

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER

ANNUAL REPORT
FISCAL YEAR 1977-78

AUGUST 15, 1978

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INTRODUCTION

Fiscal year 1977-78 was particularly significant in that it was the first full fiscal year of operation in the brief history of the Georgia World Congress Center.

As a new facility in the national and international convention/tradeshaw market, the primary objective for the year was to establish and solidify a high position in the market place. In this respect we believe the Center has had a most successful year. Establishing credibility within the convention/tradeshaw industry during the initial years of development is essential to the long range success of the facility. We firmly believe great strides have been taken toward insuring the long range success of the Georgia World Congress Center.

Financially, fiscal year 1977-78 must also be considered highly successful. State funds appropriated for operations totaled \$500,000.00 in 1977-78 compared to \$1,681,451.00 the previous year, a REDUCTION OF \$1,181,451.00. Of equal significance, NO APPROPRIATION OF FUNDS was requested for the coming year 1978-79.

Initial budget forecasts projected an operating deficit of \$274,576.00 for 1977-78. At the close of operations June 30, 1978, an actual operating deficit of \$8,118.00 was realized. In other words, a NET GAIN of \$266,458.00 in actual operations versus forecast operations for the year.

The future appears extremely bright for the Georgia World Congress Center. Current bookings represent in excess of 250 days of major event activity per year through the year 1987 and are continuing to grow. Of even greater significance to the staff, the Center continues to maintain repeat commitments at better than an 80% rate.

Short range concerns include continued development and professional training within the organization and the never ending battle to stay ahead of inflation. Inflationary factors will be critical to the financial stability of the Center during the early years and we anticipate substantial difficulty in maintaining a "break even" financial position.

FINANCIAL ANALYSIS

GENERAL:

As touched upon briefly in the introduction, financial projections for the year were exceeded by over \$266,000. Income projections were surpassed by some twenty percent (20%). Conversely, expenditures increased by approximately nine percent (9%) over original projections.

Income increases were due primarily to additional business while expenditure increases were necessitated for the most part to service the new business.

Exhibit "A" summarizes projected income and expenditures compared with actual income and expenditures.

1977-78 INCOME AND EXPENDITURES
PROJECTED VS ACTUAL

	<u>PROJECTED</u>	<u>ACTUAL</u>
<u>INCOME:</u>		
Rent	\$ 954,900	\$1,110,677
Food Service (Rich's)	237,678	249,536
Exhibit Utility Services	304,000	524,699
Georgia Hall	150,579	65,920
Parking	2,000	5,902
Miscellaneous	57,757	101,258
State Appropriation	500,000	500,000
Other Reimbursements	-0-	140,000 (1)
TOTAL	<u>\$2,206,914</u>	<u>\$2,697,992</u>
<u>EXPENDITURES:</u>		
Personal Services	\$1,566,190	\$1,684,322
Regular Operating	728,380	771,955
Equipment	67,000	108,529
Contracts	81,100	75,309
Other	38,820	65,996
TOTAL	<u>\$2,481,490</u>	<u>\$2,706,111</u>

NOTE:

- (1) "Other Reimbursements" in amount of \$140,000 represents an expenditure from prior year operating funds for portable walls in the exhibit hall. The Center anticipates these funds will be reimbursed from original construction funds by the State Department of Finance and Investments/Construction Division.

INCOME:

Income was realized primarily as projected prior to entering fiscal year 1977-78. Notable increases were realized in the categories of RENT and EXHIBIT UTILITY SERVICES. The only category which did not live up to expectations was GEORGIA HALL. An analysis of each major source of income follows:

A. RENTALS:

Total rental income for all activities was \$155,777 above projections, an increase of approximately 16%. This increase was realized primarily from the addition of several major events; notably, the International Hi-Fidelity Show, Congress of Beauty and World Fair for Technology.

In addition to the new shows not originally anticipated, rental income was increased through a number of existing shows which experienced unusually large growth in exhibit space requirements. Consequently, rental income from these shows was greater than originally anticipated.

Minor event income from small meetings, corporate users, auditorium events, etc. was about as anticipated. We believe this area will continue to grow as small organizations realize their needs can be well served in the Congress Center.

Exhibit "B" summarizes major event rentals and the total of minor events.

RENTAL INCOME 1977-78

<u>MAJOR EVENTS</u>	<u>AMOUNT</u>
Atlanta Gift Show - July 1977	\$ 42,308.00
Bobbin Show	64,214.20
American Hospital Association	34,524.00
Intelcom '77	31,100.00
Atlanta Marine Trade Show	61,060.00
Southern Plant Engineering & Maintenance	32,368.00
American Osteopathic Association	14,970.00
Auto Expo	30,000.00
Dixie Farm Show	33,000.00
WXIA-TV Superball '78	10,500.00
American Society of Hospital Pharmacists	10,100.00
Atlanta Gift Show - January 1978	33,346.80
Southern Pulp and Paper	5,212.00
World of Wheels	10,645.73
S. E. Poultry and Egg	35,113.20
S. E. Heating and Air Conditioning	41,313.20
Atlanta Boat Show	40,000.00
World Fair for Technology	10,912.00
American Association of School Administrators	46,033.60
Atlanta International Sport and Travel	86,500.00
S. E. Variety Merchandise	13,200.00
S. E. Hospital Conference	17,750.00
Apartment Builders Expo	29,964.00
Ace Hardware	35,860.00
Hi-Fi Show	28,815.20
American Psychiatric Association	32,549.60
American Booksellers Association	43,192.00
Biological Chemists	16,970.00
Congress of Beauty	15,072.80
Southern Baptist Convention	27,399.60
Computer Caravan	6,000.00
Financial Independence Expo	6,000.00
World Thrust	5,900.00
Greatest Sew on Earth	13,500.00
Rogers National Research	9,000.00
TOTAL MAJOR EVENTS	\$ 974,393.93
TOTAL MINOR EVENTS	136,283.28
TOTAL EVENTS	<u>\$1,110,677.21</u>

B. FOOD SERVICE:

Prior to fiscal year 1977-78, Rich's Food Service operation had been somewhat disappointing from a financial standpoint. No income whatsoever was realized during the partial year of operation in 1976-77. We had stated at that period an overall confidence in their approach and felt circumstances beyond Rich's control had precluded realization of income. We also voiced confidence that expectations could be met for 1977-78 and, indeed, they have been.

A net profit of \$323,932 was realized from gross sales of \$1,567,294. This represents a profit margin of 20.7%. The Georgia World Congress Center received 80% of the net profit, or, \$259,145.00.

Perhaps more important than profit figures, we believe Rich's has firmly established a reputation for quality and service unique to convention facilities. Unfortunately, many convention facilities are unable to accommodate much more than very basic "institutional" type food service programs. In contrast, the Georgia World Congress Center is rapidly developing a reputation for being very capable of handling gourmet meal functions and massive banquets with no sacrifice to quality or service. We anticipate continued growth in the food service area with greater income production for the Congress Center.

Exhibit "C" summarizes Rich's income and expenditures.

RICH'S FOOD SERVICE DIVISION
FINANCIAL SUMMARY

<u>INCOME:</u>	<u>AMOUNT</u>	<u>PERCENT</u>
Food Sales	\$ 1,193,102	76.1%
Beverage Sales	<u>374,192</u>	<u>23.9%</u>
TOTAL INCOME	<u>\$ 1,567,294</u>	<u>100.0%</u>
 <u>EXPENSES:</u>		
Cost of Sales (product)	\$ 443,790	28.3%
Wages, Salaries, Taxes and Fringe	542,623	34.6%
Other Operating Expenses	215,780	13.8%
Administration and Management Fees	<u>41,169</u>	<u>2.6%</u>
TOTAL EXPENSES	<u>\$ 1,243,362</u>	<u>79.3%</u>
 <u>NET INCOME:</u>	 \$ 323,932	 20.7%

DIVISION OF NET INCOME:

Rich's (20% of Net)	\$ 64,786.40	4.14%
GWCC (80% of Net)	<u>259,145.60</u>	<u>16.56%</u>
	\$ 323,932.00	20.7%

NOTE: Rich's closed fiscal year 1976-77 with approximately a \$10,000 deficit. Thus net profit to the Congress Center was reduced by that amount.

C. EXHIBIT UTILITY SERVICES:

The providing of electrical service, gas connections, compressed air, water and drains, etc. to exhibitors continues to be one of our most successful operations. Exhibit Utility Services represents by far our most effective method of acquiring income beyond space rental. Approximately 20% of total income was generated through the provision of utility services to exhibitors.

In addition to income production, the utility services operation has been extremely beneficial in building a reputation nationally as a facility free from labor problems and exorbitant costs to exhibitors.

Exhibit "D" summarizes gross income and labor expenditures for the utility services operation. It should be noted that amortization of equipment is not reflected, nor is electrical consumption attributed to exhibitor usage calculated.

EXHIBIT UTILITY SERVICES
INCOME AND EXPENDITURES - REPORT
FISCAL YEAR 1977-78

<u>DATE</u>	<u>MAJOR EVENTS</u>	<u>GROSS INCOME</u>	<u>EXPENDITURES LABOR</u>	<u>NET INCOME</u>
July 77	Atlanta Gift Show	\$ 24,854.50	\$ 6,405.02	\$ 18,449.48
Sept. 77	American Hospital Association	28,601.86	6,350.78	22,251.08
Oct. 77	Bobbin Show	88,630.40	22,473.07	66,157.33
Oct. 77	Marine Trade Show	12,254.00	3,903.17	8,350.83
Oct. 77	Intelcom '77	32,205.30	5,335.47	26,869.83
Oct. 77	Greatest Sew on Earth	3,512.00	1,524.74	1,987.26
Nov. 77	American Osteopathic Association	5,933.00	858.00	5,075.00
Nov. 77	Plant Engineering & Maintenance Show	20,066.30	5,174.67	14,891.63
Nov. 77	Auto Expo Atlanta	4,220.50	665.80	3,554.70
Dec. 77	American Society of Hospital Pharmacists	5,669.00	562.75	5,106.25
Dec. 77	Dixie Farm Show	2,069.00	594.45	1,474.55
Jan. 78	Pulp and Paper Show	6,569.00	1,568.54	5,000.46
Jan. 78	World of Wheels	2,080.00	224.00	1,856.00
Jan. 78	Atlanta Gift Show	18,163.10	2,791.79	15,371.31
Jan. 78	S.E. Poultry and Egg	16,309.75	1,515.42	14,794.33
Feb. 78	Campus Crusade	1,269.00	159.72	1,109.28
Feb. 78	ASHRAE	28,685.08	5,458.18	23,226.90
Feb. 78	World Fair Tech Exchange	4,671.00	1,180.23	3,490.77
Feb. 78	Atlanta Boat Show	3,219.00	517.92	2,701.08
Feb. 78	A A S A	19,966.00	2,264.03	17,701.97
Mar. 78	Atlanta Sport & Travel	6,675.02	1,078.06	5,596.96
Apr. 78	Apartment Builders	33,638.19	6,949.81	26,688.38
Apr. 78	Computer Expo	6,295.50	477.58	5,817.92
Mar. 78	Financial Independence	1,620.00	304.00	1,316.00
Apr. 78	S.E. Hospital Conf.	12,504.35	968.70	11,535.65
Mar. 78	S.E. Variety Mdse. Show	5,881.50	560.15	5,321.35
May 78	Ace Hardware	17,415.55	2,886.42	14,529.13
May 78	American Booksellers	32,485.50	5,370.54	27,114.96
May 78	Amer. Psychiatric Assn.	8,091.50	1,060.91	7,030.59
May 78	High Fidelity Show	19,448.75	4,488.59	14,960.16
June 78	Amer. Society Biological Chemists	14,573.50	2,068.83	12,504.67
June 78	Southern Baptist	5,327.50	1,400.20	3,927.30
June 78	Congress of Beauty	7,764.70	1,392.73	6,371.97
	Miscellaneous Events	24,029.80	897.45	23,132.35
	TOTAL	\$524,699.15	\$ 99,431.72	\$425,267.43*

*Net Income represents 81.5% of Gross Income.

