INTERACT MINISTRIES

Finance & Audit Committee Meeting Minutes

February 5, 2010

Those Present: Ben Whipple, Roy Martin, Dave Perry, Chuck Schaap as members of the committee, with observers present at various times, including Gary Brumbelow, Doug Prins, Tom Slawson (by Skype), Gerry Breshears, David Joseph., Dale Smith.

Prayer:

Administrative Director's Annual Report:

- Roy highlighted and expanded on his written report (see details there).
- Roy noted that he is accepting resumes for the paid part-time position of bookkeeper in the home office in the event that the present bookkeeper cannot continue with the role.
- Happily, the auditor has delivered an unqualified audit.
- Said overall the financial picture looks good, although the operational fund is hurting by some $50,000 in the red, with a projection of another $50,000 in the red for the coming year.
- The transition to the new accounting system has gone well generally but they are still working some bugs out. The office has not implemented an interface with the independent Canadian accounting system at this time.

Property Report:

- The committee reviewed the list of InterAct Properties.
- Roy reported on the current status of the properties, including the sale of the Arctic Avenue property in Palmer, and interest by a missionary in the purchase of an Anchorage property.
- Rents have covered the costs of maintenance, taxes and upgrades on the properties.
- In Grayling there is interest in the purchase of the house next to the church. The church leadership there is OK with the sale of the house but not the underlying land. Doug Prins says it is probably feasible to move the house as part of the deal. Roy says the Grayling house does need a foundation upgrade. The consensus of the committee is that we not take steps to sell the house at this time but defer to the Alaska field on whether to sell the house or retain it for future ministry purposes.
- The Lazy Mountain property's use of water has reached a threshold where a higher class water permit is necessary. Doug is working with an engineer and the authorities to determine what may be required. Roy has included $12,500 in the budget for the coming year for the evaluation and the initial compliance and upgrading process.

58th Avenue House:

- Chuck moved to authorize Roy to entertain and accept an offer from a missionary for the purchase of the 58th Avenue House, even if the offer is 80% of appraised value; seconded by Dave Perry; passed.

Operational Fund Investment Recap:

- Roy commented on the market summary report for the operational fund.
- Roy discussed the possibility of placing funds with a management company called Appropriate Balance. The Seattle-based company has a successful track record, consistently above average returns. Its minimum funding requirement is $500,000.
- The concensus of the committee is that Roy continue to pursue this possibility, perform a background check and schedule the company for a presentation to the committee in the August 2010 meeting.

Replacing Lee Bernard with Charitable Trust Administration Company:
- Roy reported on the less than acceptable service provided by the Lee Bernard Company and discussed a proposal from the Charitable Trust Administration to take over the management of the annuities. Dave Perry moved to accept Roy's recommendation for such replacement; seconded by Chuck; passed.

Auditor Report
- With Roy excused from the room, Tara Kamp and ____ of the auditing firm of _______ reported on the prepared audit. The results were "very good"; it is an unqualified audit. One finding for the audit, termed a "significant deficiency" was a need for a strengthening an internal control system - review by a second person of general journal entries. This suggestion has been implemented. No difficulties with management or accounting were encountered.
- The auditors found the financials accurate well within acceptable standards of materiality.
- The new online accounting system was not operable sufficiently for them to review the transition from an accounting system.
- When Roy returned to the meeting he moved that the same firm be appointed to conduct the audit for the coming year; seconded by Dave; passed.

Development Director Report:
- Diane Schoming met with the committee and elaborated on her written report.
- The committee enthusiastically welcomed her to the role and applauded her on her great efforts and results over this past year.
- Suggestions were made regarding contacting mission-minded churches.
- She was asked to consider how to multiply her efforts through perhaps increasing development staff (dedicated grant-writer, telephone personnel, or other means).
- It was mentioned that ChangePoint in Anchorage is still interested in working with/ donating to InterAct, and Diane is working on developing this interest.
- She noted her intention to wade into embracing new funding strategies, including use of FaceBook and Twitter.

Proposed Budget
- The committee asked about the budgeting creation process and Roy explained how it has been done, historically.
- The question of modifying the assessment level was discussed, either through capping assessments on missionary support once recommended support levels are reached, or by not assessing project

donations. After discussion the consensus of the committee was to leave the existing structure and rates intact.
- Roy moved for recommendation to the board of the budget as presented, with the further recommendation that the operations fund shortfall, as it may, be covered by a transfer from the endowment fund; seconded by Chuck; passed.

<u>Update of Accountable Reimbursement Policy</u>:
- Dave moved for recommendation to the board for approval of the written recommendation; seconded by Roy; passed.

<u>Ministry Expense Per Diem Rates</u>:
- Dave moved for recommendation to the board for approval of the written recommendation; seconded by Chuck; passed.

<u>Change in Authorized Signatories</u>:
- Dave moved for recommendation to the board for approval of the written proposal; seconded by Chuck; passed.

<u>Non-ERISA 403(b) Tax Deferred Annuity Program</u>:
- Dave moved for recommendation to the board for approval of the written proposal; seconded by Chuck; passed.

<u>Bequest from Teeter Estate</u>:
- Dave moved for recommendation to the board for approval of the written proposal; seconded by Chuck; passed.

<u>Transfer of Surplus Funds</u>:
- Dave moved for recommendation to the board for approval of the written proposal; seconded by Roy; amended to have the surplus $493.72 sent to Sue Hauge; passed.

<u>Wilderness Program Funds</u>:
- Roy moved for recommendation to the board for approval of the written proposal; seconded by Chuck; passed.

<u>Transfer of Overbeek Work Funds (and equipment)</u>:
- Dave moved for recommendation to the board for approval of the written proposal; seconded by Chuck; passed.

<u>Update of Foreign Grant Policy</u>:
- Dave moved for recommendation to the board for approval of the written recommendation; seconded by Chuck; passed.

InterAct Ministries
Administration Director's Annual Report
February 5, 2010

At many levels, both inside and outside InterAct, 2009 was a year of change. The global economy as many of us knew it has changed; investment strategies that brought 'average returns' have changed; discretionary income from which many (if not most) people make donations has changed; expectations of ministry outcomes has changed; and InterAct is changing to meet these challenges. Needless to say, the finance and administration areas of InterAct did not escape these and other changes.

In January we began the change from our 15-year-old donor management software to a completely new web-based system. This entailed validating and transferring 15 years of donor history; training most of the home office team; testing, re-testing and documenting procedures and adjusting to a new way of processing donations. I commend the home office team for making these changes in such a way that, for the most part, did not impact our donors in a negative way. One of the benefits of the new donor system is that field staff now have online access to their mailing list and record of support received. Donors can also access their giving record online. In coming months, as online access by staff and donors increases we should see further benefits from this system change.

In March we began a similar change to our accounting systems. Since the donor management and accounting systems are from two different vendors, linking the two as seamlessly as possible was our goal. We continue to refine both systems and will shortly validate and import 15 years of accounting records into the new system. Then we will be completely off our old system. We are convinced these changes will enable InterAct to provide accurate donor and accounting information for many years into the future.

Changes to our computer systems also resulted in some changes in staff assignments at the home office. Diane Page made a quick adjustment to our new systems and has assumed more of our bookkeeping responsibilities. In addition to receptionist and graphics/printing responsibilities, Laura Payne takes care of ministry expense and medical FSA reimbursements and maintains the donor database. Laura also serves as a back-up for June Radcliff who reduced her work hours and is responsible only to prepare donations batches and make bank deposits. June also helps with inserting and mailing as needed. Margie Cobb replaced Freda Arnold in the Alaska office. Our new accounting system gives Margie online access to the home office accounting system so transactions done at the field office do not have to be re-entered at the home office. This change has gone well.

This year our auditor merged his firm with another so a different team of auditors performed our audit. It is always good to have new auditors take a fresh look at our procedures and records. Again we received an unqualified audit which means our financial records present our financial transactions fairly and accurately. Their only suggestion was that we try to involve more people in our accounting procedures to reduce the chances of errors going undetected. We have incorporated this suggestion as much as possible with our limited staff.

Income from contributions for the last fiscal year was down only 2.95% from the previous year to $2,591,999. However, due mostly to $189,696 loss on investments, total income was down 10% to $2,541,334. Program expenses of $2,396,033 were 7.18% above the previous year. Management and general expenses of $486,372 were 7.44% lower. All of this combined to give a net decrease in net assets of $454,192 for the year ended March 31, 2009.

Since the end of our fiscal year nine months ago there have been additional changes in the world's economy. Some of these changes have impacted InterAct. Since March the market value of our investments has increased $133,735 while interest and dividend earnings were $16,154. This $149,889 replaced 62% of the loss reported this time last year and brings the market value of our investments to $725,794.

Changing our staff support to an individualized support structure seems to have gone well. With more accurate support needs recommended it is much easier to report accurate needs to donors. Average support for InterAct's full-time staff for the year ended September 30, 2009 is at 78% of recommended, up from 74% the previous year.

A visit to the home office shows that little has been done on the building renovations this year. Diane & Ked Schoming recruited volunteers to paint the reception area and stairwell, but finish millwork remains undone. My plan is to return to this project as soon as the office systems are fully operational and other immediate needs are addressed.

With InterAct on the threshold of major changes I am confident that we are positioned to weather these changes and continue effective ministry in the North Pacific Crescent.

As in past years I can report it is a pleasure to serve the Lord with the InterAct team. I look forward to several more years of ministry.

Thank you,

Roy Martin
Administration Director

Board Report
Development Department
January 19, 2010

The last ten months have been a flurry of activity, mostly maneuvering the learning curve at break neck speeds, barely avoiding numerous train wrecks.

I can confidently say that my experience working at the home office has been extremely positive. The professionalism and patience exhibited, by Roy and Gary in particular, are to be commended. I have learned much as a result of their helpful expertise.

I had the privilege of attending "The Fund Raising School" is Seattle and being involved with training and consulting from Mission Increase. I have found Mission Increase to be an excellent venue for learning. Their seminars, labs, round tables and DVD's are filled with strategies for developing donors which are very worthy.

Summer brought on the planning of three events. They are summarized as follows:

- The Fairbanks dinner was reduced to a dessert sponsored by Bethel Baptist Church. Jim Capaldo presented the Yakutia ministry. We ended up with a negative $872. Following the dessert Bethel Church gave us $1,000 for the Yakutia van project and $500 toward Tuva pastor's fund.
- The Anchorage dinner grossed $17,566. Expenses were $13,668. With the addition of a $10,000 grant from Mission Increase , our net income for this event tallied at $13,897.
- The Portland dinner grossed $11,632. Expenses were $9,920. Net income is $1,712.

All three dinners reflect the revenue given and expense of the Russian DVD which was donated by a major donor. Total money raised for the Tuva Pastors Fund as a result of the banquets after expenses was $16,109 (includes a $500. gift received after the dinner).

The Appeals for this year resulted in the following gross income:

- 09L1 Tuva Pastors fund $11,835
- 09L2 Alaska Wilderness 3,225
- 09L3 Missionary Travel 3,745 + air miles for one r/t ticket to Alaska
- Catalog 5,190
- 09L4 Operations 5,750

The InterAction "ask" resulted in the following gross income:

- Spring ask "Tuva Playground fence" $ 891
- Summer ask "Alaska Wilderness Camp" 2,057
- Fall ask "Tuva Pastors Fund" 1,900

Summer also brought travel to the mission's conferences in Alaska and Canada. It was a real joy to meet the missionaries and put a face to a name.

Grants have taken up a lot of time this fall. The following grants have been submitted:

- The Crowell Foundation $15,000 for InterAct Russia press Awarded
- Mission Increase $10,000 for Tuvan Pastors Awarded
- Peoples Church of Toronto $10,000 for Bible Distribution Rejected
- Trijicon $20,000 for Bible Distribution Unknown

•	Calvary Church Santa Ana	$20,000 for Tuvan Bibles	Pending
•	Tyndale Foundation	$50,000 for Tuvan Bible	Pending
•	MacLellan Foundation	$136,940 for Tuvan Bible	Rejected
•	Cornerstone Church	$5,000 InterAct Russia revolving fund	Pending

The Evangelical Christian Credit Union based in Brea, California, tithes their profits. InterAct champion, Bob Laughlin, who has a relationship with this organization is approaching them about assisting InterAct in the Tuvan Bible Printing/Distribution project.

Through the efforts of Scott Gilbert, all donors are in place for his three projects (windmills, café, Shlakobloki).

Of the funds from the sale of the Yakutia apartment, $17,010 went toward the Yurt church project. The leaders of the Yakutia churches have determined that a house of prayer is a higher priority than a van and have decided to use the remaining $35,000 for that project. This will close out the "van" project and the Yakutia church is expected to find the remaining funds necessary to finish their house of prayer from other sources.

Designated giving by a major donor will close out the Yurt church project ($21,500), Native Youth Conference project ($5,500) and the Jesus DVD project ($2,500).

Pending the Board's approval, $3,841.68 will be transferred to cover the expense of finishing the fence for the playground in Tuva, closing out that project.

A week before and after Christmas I spent time visiting 15 different couples or individual, six of whom are new donors. I felt this was a very positive experience. I look forward to doing much more of this.

How the future changes of this organization will affect this specific job or my ability to do it is uncertain. I am in prayer and at peace about the outcome of my particular situation and will move forward until directed otherwise. I consider it a privilege to be a part of InterAct Ministries and to work with each one of you.

Respectfully submitted,

Diane Schoming
Development Director

InterAct Ministries Inc		Prior Year Total		Current Year Total		41700	41710	41720	41750 Exec Dir
		InterAct Inc	Op. Min.	InterAct Inc	Op. Min.	Admin	Publications	Board	
GoTo Instructions		2009-2010		2010-2011		GoTo	GoTo	GoTo	GoTo
	Total Income	3,302,100	358,900	2,459,300	294,980	294,980	-	-	-
	Total Expenditure	3,291,094	404,089	2,510,312	350,022	163,125	22,350	16,200	11,200
	Net Surplus (Deficit)	11,006	(45,189)	(51,012)	(55,042)	131,855	(22,350)	(16,200)	(11,200)
3100	Beginning Fund Balances	107,600	10,100	67,000	9,000	9,000	-	-	-
4100	Operations Assessment	-	166,100	-	119,580	119,580	-	-	-
4400	Interfund Transfers	-	15,100	-	21,400	21,400	-	-	-
5001	US Gifts	3,071,400	109,600	2,243,800	88,000	88,000	-	-	-
5002	US Gifts-in-kind	-	-	-	-	-	-	-	-
6200	Program Fees	1,600	-	-	-	-	-	-	-
6210	Rental Income	63,000	-	94,000	3,000	3,000	-	-	-
6400	Sales	10,500	10,000	6,500	6,000	6,000	-	-	-
6500	Interest Income	48,000	48,000	48,000	48,000	48,000	-	-	-
6510	Market Change	-	-	-	-	-	-	-	-
6710	Gain (Loss) on Assets	-	-	-	-	-	-	-	-
6900	Other income	-	-	-	-	-	-	-	-
7001	Exec. Salaries	137,380	82,380	117,780	75,780	39,780	-	-	-

7003	Clerical Salaries	**44,698**	**44,698**	**44,502**	**44,502**	35,280	1,500	-	-
7008	Staff Salaries	**1,285,710**	**7,200**	**912,780**	**-**	-	-	-	-
7103	Medical Insurance	**-**	**-**	**-**	**-**	-	-	-	-
7201	FICA Payments	**8,360**	**8,360**	**9,825**	**9,025**	5,700	-	-	-
7203	Employment Insurance	**11,250**	**11,250**	**11,100**	**11,100**	1,000	-	-	-
8003	Staff Training	**2,640**	**90**	**390**	**390**	300	-	-	-
8004	Member Care	**700**	**700**	**3,800**	**3,800**	-	-	-	-
8005	Public Relations	**750**	**750**	**930**	**930**	-	-	-	-
8008	Professional Fees	**24,200**	**17,500**	**17,700**	**15,500**	15,200	-	300	-
8009	Liability Insurance	**10,200**	**10,200**	**10,400**	**10,400**	1,200	-	-	-
8106	Office Supply	**10,875**	**8,250**	**10,225**	**9,225**	7,375	-	-	-
8107	Printing and Supplies	**31,085**	**18,110**	**24,450**	**11,400**	3,000	8,400	-	-
8108	General Ministry Supply	**3,850**	**300**	**4,050**	**-**	-	-	-	-
8201	Telephone	**6,370**	**6,220**	**6,670**	**6,520**	3,600	-	-	250
8211	Computer & Communication	**13,512**	**13,512**	**16,710**	**16,710**	-	-	-	-
8301	Postage & Shipping	**18,735**	**17,835**	**20,100**	**19,750**	14,000	5,100	-	-
8402	Rent Expense	**-**	**-**	**-**	**-**	-	-	-	-
8403	Bldg & Equip Ins.	**7,700**	**1,200**	**7,550**	**1,200**	1,200	-	-	-
8405	Utilities	**20,050**	**5,350**	**18,680**	**3,680**	3,680	-	-	-
8408	Interest Expense	**750**	**-**	**780**	**-**	-	-	-	-
8410	Real Estate Tax	**30,200**	**1,200**	**30,480**	**1,480**	1,480	-	-	-
8411	Grounds Maint		**750**				-	-	

		5,350		6,000	1,700	1,700			-
8413	Building Maint.	43,850	10,150	36,600	9,000	9,000	-	-	-
8502	Equipment Maint.	6,500	4,000	6,500	4,000	4,000	-	-	-
8510	Small Equip. Purchase	6,600	6,600	3,800	-	-	-	-	-
8602	Artwork & Graphics	7,975	7,975	6,000	6,000	-	6,000	-	-
8606	Subscription & Perd.	450	450	335	85	85	-	-	-
8608	Advertising	1,050	1,050	500	500	-	-	-	-
8609	Mailing Service	1,110	1,110	1,350	1,350	-	1,350	-	-
8702	Vehicle Fuel & Oil	9,475	4,075	5,250	1,400	-	-	100	250
8703	Vehicle Repair/Ins/Lic	3,950	-	2,600	-	-	-	-	-
8707	Auto Reimbursement	7,225	3,625	5,025	4,325	1,175	-	-	850
8709	Meal/Entertain Expense	10,090	3,990	2,600	1,600	-	-	250	250
8710	Commercial Travel	92,712	60,012	40,850	35,950	700	-	9,000	7,300
8711	Motel/Hotel & Room Rent	24,645	15,945	11,690	10,990	390	-	5,950	1,850
8803	Food for Meetings	8,230	2,805	4,700	1,100	-	-	600	-
8804	Speaker Honorarium	5,800	4,300	-	-	-	-	-	-
8805	Missionary Conference	7,950	7,950	17,320	16,270	880	-	-	-
8806	Seminars & Registrations	6,050	1,550	2,800	750	300	-	-	200
8902	Organization Dues & Fees	4,060	2,560	4,560	3,060	3,000	-	-	-
8903	Founder Honorarium	6,600	6,600	6,600	6,600	6,600	-	-	-
8940	Moving Expense	-	-	4,000	-	-	-	-	-
8941	Miscellaneous	3,488	3,488	3,950	3,950	2,500	-	-	250

8951	Grants to Affiliated Org.	**1,120,500**	**-**	**867,240**	**-**	-	-	-	-
8990	Ministry Expense	**233,420**	**-**	**196,140**	**-**	-	-	-	-
8999	Special Projects	**5,000**	**-**	**5,000**	**-**	-	-	-	-

InterAct Ministries Inc		**41755 Info Sys**	**41760 HR/Mobil**	**41780 AK FO**	**41790 RU FO**	**41730 Devel**	**700 Sup. Staff**	**500 Home**	**200 Field Staff**
GoTo Instructions		GoTo	GoTo	GoTo	GoTo	GoTo	GoTo	GoTo	GoTo
	Total Income	**-**	**-**	**-**	**-**	**20,760**	**1,017,170**	**49,500**	**712,410**
	Total Expenditure	**16,710**	**55,327**	**45,610**	**19,500**	**73,530**	**1,017,170**	**49,500**	**712,410**
	Net Surplus (Deficit)	**(16,710)**	**(55,327)**	**(45,610)**	**(19,500)**	**(52,770)**	**-**	**-**	**-**
3100	Beginning Fund Balances	-	-	-	-	-	-	-	-
4100	Operations Assessment	-	-	-	-	(14,800)	(19,130)	(5,500)	(72,390)
4400	Interfund Transfers	-	-	-	-	(150,440)	-	-	-
5001	US Gifts	-	-	-	-	186,000	1,036,300	55,000	784,800
5002	US Gifts-in-kind	-	-	-	-	-	-	-	-
6200	Program Fees	-	-	-	-	-	-	-	-
6210	Rental Income	-	-	-	-	-	-	-	-
6400	Sales	-	-	-	-	-	-	-	-
6500	Interest Income	-	-	-	-	-	-	-	-
6510	Market Change	-	-	-	-	-	-	-	-
6710	Gain (Loss) on Assets	-	-	-	-	-	-	-	-

6900	Other income	-	-	-	-	-	-	-	-
7001	Exec. Salaries	-	36,000	-	-	42,000	-	-	-
7003	Clerical Salaries	-	7,722	-	-	-	-	-	-
7008	Staff Salaries	-	-	-	-	-	246,170	-	597,570
7103	Medical Insurance	-	-	-	-	-	-	-	-
7201	FICA Payments	-	3,325	-	-	-	-	-	-
7203	Employment Insurance	-	100	10,000	-	-	-	-	-
8003	Staff Training	-	90	-	-	-	-	-	-
8004	Member Care	-	100	600	3,100	-	-	-	-
8005	Public Relations	-	930	-	-	-	-	-	-
8008	Professional Fees	-	-	-	-	2,200	-	-	-
8009	Liability Insurance	-	-	9,200	-	-	-	-	-
8106	Office Supply	-	-	1,850	-	500	-	-	-
8107	Printing and Supplies	-	-	-	-	12,800	-	-	-
8108	General Ministry Supply	-	-	-	-	-	-	-	-
8201	Telephone	-	270	2,400	-	-	-	-	-
8211	Computer & Communication	16,710	-	-	-	-	-	-	-
8301	Postage & Shipping	-	400	250	-	-	-	-	-
8402	Rent Expense	-	-	-	-	-	-	-	-
8403	Bldg & Equip Ins.	-	-	-	-	-	-	-	-
8405	Utilities	-	-	-	-	-	-	-	-

8408	Interest Expense	-	-	-	-	780	-	-	-
8410	Real Estate Tax	-	-	-	-	-	-	-	-
8411	Grounds Maint	-	-	-	-	-	-	-	-
8413	Building Maint.	-	-	-	-	-	-	-	-
8502	Equipment Maint.	-	-	-	-	-	-	-	-
8510	Small Equip. Purchase	-	-	-	-	-	-	-	-
8602	Artwork & Graphics	-	-	-	-	-	-	-	-
8606	Subscription & Perd.	-	-	-	-	250	-	-	-
8608	Advertising	-	500	-	-	-	-	-	-
8609	Mailing Service	-	-	-	-	-	-	-	-
8702	Vehicle Fuel & Oil	-	450	-	600	2,500	-	-	-
8703	Vehicle Repair/Ins/Lic	-	-	-	-	-	-	-	-
8707	Auto Reimbursement	-	600	1,700	-	700	-	-	-
8709	Meal/Entertain Expense	-	-	250	850	1,000	-	-	-
8710	Commercial Travel	-	3,000	6,700	9,250	2,500	-	-	-
8711	Motel/Hotel & Room Rent	-	600	-	2,200	700	-	-	-
8803	Food for Meetings	-	100	400	-	-	-	-	-
8804	Speaker Honorarium	-	-	-	-	-	-	-	-
8805	Missionary Conference	-	890	11,000	3,500	1,050	-	-	-
8806	Seminars & Registrations	-	250	-	-	1,050	-	-	-
8902	Organization Dues & Fees	-	-	60	-	1,500	-	-	-
8903	Founder Honorarium	-	-	-	-	-	-		-

								-	
8940	Moving Expense	-	-	-	-	4,000	-	-	-
8941	Miscellaneous	-	-	1,200	-	-	-	-	-
8951	Grants to Affiliated Org.	-	-	-	-	-	750,000	-	-
8990	Ministry Expense	-	-	-	-	-	21,000	49,500	114,840
8999	Special Projects	-	-	-	-	-	-	-	-

InterAct Ministries Inc		40902 Video	40954 Properties	40946 AK Field Min	40978 RU Field Min	42601 Tribe 49	40930 Hospitality
	GoTo Instructions	GoTo	GoTo	GoTo	GoTo	GoTo	GoTo
	Total Income	**78,540**	**136,100**	**11,800**	**117,240**	**-**	**20,800**
	Total Expenditure	**74,340**	**88,350**	**7,200**	**117,240**	**-**	**20,550**
	Net Surplus (Deficit)	**4,200**	**47,750**	**4,600**	**-**	**-**	**250**
3100	Beginning Fund Balances	8,000	50,000	-	-	-	-
4100	Operations Assessment	(7,760)	-	-	-	-	-
4400	Interfund Transfers	-	10,000	11,800	117,240	-	(10,000)
5001	US Gifts	77,800	5,100	-	-	-	10,800
5002	US Gifts-in-kind	-	-	-	-	-	-
6200	Program Fees	-	-	-	-	-	-
6210	Rental Income	-	71,000	-	-	-	20,000
6400	Sales	500	-	-	-	-	-
6500	Interest Income		-	-	-	-	-

		-					
6510	Market Change	-	-	-	-	-	-
6710	Gain (Loss) on Assets	-	-	-	-	-	-
6900	Other income	-	-	-	-	-	-
				-	-		
7001	Exec. Salaries	-	-	-	-	-	-
7003	Clerical Salaries	-	-	-	-	-	-
7008	Staff Salaries	59,040	-	-	-	-	10,000
7103	Medical Insurance	-	-	-	-	-	-
7201	FICA Payments	-	-	-	-	-	800
7203	Employment Insurance	-	-	-	-	-	-
8003	Staff Training	-	-	-	-	-	-
8004	Member Care	-	-	-	-	-	-
8005	Public Relations	-	-	-	-	-	-
8008	Professional Fees	-	-	-	-	-	-
8009	Liability Insurance	-	-	-	-	-	-
8106	Office Supply	-	-	-	-	-	500
8107	Printing and Supplies	-	-	250	-	-	-
8108	General Ministry Supply	1,400	-	-	-	-	2,650
8201	Telephone	-	-	150	-	-	-
8211	Computer & Communication	-	-	-	-	-	-
8301	Postage & Shipping	100	-	250	-	-	-
8402	Rent Expense	-	-	-	-	-	-

8403	Bldg & Equip Ins.	-	6,350	-	-	-	-
8405	Utilities	-	15,000	-	-	-	-
8408	Interest Expense	-	-	-	-	-	-
8410	Real Estate Tax	-	29,000	-	-	-	-
8411	Grounds Maint	-	4,300	-	-	-	-
8413	Building Maint.	-	26,300	-	-	-	1,300
8502	Equipment Maint.	1,000	1,500	-	-	-	-
8510	Small Equip. Purchase	-	-	-	-	-	3,800
8602	Artwork & Graphics	-	-	-	-	-	-
8606	Subscription & Perd.	-	-	-	-	-	-
8608	Advertising	-	-	-	-	-	-
8609	Mailing Service	-	-	-	-	-	-
8702	Vehicle Fuel & Oil	-	1,200	150	-	-	-
8703	Vehicle Repair/Ins/Lic	-	2,600	-	-	-	-
8707	Auto Reimbursement	-	-	-	-	-	-
8709	Meal/Entertain Expense	-	-	-	-	-	-
8710	Commercial Travel	1,000	-	1,400	-	-	-
8711	Motel/Hotel & Room Rent	-	-	-	-	-	-
8803	Food for Meetings	-	2,100	-	-	-	1,500
8804	Speaker Honorarium	-	-	-	-	-	-
8805	Missionary Conference	-	-	-	-	-	-
8806	Seminars & Registrations		-	-	-	-	-

		1,000					
8902	Organization Dues & Fees	-	-	-	-	-	-
8903	Founder Honorarium	-	-	-	-	-	-
8940	Moving Expense	-	-	-	-	-	-
8941	Miscellaneous	-	-	-	-	-	-
8951	Grants to Affiliated Org.	-	-	-	117,240	-	-
8990	Ministry Expense	10,800	-	-	-	-	-
8999	Special Projects	-	-	5,000	-	-	-

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Update Accountable Reimbursement Policy

Recommend the reference to cellular phones in paragraph 2 of the attached Accountable Reimbursement Policy be deleted. Further recommend that reference to missionary be changed to employee throughout the policy.

Since the adoption of this plan in 2001 the IRS had ruled that listed property requirements do not apply to employee-owned cell phones so long as the reimbursement is made under the provisions of an Accountable Reimbursement Plan.

InterAct Ministries
ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution was duly adopted by the board of directors of InterAct Ministries (the "Mission") at a regularly scheduled meeting held on *August 13, 2001,* a quorum being present.

Whereas, income tax regulations 1.162-17 and 1.274-5T(f) provide that employees need not report on their tax return expenses paid or incurred the solely for the benefit of their employer for which they are required to account and do account to their employer and which are charged directly or indirectly to the employer; and

Whereas, income tax regulation 1.274-5T(f) further provides that an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, date and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to all the "adequate records requirements" set forth in the regulation; and

Whereas, the Mission desires to establish a reimbursement policy pursuant to the regulations mentioned above; be it therefore

Resolved, that the Mission hereby adopts an accountable reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5T(f) upon the following terms and conditions:

1. **Adequate accounting for reimbursed expenses.** Any ~~missionary~~ employee now or hereafter employed by the Mission shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Mission, if the following conditions are satisfied:
    a. The expenses are reasonable in amount
    b. The ~~missionary~~ employee documents the amount, date, place, business purpose (and in the case of entertainment expenses, the business relationship of the person or persons entertained) of each such expense with the same kind of documentary evidence as would be required to support a deduction of the expense on the employee's federal tax return; and
    c. The ~~missionary~~ employee substantiates such expenses by providing the mission finance office with an accounting of such expenses no less frequently than bi-monthly (in no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by a employee).
2. **~~Cellular phones and p~~Personal computers**. The Mission will not reimburse ~~cellular phone or~~ personal computer expenses of ~~a missionary~~ an employee who is treated as an employee for

federal income tax purposes unless the ~~missionary~~ employee's use of ~~a cellular phone or~~ personal computer (~~each~~ referred to below as "equipment") meets the following two tests:

a. **Convenience of the employer**. Use of the equipment must be "for the convenience of the employer." This means that the ~~missionary~~ employee cannot perform his or her job without the equipment. The fact that the equipment enables ~~a missionary~~ an employee to perform his or her work more easily and efficiently is not enough. Further, it must be demonstrated that computers ~~and telephones~~ at the Mission are insufficient to enable the ~~missionary~~ employee to properly perform his or her job.
b. **Condition of employment**. Use of the equipment must be required as a "condition of employment." It is not necessary that the Mission specifically requires use of the equipment. On the other hand, it is not enough that the Mission merely states that use of the equipment is a condition of employment.

3. **Reimbursements not funded out of salary reductions**. Reimbursements shall be paid out of Mission funds, and not by reducing pay checks by the amount of business expense reimbursements.
4. **Reimbursable business expenses**. Examples of reimbursable business expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, and professional dues.
5. **Tax reporting**. The Mission shall not include in ~~a missionary's~~ an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the ~~missionary~~ employee should not report the amount of any such reimbursement as income on Form 1040.
6. **Excess reimbursements.** Any Mission reimbursement that exceeds the amount of business or professional expenses properly accounted for by ~~a missionary~~ an employee pursuant to this policy must be returned to the Mission within 120 days after the associated expenses are paid or incurred by the ~~missionary~~ employee, and shall not be retained by the ~~missionary~~ employee.
7. **Expenses not fully reimbursed.** If, for any reason, the Mission's reimbursements are less that the amount of business and professional expenses properly substantiated by ~~a missionary~~ an employee, the Mission will report no part of the reimbursement on the ~~missionary's~~ employee's W-2, and the ~~missionary~~ employee may deduct the unreimbursed expense as allowed by law.
8. **Inadequate substantiation.** Under no circumstances will the Mission reimburse ~~a missionary~~ an employee for business or professional expenses incurred on behalf of the Mission that are not properly substantiated according to this policy. Mission and staff understand this requirement is necessary to prevent the Mission's reimbursement plan from being classified as a non-accountable plan.
9. **Retention of records.** All receipts and other documentary evidence used by ~~a missionary~~ an employee to substantiate business and professional expenses reimbursed under this policy shall be retained by the Mission.

Attest: __________ Secretary of the Board /s/________________________________

Memo

To: Finance & Audit committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Ministry Expense Per diem Rates

I recommend we increase our allowed meal & incidental rate from $44 per day to $55 per day effective January 1, 2010. This increase is in keeping with the 10-state average IRS allowed rate of $55.65 per day. The new amount would break down to $10 for breakfast; $15 for lunch; $26 for dinner and $4 for incidentals.

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Change in Authorized Signatories

I recommend that with the resignation of Gary Brumbelow we update our list of authorized signatories by authorizing Laura Payne to sign checks, drafts & wire transfers at Clackamas County Bank; Jerry Crosby to transfer, endorse or sell stocks, bonds or other securities and sign federal, state and local tax and payroll reports; and remove Margie Cobb as an authorized check signer on our Alaska bank account.

The new list of authorized signatories would be as attached.

February 17, 2010

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Non-ERISA 403(b) Tax Deferred Annuity Program

In order to comply with new IRS regulations, I propose the board adopt the following related to our 403(b) Non-ERISA 403(b) Tax Deferred Annuity Program.

RESOLUTION for **InterAct Ministries**, **Inc**. to adopt a written plan for its 403(b) Tax Deferred Annuity Program

WHEREAS, **InterAct Ministries, Inc**. has established a retirement plan under Section 403(b) of the Internal Revenue Code of 1986, as amended;

WHEREAS the Internal Revenue Service has issued regulations under Section 403(b) of the Code that requires **InterAct Ministries, Inc**. to adopt a written plan to ensure compliance with Section 403(b) of the Code;

BE IS RESOLVED THAT: Effective January 1, 2009 **InterAct Ministries, Inc**. adopts the attached 403(b) Tax Deferred Annuity Program.

BE IT FURTHR RESOLVED THAT: the Board authorizes the plan administrator as listed at Appendix A of the Plan to execute Plan as attached hereto.

InterAct Ministries, Inc.

403(b) Tax Deferred Annuity Plan

Section 1

Definition of Terms

The following words and terms, when used in the Plan, have the meaning set forth

below:

1.1 **"Account"**: The account or accumulation maintained for the benefit of any Participant or Beneficiary under an Annuity Contract or a Custodial Account.

1.2 **"Account Balance"**: The bookkeeping account maintained for each Participant which reflects the aggregate amount credited to the Participant's Account under all Accounts, including the Participant's Elective Deferrals, the earnings or loss of each Annuity Contract or a Custodial Account (net of expenses) allocable to the Participant, any transfers for the Participant's benefit, and any distribution made to the Participant or the Participant's Beneficiary. If a Participant has more than one Beneficiary at the time of the Participant's death, then a separate Account Balance shall be maintained for each Beneficiary. The Account Balance includes any account established under Section 6 for rollover contributions and plan-to-plan transfers made for a Participant, the account established for a Beneficiary after a Participant's death, and any account or accounts established for an alternate payee (as defined in section 414(p)(8) of the Code).

1.3 **"Administrator"**: Administration Director of InterAct Ministries, Inc. (See Attachment A)

1.4 **"Annuity Contract"**: A nontransferable contract as defined in section 403(b)(1) of the Code, established by each Participant individually, that is issued by an insurance company qualified to issue annuities in the Participant's state of residence and that includes payment in the form of an annuity.

1.5 **"Beneficiary"**: The designated person who is entitled to receive benefits under the Plan after the death of a Participant, subject to such additional rules as may be set forth in the Individual Agreements.

1.6 **"Custodial Account"**: The group or individual custodial account or accounts, as defined in section 403(b)(7) of the Code, established for each Participant by the Employer, or by each Participant individually, to hold assets of the Plan.

1.7 **"Code"**: The Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

1.8 **"Compensation"**: All cash compensation for services to the Employer, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the Employee's gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Employee's gross income for the calendar year but for a compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the Code (including an election under Section 2 made to reduce compensation in order to have Elective Deferrals under the Plan).

1.9 **"Disabled"**: The definition of disability provided in the applicable Individual Agreement.

1.10 **"Elective Deferral"**: Contributions made by the Employer to the Plan at the election of the Participant in lieu of receiving cash compensation. Elective Deferrals are limited to pre-tax salary reduction contributions.

1.11 **"Employee"**: Each individual, who is a common law employee of the Employer performing services as an employee of the Employer.

1.12 **"Employer"**: **InterAct Ministries, Inc**.

1.13 **"Funding Vehicles "**: The Annuity Contracts or Custodial Accounts issued for funding amounts held under the Plan and specifically approved by Employer for use under the Plan.

1.14 **"Includible Compensation"**: An Employee's actual wages in box 1 of Form W-2 for a year for services to the Employer, but subject to a maximum of $200,000 (or such higher maximum as may apply under section 401(a)(17) of the Code) and increased (up to the dollar maximum) by any compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the Code (including any Elective Deferral under the Plan). The amount of Includible Compensation is determined without regard to any community property laws.

1.15 **"Individual Agreement"**: The agreements between a Vendor and the Employer or a Participant that constitutes or governs a Custodial Account or an Annuity Contract.

1.16 **"Participant"**: An individual for whom Elective Deferrals are currently being made, or for whom Elective Deferrals have previously been made, under the Plan and who has not received a distribution of his or her entire benefit under the Plan.

1.17 **"Plan"**: **InterAct Ministries' Non-ERISA 403 (b) Plan**.

1.18 "**Plan year"**: The calendar year.

1.19 **"Related Employer"**: The Employer and any other entity which is under common control with the Employer under section 414(b) or (c) of the Code. For this purpose, the Employer shall determine which entities are Related Employers based on a reasonable, good faith standard and taking into account the special rules applicable under

Notice 89-23, 1989-1 C.B. 654.

1.20 “**Severance from Employment”** Termination of Employment from the Employer and any Related Entity.

1.21 “**Vendor"**: The provider of an Annuity Contract or Custodial Account. (See Attachment B).

1.22 **"Valuation Date"**: [Each business day/The last day of the calendar month/The last day of the calendar quarter/ Each December 31].

Section 2

Participation and Contributions

2.1 **Eligibility:** Each Employee shall be eligible to participate in the Plan and elect to have Elective Deferrals made on his or her behalf hereunder immediately upon becoming employed by the Employer. However, an Employee who normally works, or any new Employee who is expected to work, fewer than 20 hours per week is not eligible to participate in the Plan.

2.2 **Compensation Reduction Election:** (a) **General Rule:** An Employee elects to become a Participant by executing an election to reduce his or her Compensation (and have that amount contributed as an Elective Deferral on his or her behalf) and filing it with the Administrator. This Compensation reduction election shall be made on the agreement provided by the Administrator under which the Employee agrees to be bound by all the terms and conditions of the Plan. The Administrator may establish an annual minimum deferral amount no higher than $200, and may change such minimum to a lower amount from time to time. The participation election shall also include designation of the Funding Vehicles and Accounts therein to which Elective Deferrals are to be made and a designation of Beneficiary. Any such election shall remain in effect until a new election is filed. Only an individual who performs services for the Employer as an Employee may reduce his or her Compensation under the Plan. Each Employee will become a Participant in accordance with the terms and conditions of the Individual Agreements. All Elective Deferrals shall be made on a pre-tax basis. An Employee shall become a Participant as soon as administratively practicable following the date applicable under the employee’s election.

(b) **Special Rule for New Employees:**

(1) **Automatic Enrollment for New Employees:** For purposes of applying this Section 2.2, a new Employee is deemed to have elected to become a Participant and to have his or her Compensation reduced by 5% and have that amount contributed as an Elective Deferral on his or her behalf, at the time the Employee is hired, and to have agreed to be bound by all the terms and conditions of the Plan. Contributions made under this automatic participation provision shall be made to the Funding Vehicle or Vehicles selected for this purpose for all new Employees by the Administrator. Any Employee who automatically becomes a Participant under this Section 2.2(b) shall file a designation of Beneficiary with the Funding Vehicle or Vehicles to which contributions are made.

(2) **Right to File a Different Election; Notice to Employee**. This Section 2.2(b) shall not apply to the extent an Employee files an election for a different percentage reduction or elects to have no Compensation reduction, or designates a different Funding Vehicle to receive contributions made on his or her behalf. Any new Employee shall receive a statement at the time he or she is hired that describes the Employee's rights and obligations under this Section 2.2(b) (including the information in this Section 2.2(b) and identification of how the Employee can file an election or make a designation as described in the preceding sentence, and the refund right under Section 2.2(b)(3), including the specific name and location of the person to whom any such election or designation may be filed), and how the contributions under this Section 2.2(b) will be invested.

(3) **Refund of Contributions**: An Employee for whom contributions have been automatically made under Section 2.2(b)(1) may elect to withdraw all of the contributions made on his or her behalf under Section 2.2(b)(1), including earnings thereon to the date of the withdrawal. This withdrawal right is available only if the withdrawal election is made within 90 days after the date of the first contribution made under Section 2.2(b)(1).

2.3 **Information Provided by the Employee.** Each Employee enrolling in the Plan should provide to the Administrator at the time of initial enrollment, and later if there are any changes, any information necessary or advisable for the Administrator to administer the Plan, including any information required under the Individual Agreements.

2.4 **Changes in Elective Deferrals Election:** Subject to the provisions of the applicable Individual Agreements, an Employee may revise his or her participation election at any time, including a change of the amount of his or her Elective Deferrals, his or her investment direction, and his or her designated Beneficiary. A change in the investment direction shall take effect as of the date provided by the Administrator on a uniform basis for all Employees. A change in the Beneficiary designation shall take effect when the election is accepted by the Vendor.

2.5 **Contributions Made Promptly.** Elective Deferrals under the Plan shall be transferred to the applicable Funding Vehicle within 15 business days following the end of the month in which the amount would otherwise have been paid to the Participant.

2.6 **Leave of Absence**: Unless an election is otherwise revised, if an Employee is absent from work by leave of absence, Elective Deferrals under the Plan shall continue to the extent that Compensation continues.

Section 3

Limitations on Amounts Deferred

3.1 **Basic Annual Limitation:** Except as provided in Sections 3.2 and 3.3, the maximum amount of the Elective Deferral under the Plan for any calendar year shall not exceed the lesser of (a) the applicable dollar amount or (b) the Participant's Includible Compensation for the calendar year. The applicable dollar amount is the amount established under section 402(g)(1)(B) of the Code, which is $15,500 for 2007, and is adjusted for cost-of-living after 2007 to the extent provided under section 415(d) of the Code.

3.2 **Special Section 403(b) Catch-up Limitation for Employees with 15 Years of Service**: Because the Employer is a qualified organization (within the meaning of § 1.403(b)-4(c)(3)(ii) of the Income Tax Regulations), the applicable dollar amount under Section 3.1(a) for any "qualified employee" is increased (to the extent provided in the Individual Agreements) by the least of:

(a) $3,000;

(b) The excess of:

(1) $15,000, over

(2) The total special 403(b) catch-up elective deferrals made for the qualified employee by the qualified organization for prior years; or

(c) The excess of:

(1) $5,000 multiplied by the number of years of service of the employee with the qualified organization, over

(2) The total Elective Deferrals made for the employee by the qualified organization for prior years.

For purposes of this Section 3.2, a "qualified employee" means an employee who has completed at least 15 years of service taking into account only employment with the Employer.

3.3 **Age 50 Catch-up Elective Deferral Contributions.** An Employee who is a Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Elective Deferrals, up to the maximum age 50 catch-up Elective Deferrals for the year. The maximum dollar amount of the age 50 catch-up Elective Deferrals for a year is $5,000 for 2007, and is adjusted for cost-of-living after 2007 to the extent provided under the Code.

3.4 **Coordination**: Amounts in excess of the limitation set forth in Section 3.1 shall be allocated first to the special 403(b) catch-up under Section 3.2 and next as an age 50 catch-up contribution under Section 3.3. However, in no event can the amount of the

Elective Deferrals for a year be more than the Participant's Compensation for the year.

3.5 **Special Rule for a Participant Covered by Another Section 403(b) Plan:** For purposes of this Section 3, if the Participant is or has been a participant in one or more other plans under section 403(b) of the Code (and any other plan that permits elective deferrals under section 402(g) of the Code), then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Section 3. For this purpose, the Administrator shall take into account any other such plan maintained by any Related

Employer and any other such plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan. Notwithstanding the foregoing, another plan maintained by a Related Entity shall be taken into account for purposes of Section 3.2 only if the other plan is a § 403(b) plan.

3.6 **Correction of Excess Elective Deferrals:** If the Elective Deferral on behalf of a Participant for any calendar year exceeds the limitations described above, or the Elective Deferral on behalf of a Participant for any calendar year exceeds the limitations described above when combined with other amounts deferred by the Participant under another plan of the employer under section 403(b) of the Code (and any other plan that permits elective deferrals under section 402(g) of the Code for which the Participant provides information that is accepted by the Administrator), then the Elective Deferral, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant.

3.7 **Protection of Persons Who Serve in a Uniformed Service:** An Employee whose employment is interrupted by qualified military service under section 414(u) of the Code or who is on a leave of absence for qualified military service under section 414(u) of the Code may elect to make additional Elective Deferrals upon resumption of employment with the Employer equal to the maximum Elective Deferrals that the Employee could have elected during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Elective Deferrals, if any, actually made for the Employee during the period of the interruption or leave. Except to the extent provided under section 414(u) of the Code, this right applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave).

Section 4

Loans

4.1 **Loans**: Loans shall be permitted under the Plan to the extent permitted by the Individual Agreements controlling the Account assets from which the loan is made and by which the loan will be secured.

4.2 **Information Coordination Concerning Loans:** Each Vendor is responsible for all information reporting and tax withholding required by applicable federal and state law in connection with distributions and loans. To minimize the instances in which Participants have taxable income as a result of loans from the Plan, the Administrator shall take such steps as may be appropriate to coordinate the limitations on loans set forth in Section 4.3, including the collection of information from Vendors, and transmission of information requested by any Vendor, concerning the outstanding balance of any loans made to a Participant under the Plan or any other plan of the Employer. The Administrator shall also take such steps as may be appropriate to collect information from Vendors, and transmission of information to any Vendor, concerning any failure by a Participant to repay timely any loans made to a Participant under the Plan or any other plan of the Employer.

4.3 **Maximum Loan Amount:** No loan to a Participant under the Plan may exceed the lesser of:

(a) $50,000, reduced by the greater of (i) the outstanding balance on any loan from the Plan to the Participant on the date the loan is made or (ii) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is approved by the Administrator (not taking into account any payments made during such one-year period); or

(b) one half of the value of the Participant's vested Account Balance (as of the valuation date immediately preceding the date on which such loan is approved by the Administrator).

For purposes of this Section 4.3, any loan from any other plan maintained by the Employer and any Related Employer shall be treated as if it were a loan made from the Plan, and the Participant's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan to exceed the amount that would otherwise be permitted in the absence of this paragraph.

Section 5

Benefit Distributions

5.1 **Benefit Distributions At Severance from Employment or Other Distribution Event**. Except as permitted under Section 3.6 (relating to excess Elective Deferrals), Section 5.4 (relating to withdrawals of amounts rolled over into the Plan), Section 5.5 (relating to hardship), or Section 8.3 (relating to termination of the Plan), distributions from a Participant's Account may not be made earlier than the earliest of the date on which the Participation has a Severance from Employment, dies, becomes Disabled, or attains age 59½. Distributions shall otherwise be made in accordance with the terms of the Individual Agreements.

5.2 **Small Account Balances**: The terms of the Individual Agreement may permit distributions to be made in the form of a lump-sum payment, without the consent of the Participant or Beneficiary, but no such payment may be made without the consent of the Participant or Beneficiary unless the Account Balance does not exceed $5,000 (determined without regard to any separate account that holds rollover contributions under Section 6.1) and any such distribution shall comply with the requirements of section 401(a)(31)(B) of the Code (relating to automatic distribution as a direct rollover to an individual retirement plan for distributions in excess of $1,000).

5.3 **Minimum Distributions**: Each Individual Agreement shall comply with the minimum distribution requirements of section 401(a)(9) of the Code and the regulations thereunder. For purposes of applying the distribution rules of section 401(a)(9) of the Code, each Individual Agreement is treated as an individual retirement account (IRA) and distributions shall be made in accordance with the provisions of § 1.408-8 of the Income Tax Regulations, except as provided in § 1.403(b)-6(e) of the Income Tax Regulations.

5.4 **In-Service Distributions From Rollover Account.** If a Participant has a separate account attributable to rollover contributions to the plan, to the extent permitted by the applicable Individual Agreement, the

Participant may at any time elect to receive a distribution of all or any portion of the amount held in the rollover account.

5.5 **Hardship Withdrawals**. (a) Hardship withdrawals shall be permitted under the Plan to the extent permitted by the Individual Agreements controlling the Account assets to be withdrawn to satisfy the hardship. If applicable under an Individual Agreement, no Elective Deferrals shall be allowed under the Plan during the 6-month period beginning on the date the Participant receives a distribution on account of hardship.

(b) The Individual Agreements shall provide for the exchange of information among the Employer and the Vendors to the extent necessary to implement the Individual Agreements, including, in the case of a hardship withdrawal that is automatically deemed to be necessary to satisfy the Participant's financial need (pursuant to § 1.401(k)-1(d)(3)(iv)(E) of the Income Tax Regulations), the Vendor notifying the Employer of the withdrawal in order for the Employer to implement the resulting 6-month suspension of the Participant's right to make Elective Deferrals under the Plan. In addition, in the case of a hardship withdrawal that is not automatically deemed to be necessary to satisfy the financial need (pursuant to § 1.401(k)-1(d)(3)(iii)(B) of the Income Tax Regulations), the Vendor shall obtain information from the Employer or other Vendors to determine the amount of any plan loans and rollover accounts that are available to the Participant under the Plan to satisfy the financial need.

5.6 **Rollover Distributions**. (a) A Participant or the Beneficiary of a deceased Participant (or a Participant's spouse or former spouse who is an alternate payee under a domestic relations order, as defined in section 414(p) of the Code) who is entitled to an eligible rollover distribution may elect to have any portion of an eligible rollover distribution (as defined in section 402(c)(4) of the Code) from the Plan paid directly to an eligible retirement plan (as defined in section 402(c)(8)(B) of the Code) specified by the Participant in a direct rollover. In the case of a distribution to a Beneficiary who at the time of the Participant's death was neither the spouse of the Participant nor the spouse or former spouse of the participant who is an alternate payee under a domestic relations order, a direct rollover is payable only to an individual retirement account or individual retirement annuity (IRA) that has been established on behalf of the Beneficiary as an inherited IRA (within the meaning of section 408(d)(3)(C) of the Code).

(b) Each Vendor shall be separately responsible for providing, within a reasonable time period before making an initial eligible rollover distribution, an explanation to the Participant of his or her right to elect a direct rollover and the income tax withholding consequences of not electing a direct rollover.

Section 6

Rollovers to the Plan and Transfers

6.1 **Eligible Rollover Contributions to the Plan.**

(a) **Eligible Rollover Contributions**. To the extent provided in the Individual Agreements, an Employee who is a Participant who is entitled to receive an eligible rollover distribution from another eligible retirement plan may request to have all or a portion of the eligible rollover distribution paid to the Plan. Such rollover contributions shall be made in the form of cash only. The Vendor may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with section 402 of the Code and to confirm that such plan is an eligible retirement plan within the meaning of section 402(c)(8)(B) of the Code. However, in no event does the Plan accept a rollover contribution from a ROTH elective deferral account under an applicable retirement plan described in section 402A(e)(1) of the Code or a Roth IRA described in section 408A of the Code.

(b) **Eligible Rollover Distribution**. For purposes of Section 6.1(a), an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include (1) any installment payment for a period of 10 years or more, (2) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the employee, or (3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under section 401(a)(9) of the Code. In addition, an eligible retirement plan means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, a qualified trust described in section 401(a) of the Code, an annuity plan described in section 403(a) or 403(b) of the Code, or an eligible governmental plan described in section 457(b) of the Code, that accepts the eligible rollover distribution.

(c) **Separate Accounts**. The Vendor shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan.

6.2 **Contract and Custodial Account Exchanges**. (a) A Participant or Beneficiary is permitted to change the investment of his or her Account Balance among the Vendors under the Plan, subject to the terms of the Individual Agreements. However, an investment change that includes an investment with a Vendor that is not eligible to receive contributions under Section 2 (referred to below as an exchange) is not permitted unless the conditions in paragraphs (b) through (d) of this Section 6.4 are satisfied.

(b) The Participant or Beneficiary must have an Account Balance immediately after the exchange that is at least equal to the Account Balance of that Participant or Beneficiary immediately before the exchange (taking into account the Account Balance of that Participant or Beneficiary under both section 403(b) contracts or custodial accounts immediately before the exchange).

(c) The Individual Agreement with the receiving Vendor has distribution restrictions with respect to the Participant that are not less stringent than those imposed on the investment being exchanged.

(d) The Employer enters into an agreement with the receiving Vendor for the other contract or custodial account under which the Employer and the Vendor will from time to time in the future provide each other with the following information:

(1) Information necessary for the resulting contract or custodial account, or any other contract or custodial accounts to which contributions have been made by the Employer, to satisfy section 403(b) of the Code, including the following: (i) the Employer providing information as to whether the Participant's employment with the Employer is continuing, and notifying the Vendor when the Participant has had a Severance from Employment (for purposes of the distribution restrictions in Section 5.1); (ii) the Vendor notifying the Employer of any hardship withdrawal under Section 5.5 if the withdrawal results in a 6-month suspension of the Participant's right to make Elective Deferrals under the Plan; and (iii) the Vendor providing information to the Employer or other Vendors concerning the Participant's or Beneficiary's section 403(b) contracts or custodial accounts or qualified employer plan benefits (to enable a Vendor to determine the amount of any plan loans and any rollover accounts that are available to the Participant under the Plan in order to satisfy the financial need under the hardship withdrawal rules of Section 5.5); and

(2) Information necessary in order for the resulting contract or custodial account and any other contract or custodial account to which contributions have been made for the Participant by the Employer to satisfy other tax requirements, including the following: (i) the amount of any plan loan that is outstanding to the Participant in order for a Vendor to determine whether an additional plan loan satisfies the loan limitations of Section 4.3, so that any such additional loan is not a deemed distribution under section 72(p)(1); and (ii) information concerning the Participant's or Beneficiary's after-tax employee contributions in order for a Vendor to determine the extent to which a distribution is includible in gross income.

(e) If any Vendor ceases to be eligible to receive Elective Deferrals under the Plan, the Employer will enter into an information sharing agreement as described in Section 6.4(d) to the extent the Employer's contract with the Vendor does not provide for the exchange of information described in Section 6.4(d)(1) and (2).

Section 7

Investment of Contributions

7.1 **Manner of Investment**. All Elective Deferrals or other amounts contributed to the Plan, all property and rights purchased with such amounts under the Funding Vehicles, and all income attributable to such amounts, property, or rights shall be held and invested in one or more Annuity Contracts or Custodial Accounts. Each Custodial Account shall provide for it to be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Custodial Account to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries.

7.2 **Investment of Contributions**. Each Participant or Beneficiary shall direct the investment of his or her Account among the investment options available under the Annuity Contract or Custodial Account in accordance with the terms of the Individual Agreements. Transfers among Annuity Contracts and Custodial Accounts may be made to the extent provided in the Individual Agreements and permitted under applicable Income Tax Regulations.

7.3 **Current and Former Vendors**. The Administrator shall maintain a list of all Vendors under the Plan. Such list is hereby incorporated as part of the Plan. (See Attachment B). Each Vendor and the Administrator shall exchange such information as may be necessary to satisfy section 403(b) of the Code or other requirements of applicable law. In the case of a Vendor which is not eligible to receive Elective Deferrals under the Plan (including a Vendor which has ceased to be a Vendor eligible to receive Elective Deferrals under the Plan and a Vendor holding assets under the Plan in accordance with Section 6.2 or 6.4), the Employer shall keep the Vendor informed of the name and contact information of the Administrator in order to coordinate information necessary to satisfy section 403(b) of the Code or other requirements of applicable law.

Section 8

Amendment and Plan Termination

8.1 **Termination of Contributions**. The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, the Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue contributions under the Plan at any time without any liability hereunder for any such discontinuance.

8.2 **Amendment and Termination**. The Employer reserves the authority to amend or terminate this Plan at any time.

8.3 **Distribution upon Termination of the Plan**. The Employer may provide that, in connection with a termination of the Plan and subject to any restrictions contained in the Individual Agreements, all Accounts will be distributed, provided that the Employer and any Related Employer on the date of termination do not make contributions to an alternative section 403(b) contract that is not part of the Plan during the period beginning on the date of plan termination and ending 12 months after the distribution of all assets from the Plan, except as permitted by the Income Tax Regulations.

Section 9

Miscellaneous

9.1 **Non-Assignability.** Except as provided in Section 9.2 and 9.3, the interests of each Participant or Beneficiary under the Plan are not subject to the claims of the Participant's or Beneficiary's creditors; and neither the Participant nor any Beneficiary shall have any right to sell, assign, transfer, or otherwise convey the right to receive any payments hereunder or any interest under the Plan, which payments and interest are expressly declared to be non-assignable and non-transferable.

9.2 **Domestic Relation Orders.** Notwithstanding Section 9.1, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of a spouse or former spouse, child, or other dependent of a Participant is made pursuant to the domestic relations law of any State (“domestic relations order”), then the amount of the Participant’s Account Balance shall be paid in the manner and to the person or persons so directed in the domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan. The Administrator shall establish reasonable procedures for determining the status of any such decree or order and for effectuating distribution pursuant to the domestic relations order.

9.3 **IRS Levy.** Notwithstanding Section 9.1, the Administrator may pay from a Participant's or Beneficiary's Account Balance the amount that the Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary.

9.4 **Tax Withholding**. Contributions to the Plan are subject to applicable employment taxes (including, if applicable, Federal Insurance Contributions Act (FICA) taxes with respect to Elective Deferrals, which constitute wages under section 3121 of the Code). Any benefit payment made under the Plan is subject to applicable income tax withholding requirements (including section 3401 of the Code and the Employment Tax Regulations thereunder). A payee shall provide such information as the Administrator may need to satisfy income tax withholding obligations, and any other information that may be required by guidance issued under the Code.

9.5 **Payments to Minors and Incompetents.** If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Administrator, benefits will be paid to such person as the Administrator may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to such Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

9.6 **Mistaken Contributions.** If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Administrator, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Administrator, to the Employer.

9.7 **Procedure When Distributee Cannot Be Located.** The Administrator shall make all reasonable attempts to determine the identity and address of a Participant or a Participant's Beneficiary entitled to benefits under the Plan. For this purpose, a reasonable attempt means (a) the mailing by certified mail of a notice to the last known address shown on the Employer’s or the Administrator's records, (b) notification sent to the Social Security Administration or the Pension Benefit Guaranty Corporation (under their program to identify payees under retirement plans), and (c) the payee has not responded within 6 months. If the Administrator is unable to locate such a person entitled to benefits hereunder, or if there has been no claim made for such benefits, the funding vehicle shall continue to hold the benefits due such person.

9.8 **Incorporation of Individual Agreements**. The Plan, together with the Individual Agreements, is intended to satisfy the requirements of section 403(b) of the Code and the Income Tax Regulations thereunder. Terms and conditions of the Individual Agreements are hereby incorporated by reference into the Plan, excluding those terms that are inconsistent with the Plan or section 403(b) of the Code.

9.9 **Governing Law**. The Plan will be construed, administered and enforced according to the Code and the laws of the State in which the Employer has its principal place of business.

9.10 **Headings**. Headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

9.11 **Gender**. Pronouns used in the Plan in the masculine or feminine gender include both genders unless the context clearly indicates otherwise.

IN WITNESS WHEREOF, the Employer has caused this Plan to be executed this _____ day of ___________, _______.

InterAct Ministries, Inc.

By: _________________________________

Title: _________________________________

Date: _________________________________

Effective Date of the Plan: January 1, 2009

ATTACHMENT A

Administration Director

Roy G. Martin

ATTACHMENT B

Plan Vendors

The Vanguard Group

PO Box 1106

Valley Forge, PA 19482-1106

Mutual of America

3400 188th St SW

Lynwood, WA 98034-4773

Waddell and Reed

PO Box 29217

Shawnee Mission, KS 66210-9217

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Bequest from Teeter Estate

When Jack & Annette Teeter served with NAIM, prior to joining InterAct, Jack's mother included NAIM as a beneficiary in her will. When Jack & Annette joined InterAct, Mrs. Teeter changed her will to remove NAIM and include InterAct.

When Jack resigned from InterAct and returned to NAIM, his mother was in very ill health and unable to change the designation in her will. She passed away a few weeks later.

In November we received a bequest from Mrs. Teeter's estate in the amount of $7,621.28.

I recommend we forward these funds to NAIM for use in Jack Teeter's ministry which would be in keeping with Mrs. Teeter's wishes.

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Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Transfer of surplus funds

From time to time InterAct receipts funds for projects that do not materialize or remain after the project is completed. In such cases the administration director in consultation with the EDC recommends disposition of these funds. Below is our recommendation of the disposition of such funds as of December 31, 2009.

What to do with miscellaneous funds		**ELT Proposal**	
Alaska Field Services	$ 4,933.11	Alaska Field Ministry Fund	$ 4,933.11
Alaska Bible Studies	$ 3,275.03	Alaska Field Ministry Fund	$ 3,275.03
Alaska Aviation (balance after selling aircraft)	$ 6,829.97	Alaska Field Ministry Fund	$ 6,829.97
KAKO Scholarships	$ 700.00	Send to KAKO	$ 700.00
Yakut New Testaments	$ 250.00	Right Choices Children's' Bible	$ 250.00
Scott Somers (Raised funds but did not serve)	$ 12,341.14	Tribe 49 deficit	$ 4,441.01
		Alaska Winter Retreat	$ 7,900.13
Jim Manzella (Balance of work fund)	$ 1,277.23	Alaska Winter Retreat	$ 1,277.23
GAZ Truck (Balance of purchase fund)	$ 719.80	ACEC	$ 719.80
Tuva Van (Balance of purchase fund)	$ 3,841.68	Yakut Playground Fence	$ 3,841.68
Sue Hauge (Balance of MER fund)	$ 493.72	Russia Field Ministries	$ 493.72
Total	$ 34,471.68		$ 34,471.68

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Wilderness Program Funds

For the past three years InterAct has operated a wilderness camping program for Native youth primarily from Old Harbor and Fairbanks. Leaders of this program have been Mark Overbeek and Tim Zook.

During this time we have purchased backpacks, sleeping bags, kayak paddles, spray skirts, life jackets, camp stoves and other equipment. The program also has accumulated a fund balance of $5,425.74.

Mark Overbeek has applied for ministry service with SEND North. In anticipation of that application being approved, Mark has requested that InterAct transfer the funds and equipment from the wilderness program to SEND North. Mark anticipates that the program will operate again this July which is prior to InterAct's next board meeting.

I spoke with Gary Brumbelow and Doug Prins in their capacities as acting Alaska field leaders about the anticipated future need of these assets. Gary deferred to the field to make the decision. While Doug does not know what programs will be supported by the next Alaska field director, he suggests that the goodwill between SEND North and InterAct would be significantly enhanced if we were to make such a transfer.

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Transfer of Overbeek work funds

Mark & Heather Overbeek have applied for ministry service with SEND North. In anticipation of that application being approved, Mark has requested that InterAct transfer any balance remaining in their MER and work funds to SEND North upon their transfer. They expect to be accepted by SEND North later in February and do not want to delay transfer of these funds until the next InterAct board meeting in August.

This request is in keeping with past practices of InterAct related to missionaries transferring from InterAct to other like-minded organizations.

The current balance in these funds is $6,383.86. Management recommends approval of this request.

Memo

To: Finance & Audit Committee

CC:

From: Roy Martin

Date: 2/17/2010

Re: Update of Foreign Grant Policy

InterAct has a policy regulating our grants to foreign organizations. That policy authorized the general director in consultation with the finance director to approve grants up to $5,000.00. Grants above that amount must be approved by the board.

Because of the timing of board meetings, grant approval of more than $5,000.00, and the related projects, can be delayed up to six months. This delay is a cause of concern, especially for our staff in Russia.

In the past year there have been several projects in the $7,000.00 to $15,000.00 range that fit into this category.

I recommend that the policy be modified (as attached) to allow the executive director in consultation with the administration director to approve foreign grants up to $20,000.00.

Grants to Affiliated Organizations

1 Introduction

From time to time InterAct is asked to raise, receipt or otherwise provide funds for use by organizations that are not U.S. tax exempt organizations. These requests come from the organizations with which InterAct works closely in the host country such as the Native Evangelical Fellowship in Canada, InterAct Russia, or the Association of Christian Evangelical Churches in Russia,

U.S. tax law allows the making of such grants provided InterAct retains control over the funds and discretion as to their use so as to ensure that the funds granted will be used to further InterAct's exempt purposes.

2 General Grant Qualifications

InterAct will only consider grants to foreign organizations with which we have a close working relationship in the host country.

Requests will only be considered when the project will further InterAct's ministry objectives in the host country.

3 Grant Application Process

Requests for grants to affiliated organizations, whether submitted through the regular budget process or as a special project, must be in writing using the attached GRANT REQUEST FORM.

4 All requests must be approved prior to solicitation for or disbursement of funds. Requests not included in an approved budget require the following approval:

a Amounts up to $5,000.00 20,000.00, for which funds are or will be available from a known source, may be approved by the general executive director in consultation with the Finance administration director.

b Amounts greater than $~~5,000.00~~ 20,000.00 need board approval through the regular budget process or specific project approval.

5 Whether included in an approved budget or as a special request, monies will not be disbursed until funds are available.

6 Upon completion of the project, or no later than each January 31 for ongoing or partially completed projects, the foreign organization will submit to InterAct a written report. The report will include the manner in which these grant funds were spent and progress made in accomplishing the purpose of the grant. This report shall include sufficient information for InterAct to determine that the funds were used for the intended purposes. Failure to provide such information in a timely manner may jeopardize future grant requests.

GRANT REQUEST FORM

Complete a separate Grant Request Form for each project requiring funding from InterAct to be paid to a foreign organization.

Submit the completed form with regular budget proposals or other supporting documentation to the InterAct ~~finance~~ administration director.

1 Project Title: ______________________________ Request Date: _____________

2 Affiliated Organization: ____

3 Project Summary: (Include timeline and estimated budget) ___________________

____

____

____

4 Estimated total project cost (in U.S. dollars): $ _____________

5 InterAct individual responsible for project coordination: _________________________

6 Individual responsible for fund-raising and promotion: __________________________

7 Fund-raising audience:
   a Churches: ____
   b Individuals: ____
   c Foundations: ____

8 Other: ____

9 Field Director Authorization Signature: _________________________________

10 Other Approval Signature: ____