

InterAct Ministries, Inc.
Finance & Audit Committee

Cyber Meeting
July 19, 2018

Members Present: Chuck Schaap (Chairman), Ray Prigodich, Karen Schweitz, and Dale Smith. In addition, Bill Twichell participated in the discussion by special invitation.

Call to Order and Opening Prayer

Chairman Schaap called the meeting to order at 2:05 PM (PDT), after which Bill Twichell led in prayer.

Approval of Previous Minutes

Ray Prigodich **moved** and Dale Smith **seconded** his motion that the minutes from the meeting of February 1, 2018, 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 fiscal year that ended on March 31, 2018, a copy of which had previously been distributed to the members of the committee. Among her comments were the following:

- Although net assets decreased by nearly \$84,000 from a year earlier due to an operating loss, 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.
- While total assets decreased approximately \$110,000 from a year earlier, income from contributions increased by approximately \$100,000 from the previous year, and the amount gained from interest and dividends increased by approximately \$20,000.
- The amount of money forwarded to InterAct Canada for evangelism and discipleship increased by approximately \$90,000 over the previous year. Because InterAct Canada covers the entire compensation package for both Dale and Carol Smith, the usual 10% administrative fee is not deducted from funds designated for InterAct's ministries in Canada.
- Total expenses were nearly \$95,000 higher than during the previous fiscal year.
- The total of end-of-year cash and cash equivalents decreased by only about \$3,000 from a year ago.
- In response to a question from Bill Twichell, Cheryl and Karen elaborated on the sources of funds used to cover InterAct Inc.'s operating expenses, the majority of which is covered by undesignated contributions.

- In response to a question from Ray Prigodich, Cheryl and Karen explained the reason for the large difference between the value of the Boring property indicated on p. 9 of the Auditors' Report (\$282,401) and the value indicated on the listing of InterAct properties included in the Finance Director's Report (\$726,454). The lower figure represents the original cost of the buildings on that property, while the higher figure represents the current assessor-appraised market value.

In her concluding remarks, Cheryl commended InterAct for the integrity of its home office staff, which is consistently reflected, year after year, in the audit results.

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 Planned Giving Report, and the financial charts, copies of which had previously been distributed to the members of the committee. Among her comments were the following:

- Due largely to the withdrawal this past year of \$80,000 for operating costs, the total value of investments as of May 31 (just under \$1.8 million) is \$72,000 less than it was a year earlier.
- Just over 50% of InterAct's investments are now in fixed-income securities, which is a significant increase from a year ago. Steps are continuing to be taken to increase the percentage of investments in fixed-income securities to the Board-mandated level of 55-60%.
- In response to a question from Bill Twichell, Karen said that most of the fixed-income investments are in bonds, but that she doesn't know what the breakdown is between short- and long-term bonds. Bill is concerned that the value of our long-term fixed-income investments could be negatively impacted by future changes in the financial market. Karen noted that Julie, who manages our funds at Allen Trust, has assured her that InterAct's investments are well balanced.
- Karen and Dale responded to some questions regarding the use of several of InterAct's properties in Alaska:
 - Shirley Morgan pays rent for the use of her half of the duplex in Anchorage, but it is less than what the Bigelow family (SEND missionaries) pays for the other half, since InterAct personnel are given a reduced rate.
 - It's unclear if the pastors living in the Chignik and Tanana properties are paying any rent. Karen promised to check on this and report back to us.
 - Assessor-approved market values are unavailable for the properties in Chignik, Tanana, Grayling, Ruby, Shageluk, and Perryville. The values shown on the listing of InterAct properties represent the initial cost of these properties.
 - Dale said that the use of houses on the Lazy Mountain Campus is being reevaluated. He noted that some InterAct missionaries renting homes on that campus are doing so simply in order to take advantage of the subsidized rental rate available to InterAct personnel. He believes, however, that those whose ministry doesn't require them to live

at that location should probably be asked to find housing elsewhere, so that more income can be generated by renting to people who aren't eligible for the subsidized rate.

- Roughly 80% of InterAct's total expenses are for program expenditures, with the remaining 20% covering administrative and fundraising expenditures.
- This past fiscal year, 92% of InterAct's total income was from contributions. The second greatest source of income was property rentals in Alaska, while the third was investments. On the chart representing income from other than contributions, the orange line represents the value provided to us by InterAct Canada of Dale's services as Executive Director of InterAct Inc. Income from sales of merchandise includes what is generated from the printing of newsletters for missionaries.
- On August 1, Thomas Slawson will be transitioning to a part-time role in development, which it is hoped will result this current fiscal year in some grant income.
- On the chart showing InterAct Inc.'s total expenses, the roughly \$1.4 million represented by the red line is almost entirely for expenditures related to evangelism and discipleship in Alaska.
- On the chart labeled "Operational Ministries – Income & Expense," the amount received from assessments is down roughly 50% from 10 years ago—to approximately \$100,000. This is due to a combination of attrition, people serving on a volunteer basis, and missionaries not receiving their full support.
- Note that the chart labeled "Operational Ministries Income" was inadvertently not updated for 2018.

Karen was thanked and commended for the excellent work she has been doing.

Appointment of Auditor

Ray Prigodich **moved** and Dale Smith **seconded** his motion that we recommend to the Board that Kern & Thompson be appointed as auditor for the 2018-2019 fiscal year. The motion was **approved** without any objection.

Clergy Housing Allowance

Dale Smith **moved** and Ray Prigodich **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, 2019: 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.

Review and Sign IRS Form 990 for Fiscal Year Ended March 31, 2018

Dale Smith signed this form, which is available for inspection on the Board Website.

Safeguards against Cyber Hacking

Chuck Schaap asked if sufficient safeguards are in place to protect InterAct from being cyber hacked. Jerry Crosby was brought in to respond to this question. He said that a strong firewall is in place to prevent data from being hacked, but he doesn't know how well protected the InterAct website is. He noted, however, that when visitor to the site indicate that they want to make a contribution online, they are immediately transferred from the InterAct website to a Blackbaud server.

Dale mentioned that the brother-in-law of one of our missionaries works with Willow Creek on computer security and that if we so desired, we could ask him to do an audit of our system.

Adjournment

Chairman Schaap adjourned the meeting at 3:40 PM (PDT).

Respectfully submitted,

Ray Prigodich
July 20, 2018