

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
April 19, 2010

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, April 19, 2010, at the Evergreen Conference Center at Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman Finance Committee
Brent Brown
Greer Johnson, Vice Chairman
Mike Pentecost

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, SMMA Chairman
Chris Clark
Carolyn Meadows
Joan Thomas

MEMBERS ABSENT

Ray S. Smith III, Chairman Development Committee

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 Certified Public Accountants, LLC

Call to Order

The meeting was called to order.

Report of Independent Auditor

Mr. Branscome welcomed Meredith Lipson with the auditing firm of Mauldin & Jenkins, CPAs.

Ms. Lipson stated that her firm welcomed the opportunity to perform the audit and present the financial report for the year ending December 31, 2009. She said that the independent auditor's report reflects an unqualified "clean" opinion. The financial statements of the Association are considered to present fairly the financial position and results of operations as of, and for the year ended December 31, 2009.

The financial statements are the responsibility of the Association's management and Board Members and the auditor's responsibility is to express an opinion on these financial statements. Ms. Lipson directed attention to pages 3-9 of the report. These pages represent the Management's Discussion and Analysis and are written by SMMA management. Ms. Lipson stated that this information is not audited, but is very informative and gives financial highlights for the previous year, discusses overall financial condition, reasons for variances from the prior year's performance, and presents any currently known

conditions that may affect future operations. She suggested that the Board members read this section of the report.

The Statements of Net Assets presents comparative balances as of December 31, 2009 and 2008. Total current assets at December 31, 2009 were about \$18.4 million. This total consists of cash and investments of just under \$18 million, about \$100,000 in accounts receivable, and approximately \$363,000 due from FEMA for the storm damage claim resulting from the flood in September of 2009. The claim was for 75% of actual expenses incurred as of December 31, 2009. Total capital assets were \$80.6 million at the end of 2009 compared to \$79 million the prior year.

Total liabilities were \$1.1 million at December 31, 2009 and the Association had no debt. The accounts payable were \$848,000 and included amounts due on contracts in progress.

Total net assets were \$97.9 million at year end compared to \$97.6 the previous year. The Association had a strong net asset position at the end of the year.

The Statements of Revenues, Expenses and Changes in Net Assets reflect total operating revenues of \$10.1 million for 2009 which is down slightly from the \$10.3 million reported for 2008. Total 2009 operating expenses of \$6.2 million are less than the \$6.3 million reflected for 2008. Depreciation expense was \$3.7 million and \$3.6 million respectively for 2009 and 2008. Operating income for 2009 was \$231,060.

The nonoperating revenues and expenses for 2009 were:

1. Interest income	\$327,860
2. Intergovernmental revenue	362,873 (due from FEMA)
3. Unrealized loss on investments	(161,403)
4. Gain on sale of equipment	14,430
Total	\$543,760

Mr. Branscome stated that the GEAP investment is susceptible to go up or down and the paper loss is reported in the balance at year end.

Income before the extraordinary loss was \$774,820. The extraordinary loss of \$483,831 is a result of the storm damage and is further addressed in Note 7 following the financial statements. Because this loss is a result of a flood and not ordinary business operations, it is presented as an extraordinary loss. The flood was both unusual and infrequent. The change in net assets was \$291,000 for 2009.

The Statements of Cash Flows were reviewed. \$4.5 million of net cash was provided by operating activities. Ms. Lipson stated that positive cash flow from operations is important. An organization cannot sustain negative cash flow for very many years. Net cash provided from investments in 2009 was \$3 million. Cash used for capital purchases was \$5.4 million and the net increase in cash for the year was \$1.7 million.

The cash and investments at year end were \$8.5 million and do not include the GEAP account balance of \$9.4 million. The Georgia Fund 1 balance of \$8.3 is included and is considered a cash equivalent. Because of the longer investment term and potential for gains or losses, the GEAP investment is not classified as a cash equivalent.

The footnotes to the financial report were discussed and are presented in the same format as prior years. Note 7 is new and discusses the extraordinary loss from the flood damage.

The last item in the auditor's report concerns internal control over financial reporting and compliance and other matters based on the audit performed in accordance with *Government Auditing Standards*. In this report a deficiency in internal control and a material weakness are defined. Certain tests of compliance were performed and no instances of

noncompliance or other matters were disclosed that are required to be reported under *Government Auditing Standards*.

Ms. Lipson reviewed the audit agenda report. She discussed her firm in brief and the responsibilities of the Association and the auditor's responsibilities. The audit agenda also contains a review of the financial statements and required communications. Certain matters were reported to management and included two audit adjustments that were passed on due to the immateriality of the amounts as compared to the financial statements of the Association as a whole. Recommendations for improvement or management points included approval of all disbursements. Two disbursements were noted to have no notation of approval on supporting invoices. These disbursements were for expenses such as insurance and rentals. The recommendation is for all disbursements to have an approved purchase order or indication of approval for payment on the face of the invoice by an appropriate person not involved in the check preparation process.

The testing of capital assets indicated that the breakdown of capital assets in the detail listing does not agree by category to the amounts per the general ledger. The capital assets per the detailed listing agree in total to the classifications in the general ledger in total. The recommendation is that the Association makes the necessary adjustments so that the general ledger detail agrees with the capital asset listing detail.

Retainage payable on construction in progress was not recorded as a liability as of December 31, 2009. Generally accepted accounting principles require reporting of all liabilities when services have been performed. While the retainage is not actually due to be paid as of year-end, these amounts have been earned by the contractors and should be recognized as an expense of the Association. The total amount as of December 31, 2009 was not material to the financial statements. The recommendation is that the Association review all outstanding construction projects and record the necessary retainage payable at year-end.

The last item in the Audit Agenda concerned other matters to be communicated. The American Recovery and Reinvestment Act (ARRA) was passed in 2009 and provided for certain funds to be distributed to state and local governments. Certain procedural recommendations were itemized in the event SMMA receives any ARRA funds. New GASB Standards were reviewed and other services offered by Mauldin & Jenkins CPA's, LLC were discussed.

The Finance Committee recommended that the 2009 Audit Report be accepted by the SMMA Board of Directors.

Year-to-Date Financial Statements

Ms. Durham distributed the March 31, 2010 financial statements. For the three months of 2010 total revenues are about \$2.9 million. Year-to-date expenses are \$1.6 million and at budget. Mr. Branscome stated that employee benefit expense is about \$183,000 over budget. A number of retired employees qualified for benefits after retirement. SMMA was paying for life insurance policies for these retirees and the annual total premiums were about \$29,000 for \$200,000 of life insurance. SMMA cashed out these policies with the retirees for about \$183,000. The retirees received a "living" benefit and SMMA has been relieved of an expense that would have increased each year as these retirees continued to age.

Net profit before interest and depreciation through March 31, 2010 was 1.3 million and after depreciation the excess of revenue over expense was \$325,454.

At the end of March the cash and investment balance was \$15 million and about \$4.4 million has been invested in capital projects in 2010. The Forest Hills Baptist Church property was acquired for approximately \$2.1 million. The Memorial Lawn project was discussed and the budget will likely be increased from \$2.5 million to about \$4 million. Mr. Cowhig discussed the cost overruns and the dirt that was needed to replace the bad soil that was uncovered after the project began. The paths are now strong enough to support emergency and service vehicles that access the lawn.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary

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