

InterAct Ministries, Inc.
Finance & Audit Committee

Cyber Meeting (via Zoom)
September 11, 2024

Members Present: Chuck Schaap (Treasurer, Committee Chair), Mike Hubbard (CFO), Daryl Kroeker (Board Chair), Dave Ley (joined us late), 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 3:33 PM (PDT), after which Dale Smith led in prayer.

Approval of Previous Minutes

Daryl Kroeker **moved** and Chuck Schaap **seconded** his motion that the minutes from the meeting of February 27, 2024, be approved as circulated. The motion was **approved** without any objection.

Auditor's Report and Letter to Management (staff absent from this part of the meeting)

Before walking through the auditor's report and the letter to management for the fiscal year that ended on March 31, 2024, Cheryl Morgan of Kern & Thompson recommended that InterAct Ministries consider issuing fewer checks and handling as many transactions as possible electronically. When paper checks are issued, our banking information is accessible to anyone who sees those checks, increasing the risk of becoming the victim of fraud. Cheryl also recommended that, for safety's sake, we switch from QuickBooks software to QuickBooks Online.

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, 2024, 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 called our attention to the following series of statements in the auditor's report:
In performing an audit in accordance with generally accepted auditing standards, we:
 - Exercise professional judgment and maintain professional skepticism throughout the audit.
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of InterAct Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
 - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about InterAct Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.
- She told us that while the purpose of an audit is not to look for fraud, the auditor does have a responsibility to detect and call attention to any possible indication of fraud.
 - She also called attention to the fact that, while our investment portfolio has increased in value over the past year by more than \$25,000, the amount of net assets available for operations has continued to creep downward.
 - She noted that, in anticipation of the Mitchell distribution, the entire amount in that account was recently converted into cash, which has temporarily skewed the recommended balance between equities, fixed income securities, and cash/short-term securities. She also noted that, over the years, the estimates over the years of the projected change in the value of this account have been quite accurate.
 - She commented that “Mike got everything right during the year.” In other words, he has been carrying out his responsibilities with a high level of competence. She also expressed appreciation for Mike’s pattern of keeping a paper record of the reasons for various entries in the books—something that many finance directors fail to do.
 - She noted that the depreciated value given for various InterAct-owned properties has no relation to the fair market value of those properties.

Daryl Kroeker **moved** and Ray Prigodich **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 (staff returned)

Since it was assumed that we had all familiarized ourselves with Finance Director’s report, Mike did not review it in great detail. He did, however, make a few comments on the various graphs included in his report.

- He noted that InterAct’s financial profile is significantly better than it was a year earlier.
- He said that Twila is very smart and that she has been a great asset.
- He told us that, given the amount of work involved in recreating certain entries, he is not prepared to switch to QuickBooks Online this year, but he is strongly considering making the switch next year.
- Although he withdrew \$130,000 from our investment account last year to cover operating expenses, the investment balance at the end of the fiscal year was still higher than it had

been a year earlier. He would really like to limit the amount withdrawn annually from our investments to \$100,000. He believes that keeping the amount we assess our missionaries at 10 percent is not sustainable over the long haul. A modest increase in that assessment would go a long way toward reducing the amount we need to withdraw from our investments each year. And since the mission reimburses the missionaries for what it costs for them to participate in the annual conference, including for transportation, the “real” amount of the assessment is significantly less than 10 percent.

- He noted that 60 percent of what is in the Mitchell account will be distributed to other ministries, but, even so, more than \$81,000 will remain with InterAct and be added to our investment account.
- He told us that Ministry Watch has given InterAct a financial rating of 98 out of 100. Were it not for the fact that we don’t post the annual audit on our website, our rating would be 100.
- In Alaska, three InterAct-owned houses are currently vacant, and only one of the two families living on the Lazy Mountain campus is eligible for the subsidized rental rate. This needs to be adjusted. There was some discussion as to whether vacant properties should be rented out, so as to generate income for InterAct, or kept available for new missionaries or short-term stays.
- The values given for some of the houses in remote locations in Alaska do not represent what has been invested in their construction and renovation, but, at the same time, given their location, their market value is likely a lot lower than what it would be, if they were in a more central location. Nevertheless, Mike said that he plans to make some adjustments to the values listed.

Dale Smith **moved** and Chuck Schaap **seconded** his motion that we accept the Finance Director’s report. The motion was **approved** without any objection.

Appointment of Auditor

Ray Prigodich **moved** and Daryl Kroeker **seconded** his motion that we recommend to the Board that Kern & Thompson be appointed as auditor for the 2024-2025 fiscal year. The motion was **approved** without any objection.

Clergy Housing Allowance

Ray Prigodich **moved** and Dave Ley **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, 2024. The motion was **approved** without any objection.

Review IRS Form 990 for Fiscal Year Ended March 31, 2024

This document was distributed to all Board members earlier this week in the their electronic board packet.

Adjournment

Ray Prigodich **moved** that the meeting be adjourned, and Chairman Schaap adjourned the meeting at 4:45 PM (PDT).

Ray Prigodich, Recorder
September 12, 2024