

<p style="text-align: center;">InterAct Ministries, Inc. Finance & Audit Committee</p>

Cyber Meeting
July 24, 2017

Members Present: Al Strawn (Chairman), Ray Prigodich, Chuck Schaap, Karen Schweitz, Dale Smith, Bill Twichell, and Gale Van Diest.

Call to Order and Opening Prayer

Chairman Al Strawn called the meeting to order at 1:10 PM (PDT), after which Gale Van Diest led in prayer.

Approval of Previous Minutes

Chuck Schaap **moved** and Gale Van Diest **seconded** his motion that the minutes from the meeting of February 2, 2017, be approved as circulated. The motion was **approved** without any objection.

Audit Report and Letter to Management

Cheryl Morgan of Kern & Thompson walked through the letter to management and audit report for the year that ended on March 31, 2017, a copy of which had previously been distributed to the members of the committee. Among her comments were the following:

- Although the amount of money available for operations decreased by about \$73,000 from a year earlier, ample reserves are still available. The goal, however, should be to break even from year to year, so that there will be no decrease in the amount available for operations.
- Net assets decreased by just under \$39,000 from a year earlier. Again, the goal should be to break even from year to year, so that there will be no decrease in net assets.
- In response to a question from Al Strawn, Cheryl said that she has worked with the Allen Trust Company on behalf of other clients and that they have been “awesome” to work with, always quickly providing any information requested. She sees Allen Trust as being neither too small to serve its clients well nor too large to maintain a close working relationship with each client.
- Cheryl expressed some concern about the way the annual returns for our split-interest gifts are currently being handled. Among other things, she isn’t sure if the estimates Lee Bernard is providing to the government on Form 5227 are correct. She suspects that his figures may be too conservative. She recommends that if and when we transfer the management of our investments to Allen Trust, we seek their input concerning this matter.
- Cheryl also noted that our investments are still more heavily weighted toward equities than what is called for in our stated investment policy. She recommended therefore that we move more of our funds into fixed-income investments.

Allen Trust Company

Stuart Allen, the President and CEO of the Allen Trust Company, together with Tara Hendison, the company's Vice President and Senior Trust and Compliance Officer, met with us to discuss the possibility of our transferring the responsibility for the management of our investments to Allen Trust.

In his opening remarks, Mr. Allen told us that:

- His company has been in operation for 18 years.
- It has a staff of 11 people.
- It manages a wide variety of assets totaling about \$300,000,000.
- It operates as a state-chartered bank.
- If we enter into an agreement with his company, their annual fee would be less than we've been paying our current fund manager.

Mr. Allen and Ms. Hendison went on to tell us that:

- Rather than charging separate fees for many services, the company's annual fee is a flat one percent of the assets under management, which in our case would amount to about \$20,000. The only additional fees would be for certain transaction costs, likely totaling no more than \$100 to \$200 per year.
- Allen Trust would be able to take care of the annual filings of Form 5227, which, they noted, are primarily for the Justice Department, rather than for the IRS.
- Although Allen Trust is an Oregon state-chartered bank, it doesn't accept any deposits and therefore does not operate under the oversight of the FDIC.
- In contrast to banks that accept deposits, Allen Trust segregates the funds of each client, rather than placing the funds of all clients into a single pot.
- Because extra costs are involved when investing in mutual funds, Allen Trust recommends that most of a client's growth-oriented investments be directly in individual securities.
- The company is committed to managing investments in accordance with the stated policies of its clients and is prepared to assist clients in the refinement of those policies.
- The company sets benchmarks for returns on investments and closely monitors them in order to insure that those benchmarks are achieved.
- If we should decide to engage the services of the Allen Trust Company, the transition from the previous fund manager is likely to take between two and six weeks to complete.

Finance Director's Report

Karen Schweitz read through her Finance Director's Report and made some comments on the accompanying documents, including the Properties Report, the Investment Recap, the Investment Allocation Report, the Planned Giving Report, and the financial charts, copies of which had previously been distributed to the members of the committee. She noted that:

- Despite the withdrawals of funds for operating costs, the total investment value, which is currently about \$1.85 million, has remained more or less constant over the past five years.
- In the Investment Allocation Report, the funds listed as "other" consist primarily of mutual funds. She said that she's unsure why Lee Bernard hasn't included these funds in the "equity" category.

- In the financial charts, while it appears that there was a significant downturn in contributions during the 2016-2017 fiscal year, the actual decline in cash contributions was only about \$116,000. This decline was due largely to resignations, retirements, and deaths. The contribution figure for the 2015-2016 fiscal year was inflated, due to special gifts being received for a missionary residence and for the purchase of the Millers' airplane.
- The amount indicated for "other" income represents the value of the services provided by Dale and Carol Smith. The government now requires that this value be included in InterAct's statement of income.
- On the expense chart, the amount shown for evangelism and discipleship represents expenditures related to ministry in Alaska, while the amount shown for community development represents expenditures related to ministry in Russia.

Appointment of Auditor

Gale Van Diest **moved** and Ray Prigodich **seconded** his motion that we recommend to the Board that Kern & Thompson be appointed as auditor for the 2017-2018 fiscal year. The motion was **approved** without any objection.

Clergy Housing Allowance

Gale Van Diest **moved** and Bill Twichell **seconded** his motion that we recommend to the Board that \$30,000 of the compensation paid to each of the following individuals and others who may become eligible be designated as a housing allowance for the year ended December 31, 2018: Russ Arnold, Gary Brumbelow, Charlie Cook, Dave Henry, David Joseph, Robert Moffat, Ted Mole, Dennis Richardson, George Richardson, Gale Van Diest, and Bruce Walters. The motion was **approved** without any objection.

Budget Adjustment for Mobilization Activities

Gale Van Diest **moved** and Ray Prigodich **seconded** his motion that we recommend to the board that an additional \$20,000 be allocated for mobilization activities during the current fiscal year. The motion was **approved** without any objection.

- The request for this additional funding came from Dale Smith, who said that it is urgently needed. Additional funding is needed, for example, 1) to send people to represent InterAct at more missions conferences; 2) to enable Thomas Slawson to accept an invitation he has received to participate in a fall retreat for students from Biola University who served as short-term missionaries this summer, including several who served alongside Thomas in Russia; and 3) to enable Dale to fly to Peace River Bible College in the Canadian north (an eight-hour round trip), rather than having to drive there (a sixteen-hour round trip).
- Dale hopes to raise this additional money through a special mailing.

Revise List of Authorized Signatories

Ray Prigodich **moved** and Gale Van Diest **seconded** his motion that we recommend to the Board that Karen Schweitz be authorized to transfer, endorse, or sell stocks, bonds, or other securities up to \$50,000 per transaction and that Jerry Crosby and Roy Martin no longer be authorized to do so. The motion was **approved** without any objection.

- Karen explained that this change was actually recommended by this committee last year, but that it somehow never made it into the board minutes.

Designation of Allen Trust Company as Fund Manager

Ray Prigodich **moved** and Bill Twichell **seconded** his motion that we recommend to the Board that InterAct Ministries, Inc., enter into an agreement with the Allen Trust Company to begin serving as our fund manager. The motion was **approved** without any objection.

Investment Guidelines and Policy

Al Strawn called our attention to the “Investment Guidelines and Policy” included in the current version of the InterAct Ministries, Inc., Policy Manual on page 4-10. He noted that over time there have been a number of deviations from this policy, which was approved by the Board on February 4, 2012. He recommended that we ask Allen Trust to work with us on refining the official policy. In addition, he recommended that committee members be sent quarterly reports by email, updating us on the current status of our investments.

Review and Sign IRS Form 990 for Fiscal Year Ended March 31, 2017

This will be done when we are all together for the Board meeting later this week.

Adjournment

Chairman Strawn adjourned the meeting at 3:15 PM (PDT).

Respectfully submitted,

Ray Prigodich
July 25, 2017