

MHCO Audit Committee Meeting Minutes

April 23, 2026

Members present: Dr. Tony Cozart – Chair, Ed Moore, Lew Starling, Julian Setzer, Victor Blackburn, Kirsten Moore, LuAnne Clark, Chris Allabaugh, Kristyn Butts, Sara Becker

Members absent: Grayson Hollowell

Call to Order

LuAnne Clark called the meeting to order and introduced Dr. Cozart as Chairman. She noted that he would lead the opening prayer. Dr. Cozart led the prayer, expressing gratitude for attendees and requesting guidance in their service.

Opening Remarks

LuAnne Clark thanked Dr. Cozart and provided introductory remarks, including an overview of the audit process with Kirsten Moore, who was new to both her and the organization. She then recognized Victor Blackburn and turned the floor over to him for presentation of the financial statements.

Independent Auditor's Report and Financial Statements

Victor Blackburn presented the Independent Auditor's Report, stating that an unmodified opinion had been issued, indicating no concerns with the financial statements. He reported an increase in total assets from \$74 million in 2024 to \$80 million in 2025, primarily driven by changes in investments and net assets. He further discussed a \$4.6 million increase in unrealized gains due to stock market performance and noted that new accounting standards related to operating lease liabilities had minimal impact.

Statement of Activities and Changes in Net Assets

Mr. Blackburn reviewed the Statement of Activities, noting an increase in revenues from \$13.6 million in 2024 to \$14.6 million in 2025. He attributed this growth largely to contributions, bequests, and unrealized gains. He also highlighted an increase in trust-held net assets for the children's home of \$1.3 million. Expenditures remained relatively flat, and overall financial positioning was reported as strong. He noted a strong change in net assets from \$5.8 million to \$6.7 million and commented that last year was an awesome year for the home.

Functional Expenses and Cash Flows

Mr. Blackburn provided an overview of functional expenses, noting of the almost \$88 million in total expenditures, \$5.2 million was directly related to childcare and support and \$1 million in general administrative. The Statement of Cash Flows reflected a loss in operating cash flows but a positive inflow from investment activities. Cash and cash equivalents totaled \$3.8 million at year-end.

Liquidity and Financial Strength

Mr. Blackburn reviewed the organization's liquidity, noting \$42 million in available funds to day-to-day operations. He emphasized the organization's strong financial position, indicating the

availability of several years of funding even in the absence of revenue. He concluded his presentation and invited questions.

Discussion of Significant Risks and Management Recommendations

Julian Setzer inquired about significant risks identified in the governance letter and requested recommendations for management team. Mr. Blackburn explained new CPA communication requirements regarding risk-based approach audits and identified management override of controls and improper revenue recognition as key risks. These two risks are standard risks identified for almost every audit they perform. He outlined the associated testing procedures and reporting standards. He confirmed that no significant deficiencies or material weaknesses were identified and reaffirmed the organization's sound financial standing.

Succession Planning and Recommendations

Mr. Blackburn recommended that the organization begin succession planning for key personnel, including Ms. Clark, citing challenges in recruiting qualified accounting professionals. He suggested proactive training and planning efforts.

Motion to Bring Audit Report to the Board

A motion was made by Tony W. Cozart to recommend the report to the May Board meeting. The motion was seconded and approved unanimously.

Closing Remarks and Adjournment

LuAnne Clark noted that committee member Grayson Hollowell was unable to attend due to an emergency. Kirsten Moore, auditor, expressed appreciation for the cooperation and responsiveness of staff during the audit process. LuAnne Clark and Victor Blackburn discussed preparation of materials for the upcoming board meeting and tax filings. Mr. Blackburn confirmed his availability to present at the May 8th Board meeting.

There being no further business, the meeting was adjourned at 3:54 pm.