

STONE MOUNTAIN MEMORIAL ASSOCIATION  
FINANCE COMMITTEE MEETING  
April 21, 2008

A meeting of the Finance Committee of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, April 21, 2008 at the Evergreen Conference Center at Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman  
Greer Johnson  
Mike Pentecost  
Brent Brown

OTHER ASSOCIATION MEMBERS PRESENT

Mark Baxter, SMMA Chairman  
Ray S. Smith III  
Joan Thomas

OTHERS PRESENT

Curtis Branscome, C.E.O.  
Bob Cowhig, Director of Planning and Construction  
Gail Durham, Director of Finance and Secretary  
Meredith Lipson, Partner, Mauldin & Jenkins, CPA's

**Call to Order**

The meeting was called to order by Chairman Bill Chappell.

**Presentation of 2007 Audit and Annual Financial Report**

Mr. Branscome introduced Meredith Lipson who is a partner with Mauldin & Jenkins, CPA's. Ms. Lipson thanked the members for the opportunity to meet with them and invited each of them to ask questions or to call her after the conclusion of the meeting if questions should arise.

Ms. Lipson discussed that her firm had issued an unqualified or "clean" opinion for the financial statements for the year ending December 31, 2007. This opinion is stated in the Independent Auditors Report on page 1 of the annual report. The financial statements are the responsibility of management. The auditor's responsibility is to express an opinion on those financial statements based on their audit.

The Management Discussion and Analysis on pages 3-7 was required several years ago with the implementation of GASB 34. This report is written by management and not by the independent auditors. The audit firm checks the numbers in this report to be sure that they agree with the audited financial statements. Ms. Lipson urged the committee to read this discussion to gain an overall understanding of the finances for the year, variances from prior years, major events during the year and an update on future conditions that could impact financial performance.

Ms. Lipson reviewed the Statement of Net Assets. This statement is comparative for 2007 and 2006. Total current assets at year end were \$25,168,514. The majority of this was investments of \$24,842,105. These investments were in the Local Government Investment Pool (LGIP) and the Georgia Extended Asset Pool (GEAP). These investment pools are managed by the Georgia Department of Treasury and Fiscal Services. The LGIP is a short term money market type pool and the GEAP is more of a long term investment pool. Mr. Branscome stated that these funds are very conservatively managed and do not show big returns. We have checked to see if they held mortgage backed securities and these funds do not.

Capital assets were \$71,827,017 and total assets at December 31, 2007 were \$96,995,531. Current liabilities were \$718,644 and the Association has no long term debt which is unusual in a governmental environment. Net assets were \$96,276,887 and \$71,827,017 of this is invested in capital assets.

The Statement of Revenues, Expenses and Changes in Net Assets reflects operating revenues of about \$10.1 million. This includes lease, rental, and miscellaneous revenues. Operating expenses are just over \$6 million. This included salaries and employee benefits of \$3.75 million and other operating type items. Operating income before depreciation is \$4.1 million. Depreciation expense is about \$3.8 million which leaves operating income of \$338,000. Nonoperating revenues of \$1.4 million include interest income of \$1.3 million and unrealized gain on investments of \$171,000 from the Georgia Extended Asset Pool. The increase in net assets for the year is \$1.8 million.

The Statement of Cash Flows reconciles the change in cash to the operating income or loss for the year. Net cash provided by operating activities was \$4,168,817. This is a number that should be positive. If you are not generating positive cash flow from the operating activities the organization will suffer over time. Cash flow from investing activities includes purchase of investments and interest received that totaled \$736,345. Cash flows from capital and related financing activities include sale and purchase of property and equipment of \$3,000 and purchase of property and equipment of \$5.2 million. More cash was used on purchase of property and equipment than was generated by operating activities. This resulted in a decrease of cash and cash equivalents of \$275,250. Cash and cash equivalents at the end of the year were \$13,446,972.

The Notes to the Financial Statements remain relatively consistent with those of the prior year. Note 1 discusses the nature of the Association and significant accounting policies that are followed. Note 2 addresses cash and investments. The Georgia Fund 1 and Georgia Extended Asset Pool are addressed. Mr. Branscome said that the investment dollars are fairly equally split between the short term and long term funds.

Note 3 addresses the activity and breakdown of capital assets for the year. "Transfers" in the chart refer to construction projects that have been completed and moved into the category of assets that are being depreciated. Total capital assets are \$71,827,017. Depreciation expense for the year was \$3,795,948.

Note 4 discusses the 401(k) plan and Note 5 provides information about agreements with the State of Georgia. These agreements include casual inmate labor from the Georgia

Department of Corrections, professional services provided by the State of Georgia such as legal, engineering and forestry, and insurance services from the Department of Administrative Services.

The last two pages of the financial report is the Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance. While there is no opinion on internal control and compliance, the auditors do some test work and there were no findings this year related to significant deficiencies or material weaknesses. The standards changed dramatically in 2006 and 2007 as far as the work required for auditors to perform related to internal control and testing of those controls. In the past the requirement has been to gain an understanding of the systems and operations of the client and the controls that were in place. The auditor was required to report back to SMMA with any issues or problems that needed to be corrected. Beginning with the December 31, 2007 fiscal year SAS 104-111 were adopted. These auditing standards require the auditors to gain a detailed understanding of the controls in place and test the controls during walk throughs and conversations and discussion with the client. Even with the increased testing and new standards in place, Mauldin & Jenkins had no findings or issues to report. No recommendations were proposed for management to address. Ms. Lipson said that recognition for Mr. Branscome and Ms. Durham and their staff were certainly in order. The Finance Committee congratulated the staff for a job well done.

Ms. Lipson reviewed the Audit Agenda document that she had previously distributed. The document provides information about the firm and the engagement team. Page two discusses the audit opinion and responsibilities. The document goes on to provide a review of the financial statements and discusses topics such as management judgment and accounting estimates. Audit adjustments are also discussed. SMMA had two adjustments that were proposed and passed because they were immaterial as compared to the financial statements of the Association as a whole. Page eight and nine provides some discussion about the new auditing standards.

Ms. Lipson said that she is available for any questions and the Board is welcome to call her at any time. Mr. Chappell stated that he was in communication with Mr. Branscome, Ms. Durham and Ms. Lipson regarding the audit. He said that he is available to both Ms. Durham and Mr. Branscome if there are situations or changes that need to be brought to his attention. Mr. Chappell said that Ms. Lipson has been very positive in her comments related to teamwork and competency of the SMMA personnel.

Mr. Brown moved to recommend the SMMA Board accept the Audit report for the 2007 fiscal year, Ms. Thomas seconded the motion and the Finance Committee unanimously approved the recommendation.

### **Year-to-Date Financial Statements**

Ms. Durham presented a financial update through March 31, 2008. Total revenues for the first three months were \$3.3 million compared to the budget of \$3.2 or about \$50,000 favorable to the budget.

Total operating expenses year-to-date are about \$1.4 million and the budget is \$1.6 million. Net operating profit before depreciation is \$1.9 million or about \$245,300 favorable to the budget of \$1.6 million. After depreciation the excess of revenue over expense is \$905,000 or \$252,000 better than budget.

The Statement of Cash Flows indicates net cash provided from operations of \$2.3 million and \$2.7 million has been used in capital projects. At the end of March the cash balance was \$24.8 million. The Association is in good financial condition.

Mr. Branscome gave the committee a brief update on capital projects. Mr. Cowhig discussed the progress of the Triangle parking lot and beautification project. The weather has been an issue and caused many delays. Mr. Cowhig also updated the committee on the progress of the Evergreen ballroom project and the Services Complex.

Mr. Smith inquired about the advertising budget and asked if this was in addition to what HFEC would spend this year in advertising. Mr. Branscome stated that the Herschend budget for advertising would be about \$1.5 million. The hotel motel tax collected by Evergreen and Stone Mountain Inn provides SMMA with 2% and DeKalb County receives 3% of the total 5% collected. SMMA in turn provides the DeKalb Convention and Visitors Bureau (DCVB) with \$144,000 per year. DCVB promotes Stone Mountain Park in all their literature and promotions. Mr. Smith asked if we did any promotion with the Atlanta Convention and Visitors Bureau. Mr. Branscome stated that we have other incidental sponsorships, but do not participate with the ACVB. We have committed \$100,000 this year to the Welcome Center at Resaca for the battlefield information provided there. Stone Mountain Park will be mentioned as part of the tour for the 150th anniversary of the Civil War. Through the Georgia Tourism Foundation, we are mounting a major effort to do a five year strategic plan for tourism in the State of Georgia. The General Assembly has appropriated \$125,000 for this year's budget and more funds will be raised for this study. Mr. Branscome anticipates SMMA will participate in this project in the amount of \$25,000-\$50,000 and the total cost of this work will be about \$400,000. The Stone Mountain Park logo is used in all the promotional literature we sponsor.

Mr. Cowhig said that the Board approved the donation of the General to the Southeast Railroad Museum. The move will finally occur next week. Mr. Smith asked about the engine on loan to ABAC. Mr. Baxter stated this engine was too small to run on the tracks at Stone Mountain Park. Ms. Johnson stated that there must be some liability issues related to this property. Mr. Branscome said that the SMMA legal representative, Ms. Fields, could assist us in drafting a transfer of title of assets for this property.

Meeting adjourned at 12:00 p.m.

Notes taken by  
Gail Durham, Secretary