



Finance Committee Meeting Minutes

July 22, 2019

Attending: Wade Huseth (chair), Rick Blum (staff) , Lois O'Rourke, Deb Simon, Tyler Gold, Andrew Seaborg, Wendy Johnson, Nan Schilling.

The meeting began at 5:35 pm with an opening prayer and devotional by Nan.

Motion to approve Tyler taking the minutes for the committee meeting.

Wade asked for an update on the Audit Committee – Deb and Lois noted they could not get into Diane's cabinet.

Wade begins the meeting with an overview of tonight's agenda.

Committee meeting minutes and communication plan:

Wade talks about approving a new person to take the meeting minutes. Tyler was approved to take the minutes for the current and future minutes. Wade continued to direct us on the communications fair that will enhance the ability of the finance committee to produce the minutes to the congregation. Rick talks about the 15th of September there will be photo booths at both campuses to get photos on Breese and for Sunday school. Wade wants to get something into the messenger, this will be completed monthly and that this will be a picture of the financial position of the church's financials. Wade – is anyone against not showing numbers in the monthly messenger with the deadline being tomorrow (the 23rd). Andrew asked whether it is important to show numbers every month. Wendy suggested quarterly updates with numbers. Wade – do we move to a quarterly presentation right now and show after September. Andrew, quarterly financial report then the month after have a capital campaign update the month after.

Update: Quickbooks conversion plan:

Wade – discussion opens on QuickBooks and the consultant Jamie Hanson who met with Andrew, Wade, Rick, and Diane on the move to and conversion of going from Sage to QuickBooks. Ultimately, Rick, authorized the contact of another firm who then would convert the current sage to QuickBooks. This will provide more clarity into how the financial statements will look and how much more efficient they will be. Wade asked Rick how Diane is doing with the transition including hours worked. Rick thinks that it is possible to move forward with just having Diane in the accounting department and

possibly an additional person at lower weekly hours. Rick – this system is more efficient and effective where the system will run more automatically instead of the current manual work. Wade, some of the challenges we need to look at are we tracking too many programs and too many different things that make it more complicated. Rick, paid \$700 to a company in TX called Fairlane that does the conversion remotely. They will make an evaluation and then work through the copied financials. They can get the data by August and then have it set up for September run. Jamie who the consultant will also be there to help balance the accounts after the initial conversion. Wade – brought two books for Diane to read through specific to accounting for churches and QuickBooks for churches. No other questions.

MIM balance at December 31, 2018:

Wade – I would like to circle back on MIM, he looked through items and could not find anything that would tie out to the amount on \$128,715. Wade proposes that we move the \$128,715 to the mortgage from that he will speak to the executive committee tonight and try to get it approved. The boards intent was for money to use for principle and interest. Wendy, where is the money coming from – Wade, it is in a church bank account. Lois, thinks maybe in a restricted account, Wade corrects that there was a \$137,000 designated by the board as 6 months of principle and interest. This is an addition to that and will be used this year. Wade will take the recommendation to the committee tonight. Lois, moves to motion, Deb seconds, all approve.

Church/Non-Profit Financial Statements:

Wade – feels that there is some confusion on how we are reporting our financial statements and seems as if it is being reported as a business and not a NFP. Moving toward a fund accounting format instead of a traditional P&L and balance sheet format. Looking to improve the transparency and consistency of the statements. Fund accounting principle - it is not a bank of accounts but a set of accounts that are together that are for specific reasons (Buildings, etc). Wade thinks that moving to this is going to enhance the format and the readiness of the statements. Wade has provided an example of what the fund accounting format would look like and could look like. Lois likes the newer format given by Wade. She would like there to be a way for the congregation to see a full transparent look at the mortgage and shows exactly what is in the funds. She likes the clarity just thinks that we need to clarify certain funds to make sure that they are transparent. Wade – there would be a specific workbook that would be in combination to the formatted funds that would highlight more detail in the more simplified funds. Lois says that we need or should show how we would work the funds for the payments are going to be distributed between the principle and mortgage alike in the capital campaign. Wade – as targets are set everything should tie together and that we then can see that we will either run ad surplus or a deficit. This would hopefully then give the board leeway to see the future of what could happen. Andrew – thinks that the change could possibly make things more confusing if we go from the traditional P&L to the new fund accounting. We need to present in a way to show it is the same

information. This is more of an emphasis on the summary of the accounts instead of giving out the whole detail. Discussion continues on formatting items of the fund accounting summary that Wade produced. Rick – is this the time to do this with change in our accounting system? Andrew – it could go either way we could set it up easily either way. Lois – The main thing people want to see is the budget are we in budget and are we operating within our ability. Wade—speaking on fund accounting, there are years that it is ok to run a deficit. If we ran a surplus or a had a fund that we had the ability to have that as a fund. This fund would not show as income and the church would then run a deficit because we don't show that as income from the prior year. The fund would be a designated fund for that. Lois – would this then be an operating reserve fund that would cover that. Wade – this would come through as a board designation of funds from prior surplus to current things. Lois – we want cash reserves built up, referring to the above comments. Wade – discusses further how the method of fund accounting will be dealt with through the future years. Nemecc gift is discussed as an example of this fund – as we did not add this into this year's budget, and this is causing some categories to be over stated and underbudgeted. Wade thinks that we should adopt a way of showing specific summaries to specific groups (Congregation, Staff, Board, etc) that is the easiest for them to understand and read. Also noting that we should move to broader groups and then sub-groups that way we don't get caught up in our own box. Rick will talk to Diane about the Assets and liabilities that are not matching in the May and June Financials to fix issues brought up by Wendy and Deb. Wade – Recommends that we bring the fund accounting back up in August's Meeting and discuss further then after we can all take a closer look at the summary. Lois mention that some board members have asked to be trained to know what they are looking for in the statement and the summary sheets. Andrew – asked what the best practice is are for the fund accounting. Wade – the bookmarked page is the exact summary shown – we need to keep in mind the audiences the specific fund accounting summary is not necessarily made for congregational viewing. We can show the board and the congregation different summaries that are easiest read and easier to understand. Lois, it will all depend on the presentation to the board and to the congregation. Andrew thinks that if Wade was to present to the board the summaries, we use showing the best practices and the correct way doing and producing this. Wade – please spend some time to look over the fund accounting summary and to understand and produce questions for the next meeting.

Cash Management Policy – Review Draft Version 1:

Lois walks us through the Cash Management Policy Draft. Discussions on the items in red. Providing guidance for using and disbursing cash through specific controls for long-term and short-term items and how we can use the cash in the accounts to the best of the church's ability safely. Lois – proposed a question if we wanted to establish any more goals for reserves and maintaining those reserves. Rick discussed the title of the Diane in the church. We will have something hopefully for the September meeting. Rick questions the reserve amount as he thinks that it would or could be a limiting factor. Wade notes – that we should be looking at what is the long-term focus for us to handle

our reserves. Lois asked – how can we serve or say that we are serving with reserves not being used. Lois asked who is going to approve → Finance committee would evaluate and recommend to the board then the board would ultimately approve. Andrew – we should also look at what the constitution says as to how we do need to go through approvals. Wade – we need to look at the element of timing when it comes down to having money into the bank with short term exceeding the bank limits this is with reasonable expedience. Wade – Cash reserves levels discussion. Two questions are 3 months good for us? Is that an appropriate amount? Should we include principle and interest. We have the principle and interest in a separate reserve but that should not be included or counted in the reserve. We need to clarify what the \$137,000 is for exactly. Specific use of words with board designation. Wade – end with to be held in reserve “in case of emergency” do we want to say a minimum of six months. Do we want to add and additional principle and interest in to the general fund. Wade asks if we should make the recommendation to the board. If the insurance valuation is at \$10 mil the reserve will have to be at \$1 mil. We determined that we should hold off on the recommendation of the Cash Management Policy until we have a new draft.

Closing remarks and the Lord’s Prayer:

Meeting ended with the Lord’s Prayer.

Next meeting will be on August 12, 2019