

InterAct Ministries, Inc.
Finance & Audit Committee

Cyber Meeting (via Zoom)
September 11, 2023

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

Absent: Randy Jackson.

Call to Order and Opening Prayer

Chairman Schaap called the meeting to order at 4:05 PM (PDT), after which Daryl Kroeker led in prayer.

Approval of Previous Minutes

Daryl Kroeker **moved** and Dale Smith **seconded** his motion that the minutes from the meeting of March 2, 2023, be approved. The motion was **approved** without any objection.

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, 2023.

The letter to management states that “in our opinion, the financial statements . . . present fairly, in all material respects, the financial position of InterAct Ministries, Inc. as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

Cheryl commented that Mike Hubbard is doing a competent job in his role as Finance Director and that she is not aware of any potential anomalies in the financial statements. She expressed concern, however, over the loss in net assets before investment return of approximately \$170,000 in both 2022 and 2023. In addition, there was a loss from investments this year of about \$105,000, resulting in a total decrease in net assets of about \$275,000.

Chuck Schaap **moved** and Daryl Kroeker **seconded** his motion that we recommend to the Board that we accept the audit report. The motion was **approved** without any objection.

Finance Director’s Report

Since it was assumed that we had all familiarized ourselves with Finance Director’s report, Mike did not review it section by section. He did stress that, after a bumpy start, the new Donor Perfect software is now running smoothly. He also expressed his satisfaction with the work of Twila Pearson, who has replaced Diane Page, and his appreciation for all that Jerry Crosby is continuing to do, now that he has partially retired.

Mike expressed concern over the reduction in assets in recent days. Transfers from investments to cover operating costs have averaged about \$130,000 over each of the last five years. If the

pattern of the last five years should continue, the investment account would be exhausted in 25 to 30 years. Worse yet, if the amount taken out of investments during the past twelve months should become a continuing pattern, the investment account would be exhausted in 12 to 14 years. Possible solutions, he said, are to raise revenue, cut expenses, and/or sell assets. Not forwarding to InterAct Canada support received for the Smiths would save over \$25,000 annually—but since Canada guarantees Dale’s entire salary, it was agreed that this is not an appropriate option. No longer covering conference expenses, including travel, would save InterAct \$20,000 to 25,000 per year. (And Dale noted that virtually all other mission organizations require staff members to cover this cost out of funds they raise.) Increasing assessments for retired staff from 5% to 10% would increase income by \$7,000 to \$8,000 per year. And increasing assessments for staff members would increase income annually by about \$13,000 for each percentage point of increase. Dale noted that both raising the assessment to 12% and no longer covering conference expenses would result in additional revenue of about \$60,000 per year. Mike expressed his opinion, however, that increasing the assessment should be our last resort. Doing so would likely have a negative impact on morale.

A lengthy time of discussion followed:

- Daryl said that, in his view, we’ve been too dependent on investment income. Over the last 30 years, the average annual gain from investments has been 8%, but we have no way of knowing if this pattern will resume. We really need to increase revenue by other means.
- Dale mentioned that over \$12,000 was generated by a recent appeal letter he sent out, and he would like to send such letters quarterly. He mentioned that, in the past, some people have objected to this approach, feeling that it can come across as whining or begging. The consensus of the committee members, however, was that such letters should be sent regularly, so that donors will be more aware of needs and opportunities.
- Dave expressed the view that it’s been OK to make use of investment funds in recent days—that we have them for this very purpose. And he’s confident that the rate of return will eventually go back up, hopefully making it possible to replenish at least some of what we’ve withdrawn from the investment account.
- There was consensus that we really need a good development person. Dale noted that finding someone to serve in this role in now taking mission organizations two and a half times longer than it did in the past.
- It was suggested that we need to place greater emphasis on legacy giving.
- It was also noted that wealthy donors are generally more motivated to give toward an endowment (such as our investment account) than to an organization’s general fund.
- Daryl asked: Should we primarily “trust God” or follow business principles? We need to be careful, he suggested, not to overreact by treating the current situation as a business emergency.
- The consensus was that the best response right now is to focus on raising revenue by means other than asking staff members to raise more money or selling off assets.

Mike mentioned two current needs:

- A new printer. The current printer is 10 years old. It’s still working, but it’s definitely showing its age.
- A new roof for the headquarters building in Boring. It was last replaced in 1996, and there is concern that it may not make it through the next rainy season. The estimated cost is about

\$20,000. Dale said he thinks this should be done. It will require increasing this year's budget, but he believes the needed money can be raised.

Dave Ley **moved** and Daryl Kroeker **seconded** his motion that we accept the finance director's report. The motion was **approved** without any objection.

Response to the Recent Decrease in Net Assets

Dave Ley **moved** and Daryl Kroeker **seconded** his motion that we recommend to the Board that the downward trend in net assets be addressed at this time by the sending of appeal letters from the Executive Director periodically throughout the year and by stepping up efforts to hire a development director. The motion was **approved** without any objection.

The Special Gifts Given Earlier This Year to Jeannie VanDiest and Gary Brumbelow

As authorized at the last Board meeting, \$5000 was presented to Jeannie VanDiest in honor of Gale's invaluable service to InterAct Ministries over the years, and \$3000 was presented to Gary Brumbelow in honor of his many years of faithful service to InterAct. Both Jeannie and Gary have expressed deep gratitude for these gestures.

Check Signing Authority

Daryl Kroeker **moved** and Ray Prigodich **seconded** his motion that Jim Darnall be given signing authority for InterAct Ministries' Clackamas County Bank checking account #3726072. The motion was **approved** without any objection.

Appointment of Auditor

Daryl Kroeker **moved** and Mike Hubbard **seconded** his motion that we recommend to the Board that Kern & Thompson be appointed as auditor for the 2023-2024 fiscal year. The motion was **approved** without any objection.

Clergy Housing Allowance

Dave Ley **moved** and Daryl Kroeker **seconded** his motion that we recommend to the Board that up to \$36,000 of the compensation paid to those who are eligible be designated as a housing allowance for the year ending December 31, 2023. The motion was **approved** without any objection.

Review IRS Form 990 for Fiscal Year Ended March 31, 2023

This document will be distributed to all Board members later this week.

Adjournment

Daryl Kroeker moved that the meeting be adjourned, and Chairman Schaap adjourned the meeting at 5:30 PM (PDT).

Ray Prigodich, Recorder
September 12, 2023