>	<u>-0.8%</u>	<u>(62,215)</u>	<u>-1.5%</u>
<b>TOTAL OTHER INCOME, NET</b>	<u>387,619</u>	<u>4.6%</u>	<u>356,615</u>	<u>8.8%</u>
<b>INCOME/(LOSS) BEFORE PROVISION/(BENEFIT) FOR INCOME TAXES</b>	<u>536,197</u>	<u>6.4%</u>	<u>(63,502)</u>	<u>-1.6%</u>
<b>PROVISION/(BENEFIT) FOR INCOME TAXES</b>				
Current state income taxes	2,000	0.0%	2,000	0.0%
Deferred income tax provision/(benefit)	<u>180,000</u>	<u>2.1%</u>	<u>(122,000)</u>	<u>-3.0%</u>
<b>TOTAL PROVISION/(BENEFIT) FOR INCOME TAXES</b>	<u>182,000</u>	<u>2.2%</u>	<u>(120,000)</u>	<u>-3.0%</u>
<b>NET INCOME</b>	<u>\$ 354,197</u>	<u>4.2%</u>	<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)**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

	<u>Capital Contribution</u>	<u>Members' Contributions</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
<b>Balance at June 27, 2020</b>	\$ 453,700	\$ 277,654	\$ 251,666	\$ 983,020
<b>Members' investments</b>	-	10,975	-	10,975
<b>Net income</b>	-	-	56,498	56,498
<b>Balance at June 26, 2021</b>	\$ 453,700	\$ 288,629	\$ 308,164	\$ 1,050,493
<b>Net income</b>	-	-	354,197	354,197
<b>Balance at June 25, 2022</b>	<u>\$ 453,700</u>	<u>\$ 288,629</u>	<u>\$ 662,361</u>	<u>\$ 1,404,690</u>

See independent accountants' review report and notes to financial statements

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 354,197	\$ 56,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	201,357	157,530
Bad debt	7,389	1,429
Deferred tax provision (benefit)	180,000	(122,000)
SBA - PPP loan forgiveness	(329,328)	(329,200)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(31,717)	(39,483)
(Increase) decrease in merchandise inventory	(165,816)	210,926
(Increase) in prepaid expenses and other current assets	(28,265)	(48,391)
Increase in accounts payable	153,266	234,702
Increase (decrease) in accrued expenses and other current liabilities	156,175	(2,225)
Increase in state income taxes payable	-	2,000
Increase (decrease) in accrued vacation	29,234	(22,980)
Increase in deferred rent	6,576	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>533,068</u>	<u>98,806</u>

**CASH USED IN INVESTING ACTIVITIES:**

Capital improvements	<u>(60,028)</u>	<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	(148,563)	(108,905)
Members' contributions	<u>-</u>	<u>10,975</u>

<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(148,563)</u>	<u>849,308</u>
--	------------------	----------------

<b>NET INCREASE IN CASH</b>	324,477	385,264
-----------------------------	---------	---------

<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<u>600,166</u>	<u>214,902</u>
--	----------------	----------------

<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<u>\$ 924,643</u>	<u>\$ 600,166</u>
--	-------------------	-------------------

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during fiscal year for interest expense	<u>\$ 63,874</u>	<u>\$ 62,215</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 YEARS ENDED JUNE 25, 2022 AND 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 \$948,590 and \$600,663 for the fiscal years ended June 25, 2022 and 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 25, 2022 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.

See Independent Accountants’ Review Report

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND 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. No allowance for doubtful accounts was required as of the fiscal years ended June 25, 2022 and 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 years ended June 25, 2022 and June 26, 2021 inventory is reflected net of obsolescence reserves amounting to \$10,000, respectively.

**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. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets as disclosed in Note 3.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

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.

**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 \$51,839 and \$45,363, respectively in connection with its operating leases as of the fiscal years ended June 25, 2022 and 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 to ASC Topic 606, *Revenue from Contracts with Customers*.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of Long-Lived Assets**

The Store reviews long-lived assets, primarily comprised of property 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.

**Cash Equivalents**

For the purposes of the statements of cash flows, the Store considers all highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents.

**Advertising Costs**

The Store expenses advertising costs as incurred. Advertising costs for the fiscal years ended June 25, 2022 and June 26, 2021 was \$13,947 and \$23,282, respectively. The advertising costs are net of cooperative advertising reimbursements and credits the Store has received from various vendors amounting to \$35,187 and \$11,835, respectively for the fiscal years ended June 25, 2022 and June 26, 2021. 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 years ended June 25, 2022 and June 26, 2021, respectively.

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 years ended June 25, 2022 and June 26, 2021, management

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

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 years ended June 25, 2022 and June 26, 2021, respectively.

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 25, 2022 and 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 years ended June 25, 2022 and June 26, 2021, two vendors accounted for 29% and 24% of total cost of merchandise sold, respectively. One vendor accounted for 18% and 13%, respectively and the other vendor accounted for 11% for each fiscal year 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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements (Continued)**

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.

**Fair Values**

The carrying amounts of cash, accounts receivable, net, accounts payable, accrued expenses and other current liabilities and accrued vacation 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:

	<b><u>June 25, 2022</u></b>	<b><u>June 26, 2021</u></b>	<b><u>Estimated Useful Life</u></b>
Leasehold improvements	\$ 3,561,791	\$ 3,564,201	10 years
Data processing equipment	910,936	848,496	5 years
Delivery equipment and vehicles	22,184	22,184	5 years
Computer hardware and software	57,820	57,820	10 years
	<u>4,552,731</u>	<u>4,492,701</u>	
Less: accumulated depreciation	<u>(3,172,726)</u>	<u>(2,971,367)</u>	
Property and equipment, net	<u>\$ 1,380,005</u>	<u>\$ 1,521,334</u>	

Depreciation expense for the fiscal years ended June 25, 2022 and June 26, 2021 amounted to \$201,357 and \$157,530, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**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 \$719,628 as of June 25, 2022 and \$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 \$614,432 as of June 25, 2022 and \$693,481 as of June 26, 2021.

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>
2023	\$ 155,543
2024	162,687
2025	170,439
2026	178,424
2027	186,788
Thereafter	<u>480,179</u>
Total	1,334,060
Less: current portion	<u>(155,543)</u>
Long-term debt, net	<u>\$ 1,178,517</u>

See Independent Accountants' Review Report



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 6: PAYCHECK PROTECTION PROGRAM (PPP) LOANS**

The Store entered into a promissory note agreement on January 22, 2021 with First Bank and received \$329,328 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 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. The forgiven outstanding balance amounting to \$329,328 has been reflected in other income in the accompanying statement of income.

**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 years ended June 25, 2022 and June 26, 2021, the Store contributed \$26,515 and \$4,997, respectively to the Plan on behalf of the Plan’s participants.

**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.

**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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 9: COMMITMENTS (Continued)**

October 2019 the Store amended the lease agreement by extending the lease for the first five-year renewal option, resulting in a new expiration date of 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.

Total rental payments for the fiscal years ended June 25, 2022 and June 26, 2021 were \$200,120 and \$61,485, respectively.

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 during the year ended June 26, 2021.

**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 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 ("CPI"). On April 1, 2019, the combined annual rent is \$264,554 then adjusted annually for the CPI.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 9: COMMITMENTS (Continued)**

**Operating Lease - (114 and 116 Nassau Street) (Continued)**

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 years ended June 25, 2022 and 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 during the year ended June 26, 2021.

Total rental payments for the fiscal years ended June 25, 2022, and June 26, 2021 were \$396,889 and \$68,571, respectively.

Total rent expense including common area maintenance and property taxes under all operating leases described above was \$597,009 and \$130,056, respectively, for fiscal years ended June 25, 2022 and June 26, 2021.

Previously, the Store maintained office space located at 112 Nassau Street, which effective on August 1, 2020, was not renewed and has resulted in cost savings of approximately \$194,000.

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

<b>Fiscal Years Ending June,</b>	<b>36 University Place</b>	<b>114 &amp; 116 Nassau Street</b>	<b>Total</b>
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	128,723	290,682	419,405
Thereafter	257,476	97,507	354,983
	<u>\$ 901,091</u>	<u>\$ 1,527,177</u>	<u>\$2,428,268</u>

See Independent Accountants' Review Report

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**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 years ended June 25, 2022 and June 26, 2021. The Store does not anticipate any additional state taxes to be owed.

The provision/(benefit) for income taxes, which is included in continuing operations for the fiscal years ended June 25, 2022 and June 26, 2021, includes the following:

	<u>June 25, 2022</u>	<u>June 26, 2021</u>
Current state income taxes	\$ 2,000	\$ 2,000
Deferred income tax (benefit)	<u>180,000</u>	<u>(122,000)</u>
	<u>\$ 182,000</u>	<u>\$ (120,000)</u>

See Independent Accountants' Review Report

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

**NOTE 11: INCOME TAXES (Continued)**

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

	<b>June 25, 2022</b>	<b>June 26, 2021</b>
	<b>Deferred</b>	<b>Deferred</b>
	<b>Tax Asset</b>	<b>Tax Asset</b>
Inventory allowance	\$ 3,000	\$ 3,000
Vacation accrual	39,000	32,000
Property and equipment and other	87,000	114,000
Federal and state net operating loss carryforward	503,000	663,000
Deferred tax asset, net	<u>\$ 632,000</u>	<u>\$ 812,000</u>

As of the fiscal years ended June 25, 2022 and June 26, 2021, the Store has approximately \$1,890,000 and \$2,400,000 in federal net operating loss carryforwards for tax purposes that will expire at various future dates. In addition, for fiscal years ended June 25, 2022 and June 26, 2021, the Store has approximately \$1,009,000 and \$1,550,000 in state net operating loss carryforwards that will expire at various future dates, respectively.

**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 \$8,372,274 and \$4,052,195 for the years ended June 25, 2022 and June 26, 2021, respectively.

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 fiscal years ended June 25, 2022 and June 26, 2021.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**

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 6/26/21	\$58,111
Balance 6/25/22	\$82,439
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.

**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.

**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

---

**NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**

**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: EMPLOYEE RETENTION TAX CREDITS**

The Store has submitted via its payroll service provider the amended payroll tax returns entitling it to an employee retention tax credit provided for under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act amounting to \$322,905. The Store received these funds in July 2022 which have not been accrued and reflected in the accompanying financial statements.

**NOTE 14: SUBSEQUENT EVENTS**

The Store has evaluated all events and transactions occurring after June 25, 2022 through October 11, 2022, 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 receipt of the Employee Retention Tax Credits as disclosed in Note 13, the Store’s management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

**SUPPLEMENTAL INFORMATION**



**THE PRINCETON UNIVERSITY STORE**  
**(A Cooperative Organization)**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE FISCAL YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

		<u>Percent of Sales</u>		<u>Percent of Sales</u>
Salaries and wages	\$ 1,626,532	19.43%	\$ 1,173,049	28.95%
Fringe benefits	277,266	3.31%	202,790	5.00%
Advertising	13,947	0.17%	23,282	0.57%
Supplies	57,637	0.69%	26,469	0.65%
Utilities	91,169	1.09%	25,953	0.64%
Services purchased	167,119	2.00%	147,504	3.64%
Travel	487	0.01%	65	0.00%
Communications	11,491	0.14%	14,464	0.36%
Insurance	45,275	0.54%	32,880	0.81%
Depreciation	201,357	2.41%	157,530	3.89%
Professional fees	23,714	0.28%	28,148	0.69%
Donations	498	0.01%	150	0.00%
Bad debt	7,389	0.09%	1,429	0.04%
Equipment rentals and maintenance	15,328	0.18%	11,836	0.29%
Real property rentals	569,588	6.80%	146,215	3.61%
Credit card processing charges	249,253	2.98%	116,485	2.87%
Miscellaneous	6,898	0.08%	3,278	0.08%
	<u>6,898</u>	<u>0.08%</u>	<u>3,278</u>	<u>0.08%</u>
Total selling, general and administrative expenses	<u>\$ 3,364,948</u>	<u>40.19%</u>	<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 YEARS ENDED JUNE 25, 2022 AND JUNE 26, 2021**

		<u>Percent of Sales</u>		<u>Percent of Sales</u>
Lease income	\$ 12,000	0.14%	\$ 6,000	0.15%
Other Sources:				
Membership income	94,330	1.13%	67,230	1.66%
Miscellaneous	<u>15,835</u>	<u>0.19%</u>	<u>16,400</u>	<u>0.40%</u>
Total other sources	<u>110,165</u>	<u>1.32%</u>	<u>83,630</u>	<u>2.06%</u>
Total other income	<u><u>\$ 122,165</u></u>	<u><u>1.46%</u></u>	<u><u>\$ 89,630</u></u>	<u><u>2.21%</u></u>

See independent accountants' review report