

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
March 21, 2011

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, March 21, 2011, at Evergreen Conference Center, Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Brent Brown, Chairman Finance Committee
Greer Johnson, SMMA Vice Chairman
Mike Pentecost

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, SMMA Chairman
Carolyn Meadows
Ray S. Smith III, Chairman Development Committee
Joan Thomas

MEMBERS ABSENT

Becky Kelley representing Mark Williams, Commissioner Department of Natural Resources

OTHERS PRESENT

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

Call to Order

The meeting was called to order.

Report of Independent Auditor – 2010 Financial Report

Ms. Lipson presented the Audited Financial Report for the year ended December 31, 2010. She encouraged the Board to read the Management's Discussion and Analysis on pages 3-8. The MD&A gives an excellent summary of the year's financial activities.

The audit opinion is a clean opinion and the financial statements of the Association are considered to present fairly the financial position and results of operations for the year ended December 31, 2010.

Total operating revenues for 2010 were \$10.2 million, total operating expenses were almost \$7 million, and operating income before depreciation expense was about \$3.3 million. After depreciation expense of \$3.9 million the operating loss was \$621,334. Non-operating revenues and expenses included interest income of \$171,136, unrealized loss on investments of \$63,641 and a gain on sale of equipment of \$400. The net loss for the year ended December 31, 2010 was \$514,439. Net assets at the end of the year were \$97,362,482.

Employee benefit expense for 2010 includes a \$183,000 buyout of retiree life insurance benefits. Outside services expense includes design fees for the demolition of the

Stone Mountain Tennis Stadium and the paving of the Yellow Daisy parking lot. Also, 2009 storm damage fees deemed not collectable from FEMA in the near future have been written off.

The statement of cash flows reflects cash provided by operating activities of \$2.9 million. About \$4 million was moved from the investment accounts to the operating cash account in 2010. The FEMA funds received in 2010 were about \$239,000.

The Association made payments to HFEC for future capital improvement of approximately \$1.2 million. About \$13.3 million was used to purchase property and equipment.

Cash and cash equivalents at the beginning of the year were \$8.5 million and the net decrease in cash for the year was \$7.4 million resulting in a cash balance at the end of the year of about \$1.1 million. This balance does not include the about \$6.2 million held in investments with Georgia Fund 1 (\$662,598) and Georgia Extended Asset Pool (\$5,524,863).

Ms. Lipson explained that while there was an operating loss for the year, depreciation is a non-cash expense. After other changes in assets and liabilities were accounted for, the net cash provided by operating activities was a positive \$2.9 million.

The Notes to Financial Statements are consistent with previous years. Ms. Lipson reviewed these Notes which include the nature of business and significant accounting policies, cash and investments, capital assets, 401(k) plan, transactions with the State of Georgia, and the extraordinary loss in 2009 related to major flood damage.

The last two pages of the audit report are the Independent auditor's report on internal control over financial reporting and on compliance and other matters. This year's report yields no "findings". This means that the audit process did not reveal any deficiencies in internal control over financial reporting.

Ms. Lipson distributed the Audit Agenda report. This report discusses the engagement team and provides information about Mauldin & Jenkins. The report gives an overview of the audit opinion, financial statements, footnotes and supplementary information, and compliance reports. The report also conveys the required communications under Government Auditing Standards and discusses any accounting recommendations and related matters. Current compliance requirements by *Government Auditing Standards* were discussed. These are requirements that do not apply to the Association, but could at some point in the future. Ms. Lipson made the Association aware that her firm offers free continuing education quarterly and distributes governmental newsletters for their clients. The newsletters are intended to keep clients informed of current developments in the government finance environment.

Ms. Lipson said she is available for any questions. She thanked Mr. Branscome and Ms. Durham for their help and assistance during the audit process.

Mr. Branscome said that in 2010 SMMA reflected a loss of \$514,439. He distributed a summary of non-recurring expenses incurred in 2010. \$180,000 was spent buying out retired employees' life insurance. These policies were owned by the employees, but the premiums were paid by SMMA. The policy premiums changed as the retiree aged, but SMMA was not notified because we did not have ownership of the policy. This created an administrative issue due to the fact the policy could lapse because of an under payment of the premium. HIPPA privacy laws prevented the insurance company from informing SMMA that the premium should be increased and the residual value of the policy was depleted.

Design fees for capital projects of \$82,000 included the Yellow Daisy parking lot and the demolition of the tennis stadium. Because of the uncertainty of when these projects

might be executed, SMMA elected to write-off these costs in 2010. About \$200,000 was written off for the FEMA receivable related to the 2009 storm damage. Some of this amount may be collected at some future time, but the Association elected to take the conservative approach and take the expense in 2010. Any future recovery will be recognized in the year the reimbursement is received.

The 5% escrow funds for repair and replacement at the Marriott managed properties include golf cart leases. These leases are on a three year cycle. This lease expense cannot be capitalized and therefore has been shown as an operating expense for SMMA.

These unusual, non-recurring expenses total about \$508,000. Without these expenses SMMA would have shown a "break-even" bottom line for 2010.

Mr. Brown called for a motion to accept the 2010 audit report. Mr. Pentecost moved to accept the audit report, Ms. Johnson seconded and the motion was unanimously approved.

Meeting adjourned at 11:30 p.m.

Notes taken by
Gail Durham, Secretary

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