

MINUTES

BOARD OF DIRECTORS

May 21, 2010

ATTENDANCE

PRESENT: Marylynn Boatright - President; James Mann; Vince Catania; William Frazier; Jennifer Burns Lewis; Ginger Merkel; Nate Rush; Dave Crittenden, staff; James Rissler, Presbyterian Investment and Loan Program; Jay Wilkinson, Treasurer-Synod of Lakes and Prairies & SOLT contract staff; Richard Lindley, Capin Crouse Certified Public Accountants

The meeting of the Board of Directors was convened with prayer and devotions by Marylynn Boatright, at 10:00 A.M. on May 21, 2010 at the Interchurch Center, Indianapolis, Indiana.

1. The agenda was approved. The minutes of the January 22, 2010 meeting were approved with the spelling correction of Ginger Merkel's last name in number 9 of the body of the minutes.
2. The Consolidated Activity Summary, the Consolidated Position Summary, the Capital Improvement Program Fund 90 Statement as of April 30, 2010 and the January 1 – April 30 Fund 90 Statement were reviewed. It was noted that all of the Participation Certificates were redeemed by December 31, 2009 and we are not holding any cash for former certificate holders. Nothing out of the ordinary or unexpected was noted.

The contract arrangement for the Synod of Lakes and Prairies' financial services was discussed. It was noted that the board is very pleased with the current arrangement. The Board revisited the possibility of contracting with Whitewater Valley Presbytery for this service as a part of consolidating the Synod and the presbytery and modeling shared staff within the Synod. Jay was very clear that his Synod would like to continue the partnership if possible but will do anything to make this a smooth transition. It was decided that this transition would not be made in 2010 and that the Board should review any new contract and be apprised of the timeline and steps towards any transition in this area.

3. Ginger Merkel explained the difference between the Uniform Management of Institutional Funds Act and Uniform Prudent Management of Institutional Funds Act. The later was designed to replace the former. These acts are adopted state by state and were put in place to help charitable institutions manage investments and prudently control expenditures. The Board needs to decide which, if any, of our investments are governed by these acts and which act controls our management.

4. Ginger Merkel shared her thoughts on our current Gift Acceptance Policy as outlined in the January 22, 2010 minutes. The Board agreed with her observations. She will write a draft of a revised Policy that better reflects our current position and needs. The draft will be circulated by email to all Board Members for review and suggestions. Once a perfected copy is obtained the Board will vote by email on the revised policy so that the Synod can vote on the policy at their July 2010 meeting.

5. The Board discussed the \$176,000 in Warrant Capital with the Interchurch Center. It was recently learned that this investment is not a partial equity ownership of the building because the building is part of the lease agreement for the land with Christian Theological Seminary. The

investment makes us eligible to deduct an amount equal to 7% of it from our rent annually. It was noted the Board of Directors of the Interchurch Center will begin conversations regarding Warrant Capital in an effort to form a policy regarding these investments.

6. Jim Rissler, Presbyterian Investment and Loan Program, reported on the current state of the Synod's Capital Improvement Program (CIP). As noted in the financial reports all of the certificates were redeemed and the funds distributed by mid March 2010. There are currently two loans left to be refinanced. They both have significant issues that are being worked out. The outstanding loans are: (1) Park Ridge, Illinois, for \$104,000 which does not have clear title yet; and, (2) Walkerton, Indiana, which had been unwilling to refinance their \$14,400 debt but is now working toward that goal.

Jim noted that the interest and interest expense from the CIP is all but gone and what is coming in will not cover the month to month expense of managing the Capital Improvement Program under the original agreement. PILP has waived the \$750/month charge as of April 1, 2010 and is just charging the Synod the actual expenses.

We all look forward to a celebration when the transfer is complete in the near future!

7. Richard Lindley, Capin and Crouse, led the Board through the Combined Financial Statements with Accounts' Review Report and the accompanying management letter. The review showed the Synod is in a strong financial position as of December 31, 2009. It was noted that 2010 is an audit year according to previous action by the Board.

The following notes were part of the accompanying letter and the board agreed to work on them during 2010:

Documentation of Internal Controls

We discussed with management the need to have all internal controls documented. Internal controls provide written policies and procedures in order for all staff to know what is expected and to assist in providing consistency of controls in order to present the combined financial statements free of material misstatement. We recommend the Synod document the existing internal controls and then present this framework to the board for approval. We will provide some examples of such documentation.

The Board will document the current activities and review them at their October 2010 meeting.

Documentation of Whistleblower Policy

We noted that employees follow a general practice for reporting any potential fraud or conduct concerns. We recommend formalizing this practice into policy and including this policy in the framework of the Synod's internal control documentation.

The Board will look at sample policies provided by Richard and write a policy for approval at the October 2010 Board meeting.

Policy for Revenue Recognition

Revenue is generally recognized when received or when earned in accordance with generally accepted accounting principles in the United States of America. We noted that the Synod operates on a hybrid approach of a cash basis of accounting and an accrual basis of accounting throughout the year and converts to a full accrual basis at fiscal year end. In previous reviews, we noted that grants awarded to the Synod were not recorded in the proper period because the cash for the grant was not received prior to fiscal year end. We

recommend the Synod review the policy for revenue recognition to ensure the conversion to full accrual basis is made at the end of each fiscal year.

Jay Wilkinson and Dave Crittenden will work on resolving this issue and recommend a policy if needed.

Segregation of Duties over Cash Disbursements

Per inquiry during our review, we noted that the outsourced bookkeeper has access to the check stock, is an authorized signer, is the only individual authorized for online banking, and reconciles the bank statements. The bank statements are not reviewed by an individual above the outsourced bookkeeper. This is a design in the deficiency of internal controls and allows the outsourced bookkeeper both an opportunity for fraud and an ability to cover up the fraud. We recommend changing the segregation of duties to mitigate this deficiency.

To be addressed in the Internal Controls documentation.

Approval of Credit Card Expenses and Expense Reimbursements

We made selections of credit card expenses and expense reimbursements to review for appropriate approval and documentation of business purpose. We noted that the Co-Executives generally approve each other's expenses. While this is appropriate for the operational purposes of the Synod, we recommend a board member review the expense reimbursements and credit card expenses of the Co-Executives on at least a quarterly basis.

The Audit Committee has already looked at the statements and will continue to do so signing them each time they review them.

Monitoring of Investment Policy for Endowment Funds

The investment policy for the Synod denotes specific objectives that are attempted to be achieved. We noted that there were no specific decisions or discussions documented on how to obtain these specific objectives. We recommend the Synod document the decisions made relating to the monitoring performed on the investment funds. We also noted that the investment policy is required to be updated every two years. We recommend the Synod review the investment policy and approve any changes.

Physical Inventory

We noted that management moved offices at the end of the fiscal year. We also noted that management indicated that the last physical inventory had been taken in 2007. We recommend the Synod perform a physical inventory count to ensure the completeness of their fixed assets for an upcoming audit.

Dave will bring an updated fixed assets list to the October meeting.

Gift Acceptance Policy

We noted that management has been using a gift acceptance policy that includes gifts of which the fair value is difficult to determine. This includes gifts of real estate, remainder interests in properties, oil interests, mineral interests, and gas interests. Under the fair value disclosure topic of the financial accounting standards board accounting standards codification; these items are required to be presented at fair value. This can create an undue burden on the Synod to determine the fair value if these types of gifts were to be accepted. We recommend the Synod consider revising the gift acceptance policy to only accept those gifts which are consistent with the mission and do not create an undue administrative burden.

To be approved by email prior to the July Synod meeting.

Resolution of Cora Pope

We have discussed with management the status of the Cora Pope Home over the past few years. We have noted that management has been working diligently to determine the appropriate legal and accounting treatment of this home. We recommend management formally document the final decision regarding the Cora Pope Home.

It was noted that all of the above mentioned suggestions and actions are to be in place before we change bookkeepers. Richard answered questions regarding the cost of a full audit for 2010, a multi year quote for reviews and audit and the advisability of using the same auditor of multiple agencies.

8. Attorney Donald Metzger file suit against the Synod of Lincoln Trails and a separate suit against individual members of the Synod's Administrative Commission acting as Midwest Hanmi Presbytery to get payment for fees owed him in work done on behalf of Rev. Young Sam Rhee. The Synod is sharing legal costs with the Presbyterian Church (USA), a Corporation to defend the suit against the Synod to Ian Webster, of Grippo & Elden of Chicago, Illinois. The agreement specifies each will pay half. The Synod's half as of May 21, 2010 is \$64,787.99.

Church Mutual Insurance covered the costs of the suit against individual members of the Administrative Commission until April 1, 2010. Church Mutual has determined they are not liable for the coverage under our policy. We have employed Scott Hoyne (the same attorney Church Mutual retained) to represent the individuals. There have been no bills from Mr. Hoyne to date.

9. Dave reported on the Covenant Presbyterian Insurance Company, our former insurance company that went out of business June 1, 2009. They have called for several votes regarding ways to pay the \$100,000 deductible per claim that CPIP left their policyholders with when they closed their doors. The Synod abstained in all votes and has not agreed to or paid any suggested assessment. Other Synod's have sought legal counsel and the consensus is that CPIP filing bankruptcy is the best course of action. They will be forced into bankruptcy if none of their proposals are approved.

10. Dave presented an offer from Dakota Salts, LLC, Potash and Energy to lease salt and salt related mineral interest on our property in Burke County, North Dakota. This comes to us because we are the successor to United Capital Funds of the Illinois Synod of the United Presbyterian Church. The property is:

Township 163 North, Range 91 West, 5th Principle
Section 20: NE4
160 Gross Acres, 8.89 Net Acres (5.56% Ownership)

ACTION: The Board voted not to lease our rights. The Board is not interested in leasing our rights but is very interested in any and all bids for our property rights.

11. Dave presented the attached future Fixed Asset Purchases Report to the Board as requested at a prior Board meeting. The Board will review fixed assets annually.

ACTION: The Board approved the report as presented which involved:

a.) the purchase of two desktop computers between June and December 2010 at a cost not to exceed \$1500.

b.) the purchase of a computer server in January 2011 at a cost not to exceed \$1000

12. Marylynn Boatright plans to have a Synod of Lincoln Trails hospitality suite at the 2010 General Assembly in Minneapolis, July 3-10, 2010 in partnership with the Synod of Lakes and Prairies. Marylynn asked for the Board of Directors approval for the costs of food and drink for this suite which will include wine.

ACTION: The Board approved the request which involves making an exception to the current credit card policy of purchasing no alcohol.

13. Dave reported that the Personnel Committee will be presenting a revised time schedule for moving to one full time equivalent Executive position. Their recommendation to the Synod in July of 2010 will include the recommendation that the Synod and the Board of Directors allow the use of reserve funds as income in the operating budget of the Synod through the 2013 budget.

14. The Synod has \$1,000,000 invested in the Presbyterian Investment and Loan Program at this time. The Board was reminded of a request by a church in our synod to designate our investment toward their loan to help them reach their goal and/or reduce their interest rate. Jim Mann and Dave Crittenden will bring a recommendation to the October meeting for equitably helping churches and presbyteries in our Synod by designating our investment.

15. The meeting adjourned with prayer.

Future Fixed Asset Purchases

Laptop Computers

The Synod currently owns three (3) laptop computers which serve our current needs. There is no anticipated increased need any time in the future. Two of these laptops are used as the sole computer by each of our co-executives. One is a back up to these two and is used by other staff as needed. Laptops are on a three year depreciation schedule.

One co-executive is using a laptop purchased in March of 2009. The other two laptops were purchased in June of 2007. All of these computers seem to be performing well.

Recommendation: Any laptop purchases be postponed until 2012 when a new staff configuration will be in place.

Desktop Computers

The Synod currently owns two (2) desktop computers which serve our current needs. There is no anticipated increased need anytime in the future. These computers are used by each of our two Executive Assistants. Desktops are on a three year depreciation schedule.

Both of these desktops were purchased in June of 2007. There have been some performance issues in recent months.

Recommendation: Two desktop computers be purchased between June 2010 and December 2010. The Board of Directors approve up to \$1500 for this purchase.

Computer Server

The Synod currently owns one (1) computer server which serves our current needs. There is no anticipated increased need anytime in the future. This server is the hub of our network housing all of our files and acts as our email server. The server is on a three year depreciation schedule.

The server was purchased in June of 2007 and has had no issues.

Recommendation: The purchase of a computer server in January of 2011 be approved. The Board of Directors approve up to \$1000 for this purchase.

Workstations

The Synod currently owns two workstations which are used by our Executive Assistants. There is no anticipated increased need anytime in the future. The workstations are on a ten year depreciation schedule.

The workstations were purchased in September of 2005. They will continue to serve us well until they are fully depreciated in 2015 at which time the Synods needs for workstations should be evaluated.

Recommendation: The Board of Directors look at workstation needs at their October meeting 2014.

Copier/Printer

The Synod currently owns one (1) copier/printer which serves our current needs. There is no anticipated increased need anytime in the future. The copier/printer serves as our main printer and provides for all our copying needs. The copier/printer is on a five year depreciation schedule.

The copier/printer was purchased in October of 2006 and will serve us well beyond the time it is fully depreciated. The Presbytery of Whitewater Valley currently leases a color copier/printer. Any actions taken regarding replacing this asset should be done after consultation with the presbytery.

Recommendation: The Board of Directors be in conversation with Whitewater Valley Presbytery about combined copier/printer needs and timelines after 2011.

Phone System

The current phone and voice mail system was purchased as part of the move to the current offices at the beginning of 2010. This system is jointly owned in partnership with Whitewater Valley Presbytery. Our last phone and voice mail system was on a five year depreciation schedule. It was purchased in 1996.

There are no staff increases being projected by either governing body for the foreseeable future. The current system should meet our needs for the foreseeable future.

Anticipated costs by year:

2010 – \$1500

2011 – \$1000

2012 – 2014: No costs are anticipated at this time