

**InterAct Ministries, Inc.**  
**Finance & Audit Committee**

Cyber Meeting (via Zoom)  
July 31, 2020

**Members Present:** Chuck Schaap (Treasurer, Committee Chair), Daryl Kroeker (Board Chair), Ray Prigodich (Board Secretary), Gale Van Diest, Mike Hubbard (CFO), and Dale Smith (CEO).

**Call to Order and Opening Prayer**

Chairman Schaap called the meeting to order at 8:30 AM (PDT), after which Gale Van Diest led in prayer.

**Approval of Previous Minutes**

Gale Van Diest **moved** and Daryl Kroeker **seconded** his motion that the minutes from the meeting of January 30, 2020, be approved. The motion was **approved** without any objection.

**Finance Director's Report**

Mike Hubbard read through his Finance Director's Report, adding a few comments along the way.

- We briefly discussed whether the percentage of our investments allocated to fixed income securities needs to be increased. The Board-recommended percentage is 55-60%, while the current allocation is only 49%. We decided that since it's a moving target anyway, the current allocation is close enough. We also noted that the 55-60% figure is only a recommendation, not a mandate.

Mike then briefly walked through the various documents attached to his report, copies of which had previously been distributed to the members of the committee:

- Property report
  - It was noted that since Samaritan's Purse recently assisted in the construction of a new church building, the \$1000 valuation of the Ruby property is out of date. Dale believes that the value of the new church building Dale is at least \$30,000.
- Investment report
- Planned giving report
  - Nothing has changed since last year.
- Financial charts

**Audit Report and Letter to Management**

Cheryl Morgan of Kern & Thompson walked through the audit report and the letter to management for the fiscal year that ended on March 31, 2020. A copy of the letter to management had previously been distributed to the members of the committee.

In her letter to management, Cheryl made two comments related to internal control, together with specific recommendations, which we then discussed at some length:

- **CD-1: Appropriate Policy and Budgeting for Transfers from Investment Account:**

The Organization allows its Finance Director to propose and transfer necessary funds from its investments to its administrative fund each year.

There is a policy that allows \$50,000 “per transaction” to be transferred from the investment account to operating checking account. This policy does not convey a monthly or annual transfer limit.

The finance director usually lets the executive committee know if he anticipates the need for a transfer from the general investment account to the checking account. He maintains copies of emails that document this conversation. Because of this, we can see that the board knew about draws from the investment account during the year. It is not clear that monthly investment statements are reviewed in conjunction with the documented withdrawal approval to make sure that any transfer out of the investment account was appropriate.

**Recommendation:** *InterAct Ministries, Inc., should revisit its policy for showing who should review investment account activity if the Finance Director is allowed to facilitate cash transfers.*

*The board should make an annual determination of the amount that can be transferred from investment accounts with no specific board approval. Withdrawals beyond this allotment would require documented approval from the board or at least a committee of the board.*

- **CD-2: Review of Monthly Journal Entries:**

Currently, journal entries are recorded in QuickBooks accounting software with support maintained informally. We do not note that the monthly journal entries are reviewed by anyone.

**Recommendation:** *We recommend that a monthly closing file (electronic or paper) be maintained with a second person reviewing journal entries recorded for the month, along with the support for the entry.*

- Jerry does do this and signs off on them, but Cheryl would like there to be a more formal procedure.

Following Cheryl’s comments regarding the Letter to Management, Mike and Dale left the discussion. Cheryl then gave her evaluation of Mike Hubbard’s work as Finance Director. She told us that she believes Mike is performing admirably in this role and that she has really been enjoying working with him. He’s careful and methodical, she said, and he’s very honest; it never occurs to him that he could do something dishonest. Mike doesn’t have a CPA background, Cheryl noted, but for what he’s doing, she believes that he probably doesn’t need it. When asked if there are any weak areas Mike needs to work on, she responded that she’s not aware of any.

Cheryl said she’d like to see us budget a specific maximum amount for what we might expect to withdraw from the investment account during a given fiscal year. Anything beyond that, she believes, ought to require the approval of the entire board.

After Cheryl left the conversation, we spent some additional time discussing her recommendations. Although it was agreed that we need to be careful not to cross the line between governance and management, we agreed that copies of monthly reports should be sent to the Committee chairman.

Daryl Kroeker **moved** and Gale Van Diest **seconded** his motion that we recommend to the Board that all journal entries and investment withdrawals be reviewed by the Executive Director, with an email note of changes sent to the chairman of this Committee. The motion was **approved** without any objection.

#### **Appointment of Auditor**

Ray Prigodich **moved** and Daryl Kroeger **seconded** his motion that we recommend to the Board that Kern & Thompson be appointed as auditor for the 2020-2021 fiscal year. The motion was **approved** without any objection.

#### **Clergy Housing Allowance**

Daryl Kroeger **moved** and Ray Prigodich **seconded** his motion that we recommend to the Board that up to \$30,000 of the compensation paid to those who are eligible be designated as a housing allowance for the year ended December 31, 2021. The motion was **approved** without any objection.

#### **Review IRS Form 990 for Fiscal Year Ended March 31, 2020**

The final version of this document will be available next month on the Board Site.

#### **Discussion of Policy Concerning The Size of Investment Holdings**

Dale asked for guidance regarding the amount of money we should keep in investments. He noted that the Board of InterAct Canada is more conservative than we have traditionally been regarding this issue, believing that it is better to release more funds for ministry keep less in reserve. The consensus was that we should continue to keep a significant amount of money in reserve, so that we'll be better able to weather any storms that may arise in the future. We also agreed that serious consideration should be given to selling the residential properties in Anchorage that we've long been renting to non-InterAct personnel.

#### **Adjournment**

Chairman Schaap adjourned the meeting at 10:30 AM.

Ray Prigodich, Recorder  
July 31, 2020