

MINUTES
AUDIT COMMITTEE
BAPTIST GENERAL CONVENTION OF TEXAS
May 19, 2025
1:30 PM – 4:00 PM

PRESENT

Tim Eng - Chairman
Isaac Thompson
Gene Pittman
Lanette Jones

STAFF PRESENT

Kristen Ray – Controller
Laurie Spivey
Sarah Mundy

GUEST

Danny Johnson, BMWL

ABSENT

Lori Wood

WELCOME AND PRAYER

Tim Eng welcomed everyone and opened with a prayer.

MINUTES

Tim Eng asked everyone to review the minutes. The minutes were accepted.

UPDATE ON AUDIT

Tim Eng called Danny Johnson with BMWL to update our Audit Committee on the process for the 2024 Audit. Danny discussed Report on Independent Auditor opinion and the financial position of the Baptist General Convention of Texas (BGCT) as of December 31, 2024, and 2023, The changes in its net assets, and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the US.

Danny Johnson from BMLW gave following report:

Statement of Financial Position

- Assets \$17.4M increase – changes in investments, healthy increase
 - Beneficial Trusts and Endowments funds not distributed yet; held by bank oil and mineral assets
- Liability decrease of 19% accrued expenses
- Other liabilities – leases large percent of related assets

Statement of Activities

- \$72.2M increase
- CP investment – strong growth
- Contributions up – BSM Baylor gift increase
- Federal Tax credit revenue
- Expense side total \$49.4M - decrease from last year
- Total revenue increase – impact to bottom line

Statement of Cash Flows

- Uses of cash - 3 sections all add to net change in cash
 - Net operating cash flows
 - Net investing cash flows
 - Net financing cash flows
- Net inflow strong

Statement of Functional Expenses

- Mary-Hill Davis (MHD)
- Cooperative Program (CP)

Each category is based upon availability of resources, donor restricted endowments, and board designated amounts. Slight improvement from investments.

Net Assets

- With donor restrictions
- Without donor restrictions
- Baylor BSM gift 2024 for use

Employee Retention Credit

- Amended tax returns – federal stimulus
- Federal tax credit revenue
- IRS could challenge credit amounts claimed

Consultation with tax professionals' management believes that it is more likely than not the credit will be sustained in the event of an IRS challenge.

Transactions with Cooperating Ministries

- Cooperating ministries
- Financial support through annual CP budget

Retirement Plan

- GuideStone Financial Resources
- Matching contributions

Self-Funded Health Insurance Plan

- 2024 adopted self-funded health insurance plan
- Contracted third-party administrator to process claims

Subsequent Events

- Texas Baptist Indemnity Program (TBIP) formed
 - Work with churches provide alternative to commercial insurance
 - Stop loss of coverage for churches

Danny discussed 2 matters on audit process:

- TBIP
 - Consolidation of financials
- Conflicts of Interest
 - Recommendation to match IRS policy

Danny concludes the audit report. Eng asked if there were any questions for Danny. Various questions and comments. Danny left the meeting. Eng asked if there were any objections to the audit report, no objections; audit report accepted.

Eng turned to Kristin to discuss issues that needed to be addressed in the Audit Committee meeting. Kristen advised the following:

- Informed about our compliance with our conflicts of interest policy with BGCT employees and advised all clear.
- Provision in the board policy that if any issues arise, the independent auditors will meet with the CFO, Controller, Convention's legal counsel to discuss said issues.

Eng advised there were no issues for this meeting, or the need for an executive session at this time. He called on Kristen to give a brief overview of the 2025 financials.

Kristen gave a summary of the 2025 financials in which we are up 1% on investments including quarterly investments. \$1M in new endowments. She discussed that Clay Jacobson is over the CP program and exploring ways to reach out to churches to raise awareness of church giving. Kristen informed the committee on how the TBIP program will be a source of income and help churches grow. Eng asked if there were any questions; various questions and comments.

IAC UPDATE

Eng called on Kristen to give IAC report update. Kristen gave update on the changes from year to year and referred to changes in entities we give money to. The first meeting was a week ago and 8 reports were reviewed from 2023 and 2024; still looking at 2021-2023. Tim Eng mentioned that we follow up on Wayland Baptist University and San Marcus Academy that we have not received yet, and the possible cash flow issues.

STAFF UPDATE

Tim Eng called on Kristen to bring an update on the staff. Kristen advised that we have hired Nolan Hayden for the General Ledger Accountant position, and he will be helping with getting caught up. Nolan has a degree in Economics and Spanish and is taking accounting classes currently which will be a great asset to the team. Indy Axton is now in the position of Senior Accountant and in control of reporting, analysis and BSM accounting. We have hired a contractor for bank reconciliation, which is an essential function, but we would like to bring it back in-house. Sarah Munday has been giving budget presentations and learning about the tax side. Sarah is doing a great job in her role

and has completed her first tax seminar. It has been a tough budget season, but we have a full staff now with no open positions.

NEW BUSINESS

Tim Eng asked if there was any new business. No new business to discuss. Eng stated there were a lot of issues with the audit and there were many obstacles. He commended the work and leadership it took to get to this point and thanked Kristen and her staff.

ADJOURN

Tim Eng called on Isaac Thompson to pray. We officially adjourned.