

North American Division Treasurer's Report

TOGETHER |
IN MISSION



God is in Control

As we look back at 2021, and so far in 2022, there is no doubt that God is leading His Church.

TOGETHER |
IN MISSION



God is in Control

In 2021, when so many thought, myself included, it was not possible to have any tithe gain, God blessed the collective division with a 10.35% gain.

TOGETHER |
IN MISSION



God is in Control

Providentially, God allowed our AdventistGiving platform to be available so members could continue their financial stewardship while churches were closed.

In 2021, approximately \$750 million was given through this platform, including one half of the Division's annual tithe.

TOGETHER |
IN MISSION



God is in Control

Year to date in 2022, God thru His faithful members, has allowed us to keep up with the 2021 pace of giving and added an additional 1.46% collectively across the NAD!

TOGETHER |
IN MISSION



Lessons Learned

A takeaway from the ordeal of the last two years that we all can embrace is that regardless of circumstances around us, God is faithful, and His people are faithful.

We can trust Him despite difficulties. The church is the apple of His eye, and He can be trusted to sustain it for His Glory . I encourage all of us to commit ourselves to allowing Him to use us to fulfill His mission in North America.

TOGETHER |
IN MISSION



Moving Forward in 2023

As I present the financial reports and information, it is with an eye on Moving Forward in 2023 in the context of our 'Together in Mission; I will Go' vision.

It is my prayer that the North American Division use the resources provided by our generous members and the providence of God, to decrease the numbers of the Kingdom of Satan, and increase the numbers in the kingdom of Jesus!

TOGETHER |
IN MISSION



Financial Presentation Segments

- Audited Financial Statements (2021 Highlights)
- Audit Review Committee Report (2021 Audit Opinion)
- Unaudited Financial Statements (September 2022 YTD)
- Compensation Review Committee Report (2021 Compensation)
- Investment Report
- General Conference Auditing Service Report
- NAD Retirement Plan Report
- 2023 Budget Assumptions

TOGETHER |
IN MISSION

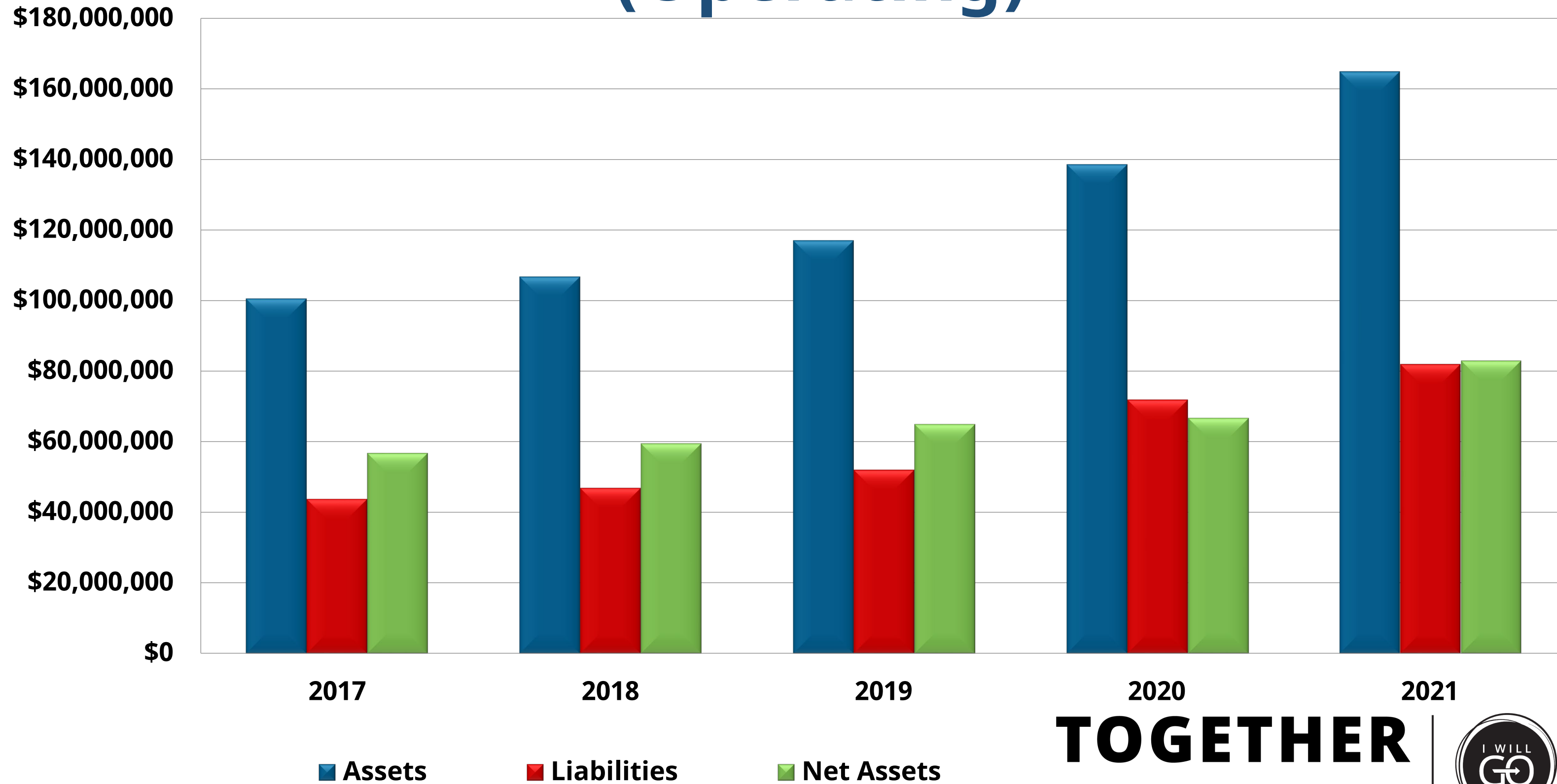


2021 Audited Financial Statement Highlights

TOGETHER |
IN MISSION



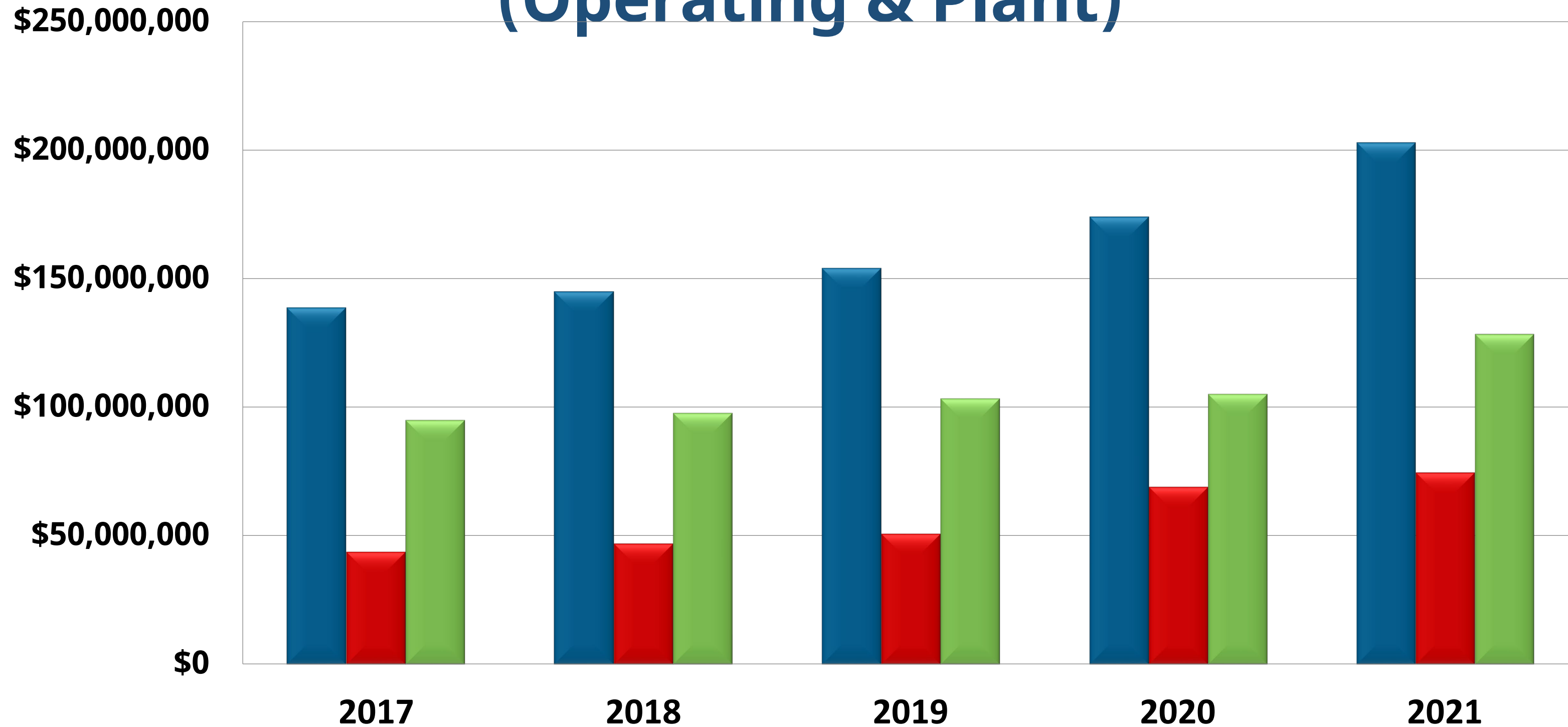
Statement of Financial Position (Operating)



TOGETHER
IN MISSION



Statement of Financial Position (Operating & Plant)



■ Assets

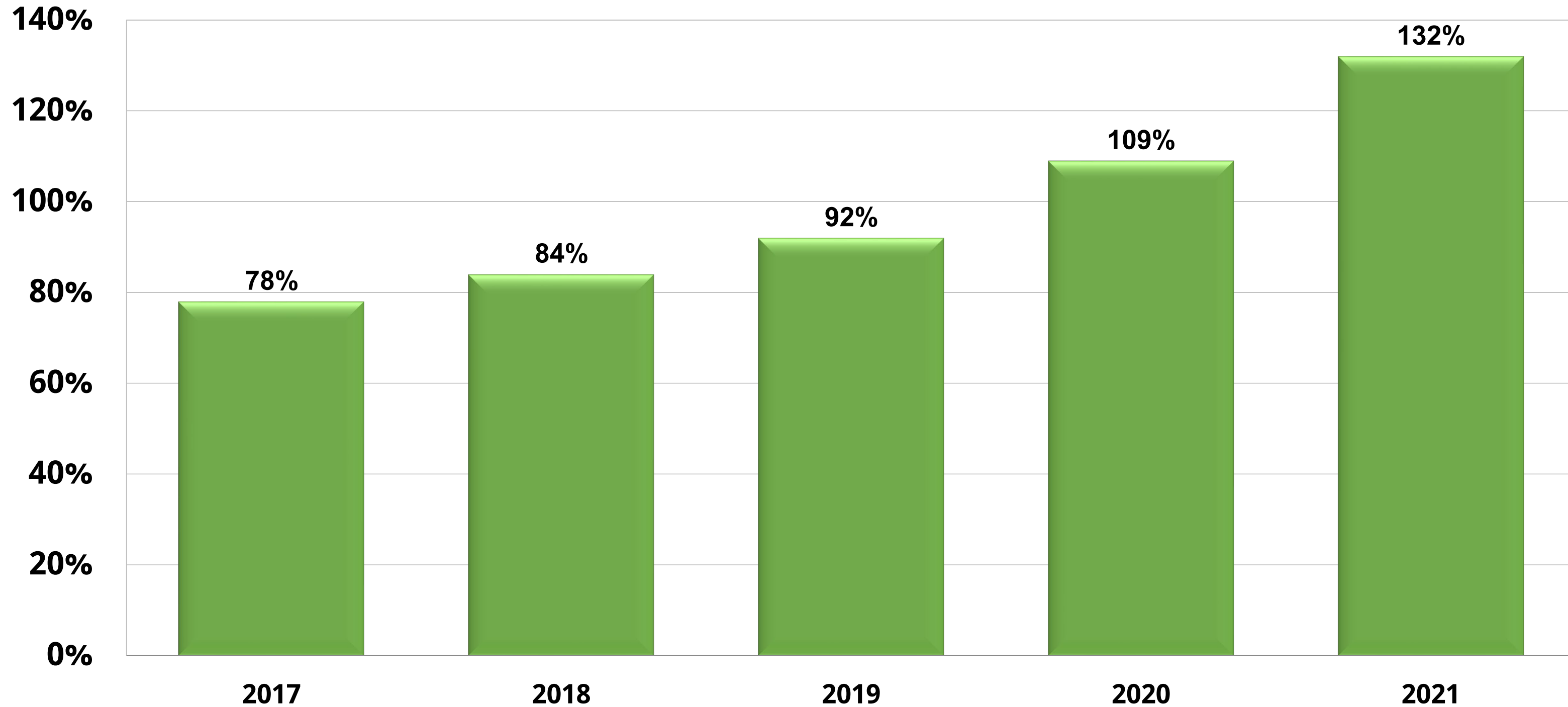
■ Liabilities

■ Net Assets

TOGETHER
IN MISSION



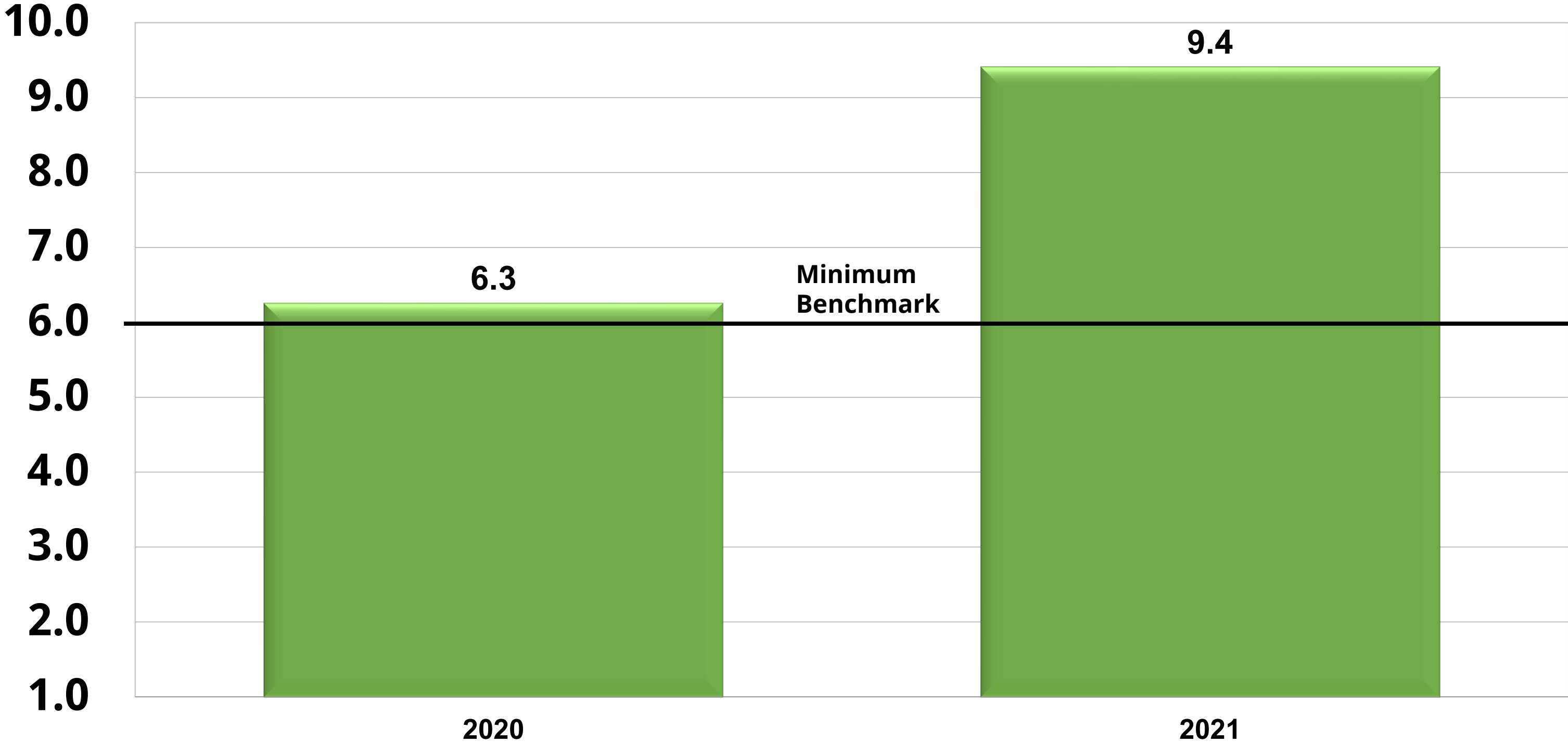
Recommended Working Capital



TOGETHER
IN MISSION



New Recommended Working Capital (Unaudited)



2020

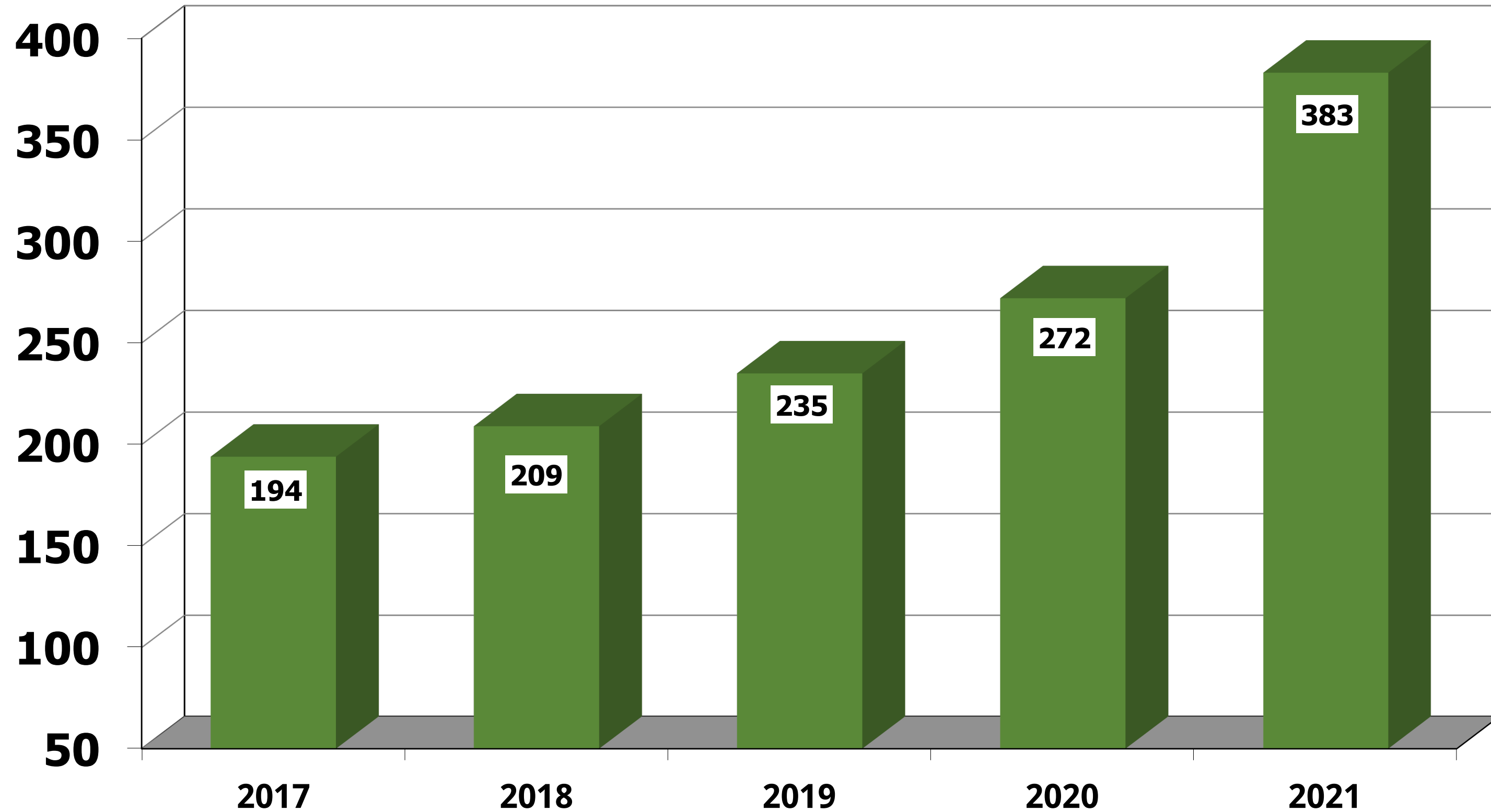
2021

In Months

TOGETHER
IN MISSION



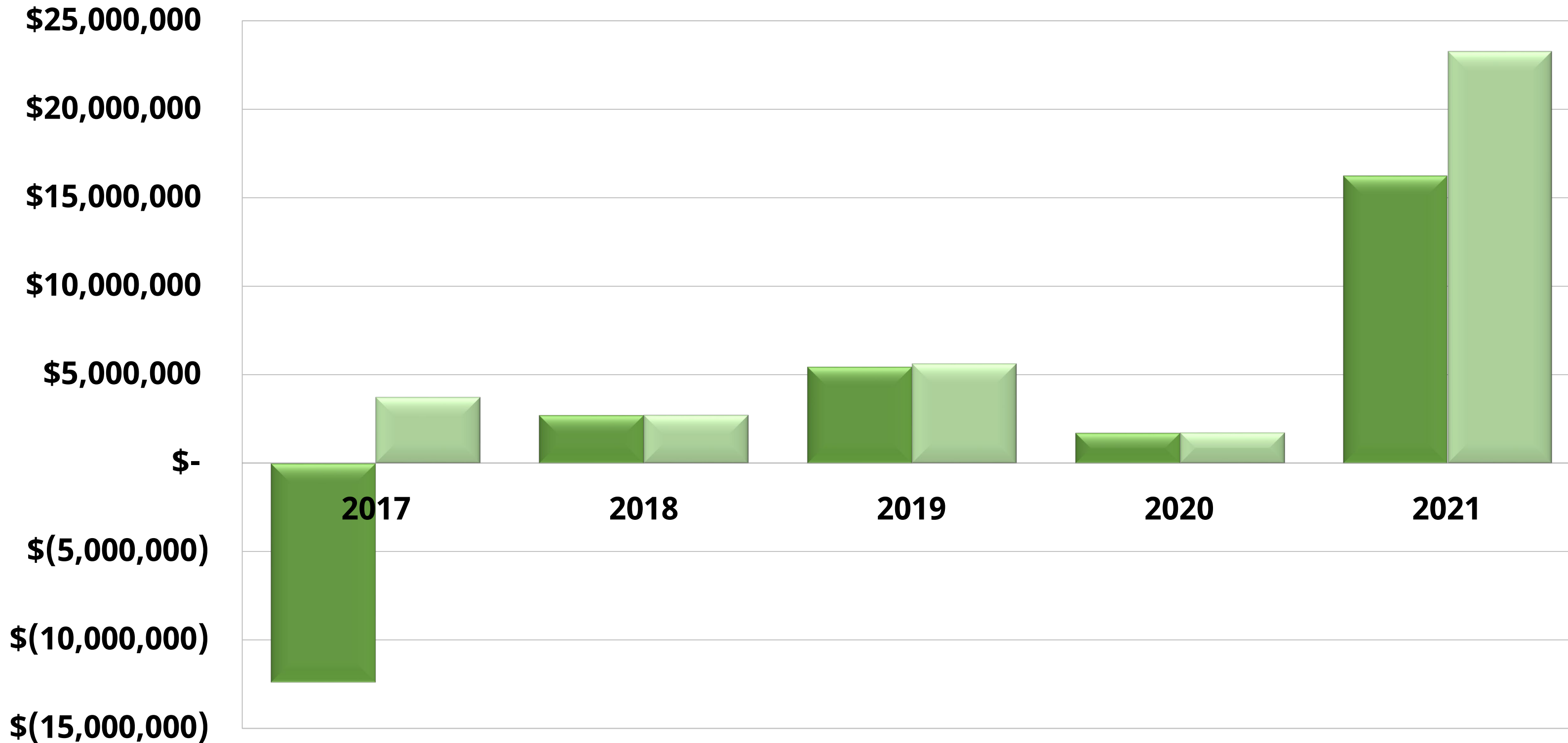
Days Cash Available



TOGETHER
IN MISSION



Year-End Gain/Loss



■ Operating ■ Combined

TOGETHER
IN MISSION



Audit Review Committee Report 2021 Audited Financial Statements

Dave Weigley, Chair

TOGETHER |
IN MISSION



NAD Audit Review Committee – October 26, 2022

Committee Actions:

Recommendation to NAD Year-End Meeting:

Voted: To recommend approval of the audited 2020 and 2021 North American Division unconsolidated financial statements to the North American Division Executive Committee.

Note – The audit committee met with the auditor without management in executive session.

TOGETHER |
IN MISSION



2021 Audited Financial Statements

Recommended Action: To accept the recommendation from the Audit Review Committee to approve the 2021 and 2020 Audited Financial Statements.

TOGETHER |
IN MISSION



2022 YTD Unaudited Financial Statements: September

TOGETHER |
IN MISSION



Quick Summary – September

TOGETHER IN MISSION



Tithe YTD comparative tithe shows a gain of **1.46%**. 8 of 9 Unions had a gain. Southern Union led the way with **4.88%**. Year to date we have had (39) Sabbaths compared to (39) last year.

Income from all sources is more than budget by **\$3,341,504** while net tithe income is more than budget by **\$1,658,066**.

Expenses are under budget by **\$7,017,680**.

Bottom Line (From Operation): is a positive **\$9,243,810** which is **\$10,359,184** better than budget.

Bottom Line (Overall): is a positive **\$4,108,876** which is **\$5,786,749** better than budget.

(This includes non-operating activity.)

Total Cash & Investments: Our Cash and Investments total is **\$109,655,084**. That is ahead of last year at the same time by **\$11,036,132**.

Net Days Cash: 244 Days. Our target is 198 days. This is equivalent to ½ the 2022 budgeted expenses. (Cash = (Total Cash + Investments + Remittance Receivable) - (Restricted Net Assets + Current Liabilities))

Recommended Working Capital (6 month minimum): **8.8** Months



Good



Caution



Improvement Needed



September: Statement of Changes in Net Assets

	<u>2022</u>	<u>Budget</u>	<u>Variance</u>	<u>2021</u>
Income				
Net Tithe	\$84,899,621	\$83,241,555	\$1,658,066	\$83,719,438
Other Income	\$10,251,150	\$8,418,506	\$1,832,644	\$8,021,370
Released from Restriction	\$2,291,813	\$2,441,019	(\$149,206)	\$2,631,959
Total Funds Available	\$97,442,584	\$94,101,080	\$3,341,504	\$94,372,767
Expenses				
Total Expenses	\$88,198,773	\$95,216,453	(\$7,017,680)	\$80,248,197
Net Income From Operations	\$9,243,811	(\$1,115,373)	\$10,359,184	\$14,124,570
Non-Operating Activity				
Change in Restricted Net Assets	\$384,492	\$37,500	\$346,992	\$398,726
Transfers/Non-operating Activity	(\$5,519,427)	(\$600,000)	(\$4,919,427)	\$503,840
Increase/(Decrease) in Net Assets	\$4,108,876	(\$1,677,873)	\$5,786,749	\$15,027,136

September: YTD Expense Summary

TOGETHER IN MISSION



	2022	Budget	Dollar Variance	% Var	2021
<u>Departmental Expenses</u>					
			(Red is Good)		
Church Ministries	\$14,630,277	\$15,822,310	(\$1,192,033)	-7.53%	\$8,232,510
Educational	\$24,543,169	\$23,813,958	\$729,211	3.06%	\$23,085,610
Publishing	\$476,519	\$518,717	(\$42,198)	-8.14%	\$474,293
Health and Humanitarian	\$1,265,091	\$1,798,143	(\$533,052)	-29.64%	\$1,323,887
Administration	\$10,070,794	\$10,725,298	(\$654,504)	-6.10%	\$8,769,837
Retirement Contribution	\$2,371,931	\$2,327,405	\$44,526	1.91%	\$2,337,762
Conventions and Meetings	\$128,106	\$131,250	(\$3,144)	-2.40%	\$65,540
Office Operations/Maint	(\$793,916)	\$470,505	(\$1,264,421)	-268.74%	\$274,207
Other *	\$35,506,802	\$39,608,866	(\$4,102,064)	-10.36%	\$35,684,551
Total Expenses	\$88,198,773	\$95,216,452	(\$7,017,679)	-7.37%	\$80,248,197

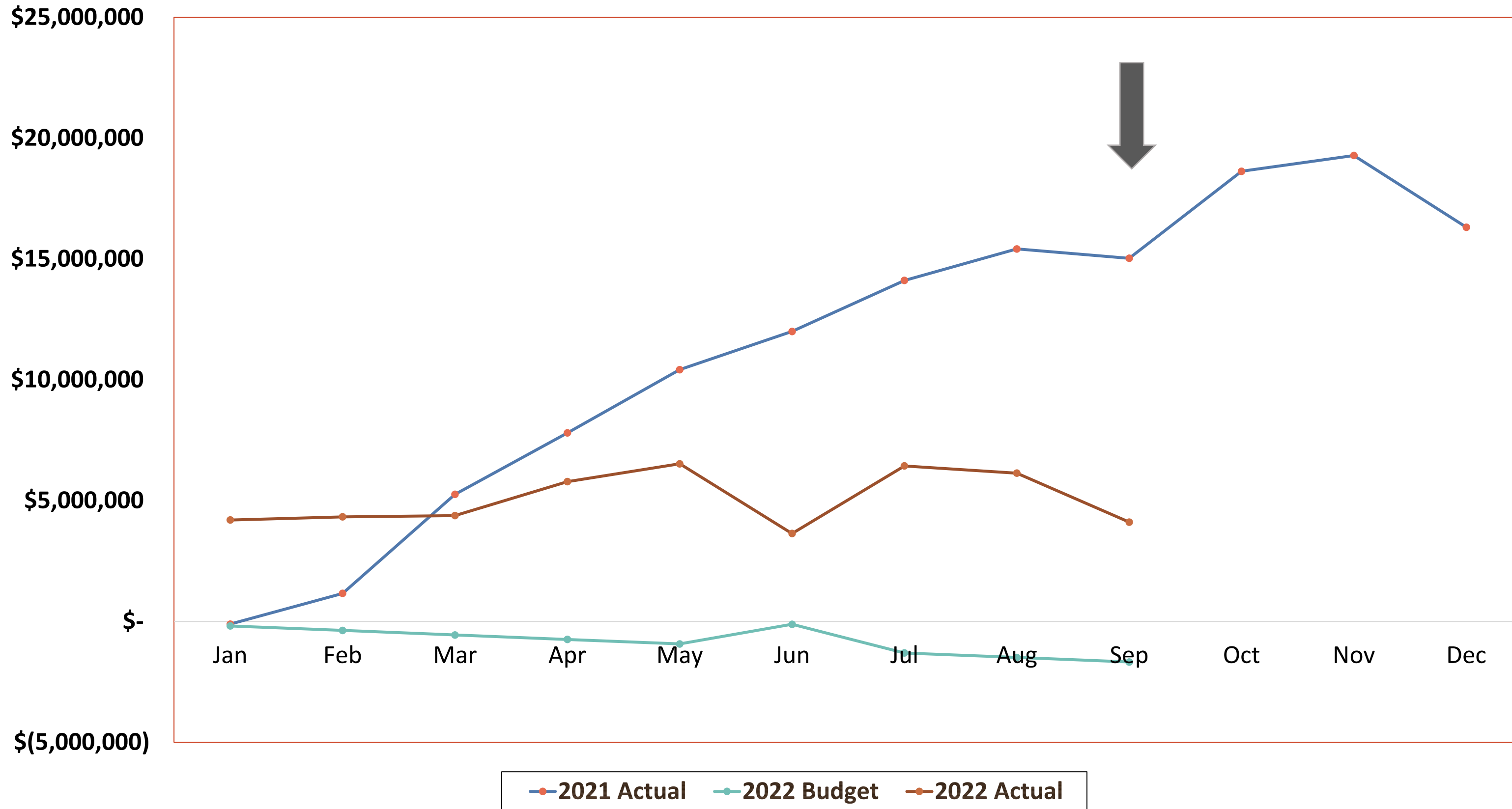
* Includes: PSI, Chaplaincy Ministry, Religious Liberty, Communication/Media, ALC, Special Assistance Appropriations, NADEI, ASI.

TOGETHER IN MISSION



Financial Indicators

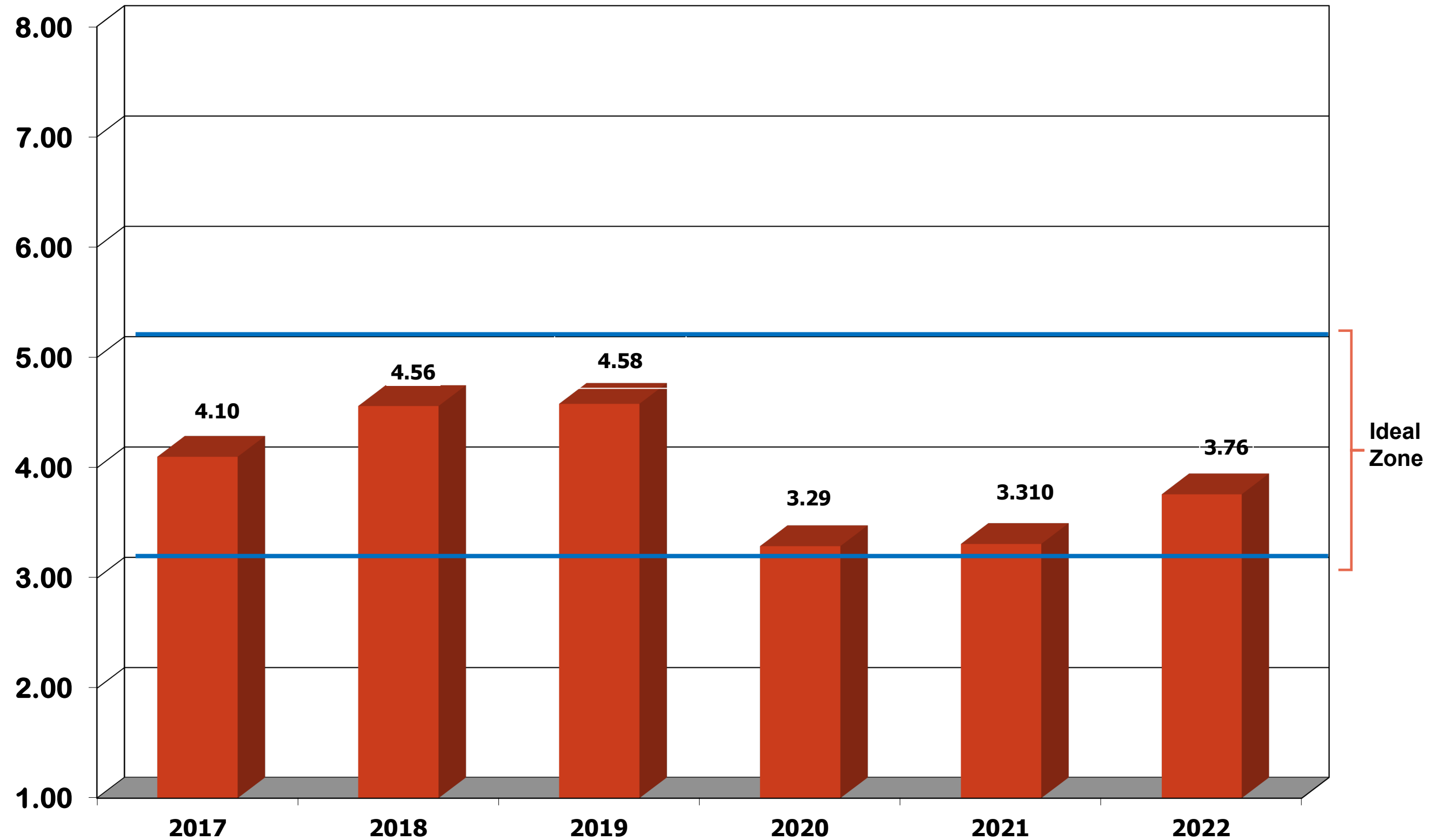
September YTD Bottom Line



September: Current Ratio

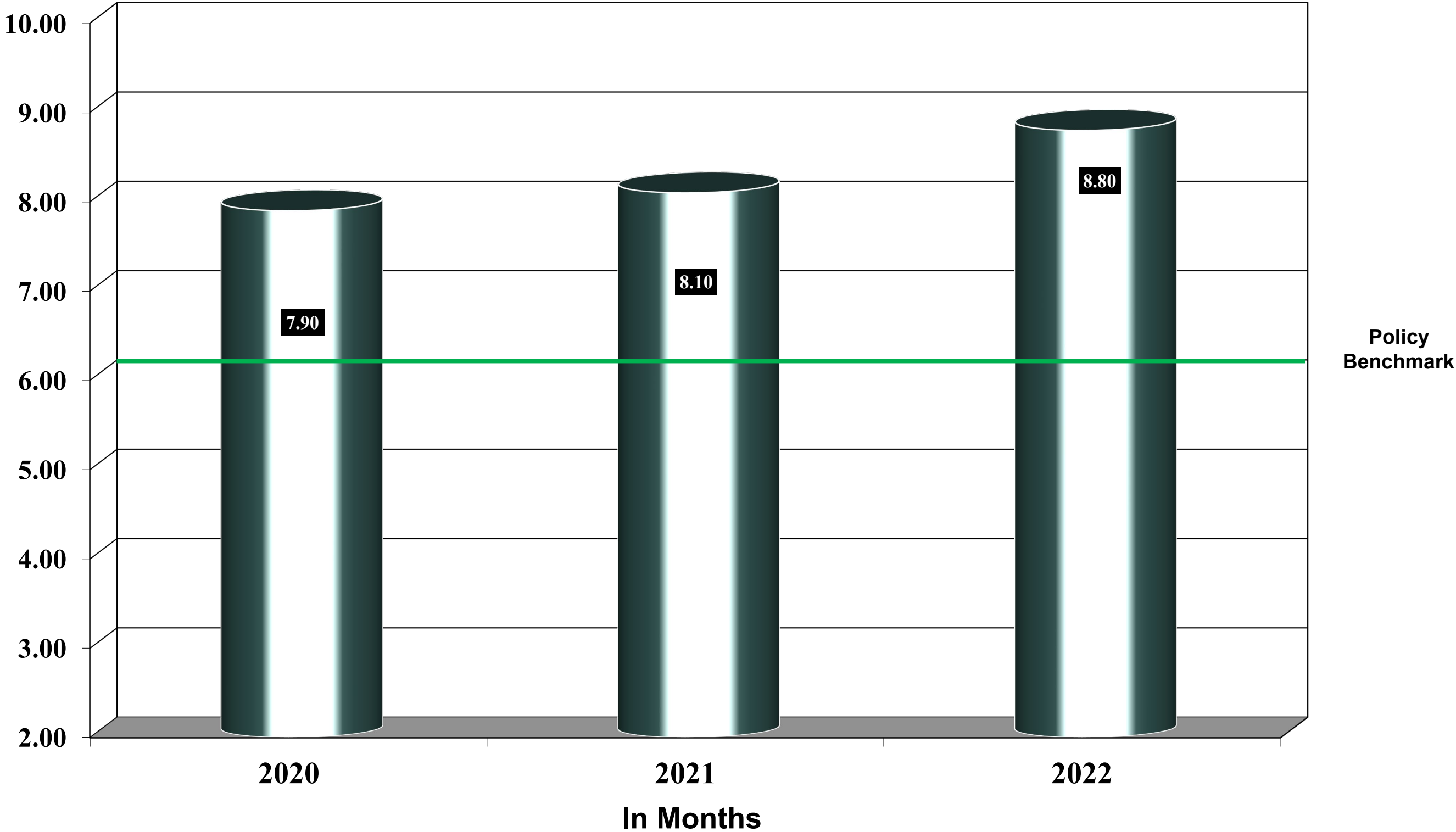
TOGETHER IN MISSION

current assets/current liabilities



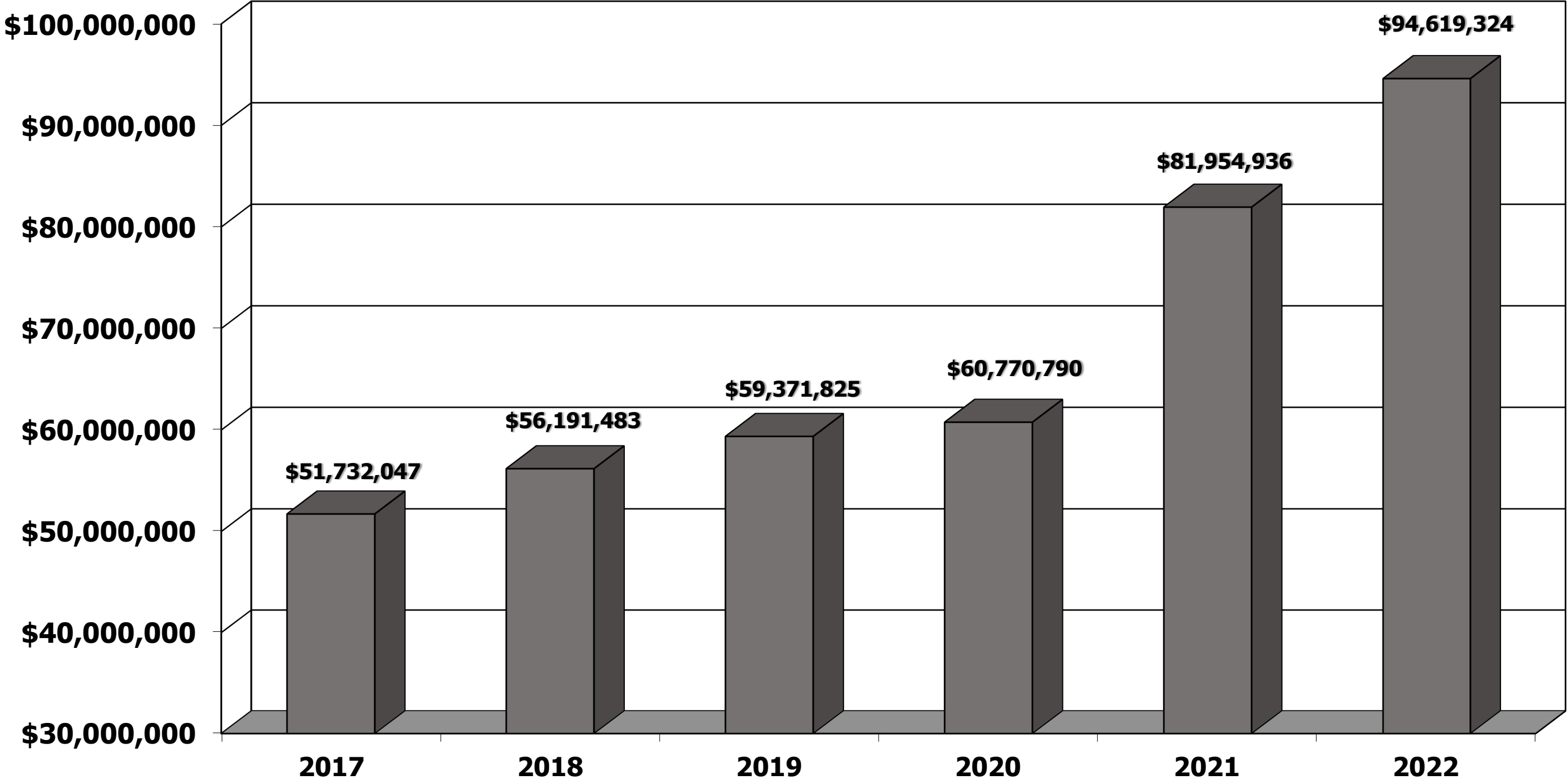
This indicates how much in liquid assets we have for every \$1 we owe. Sustaining between a 3:1 and 5:1 ratio is our goal.

September: Recommended Working Capital



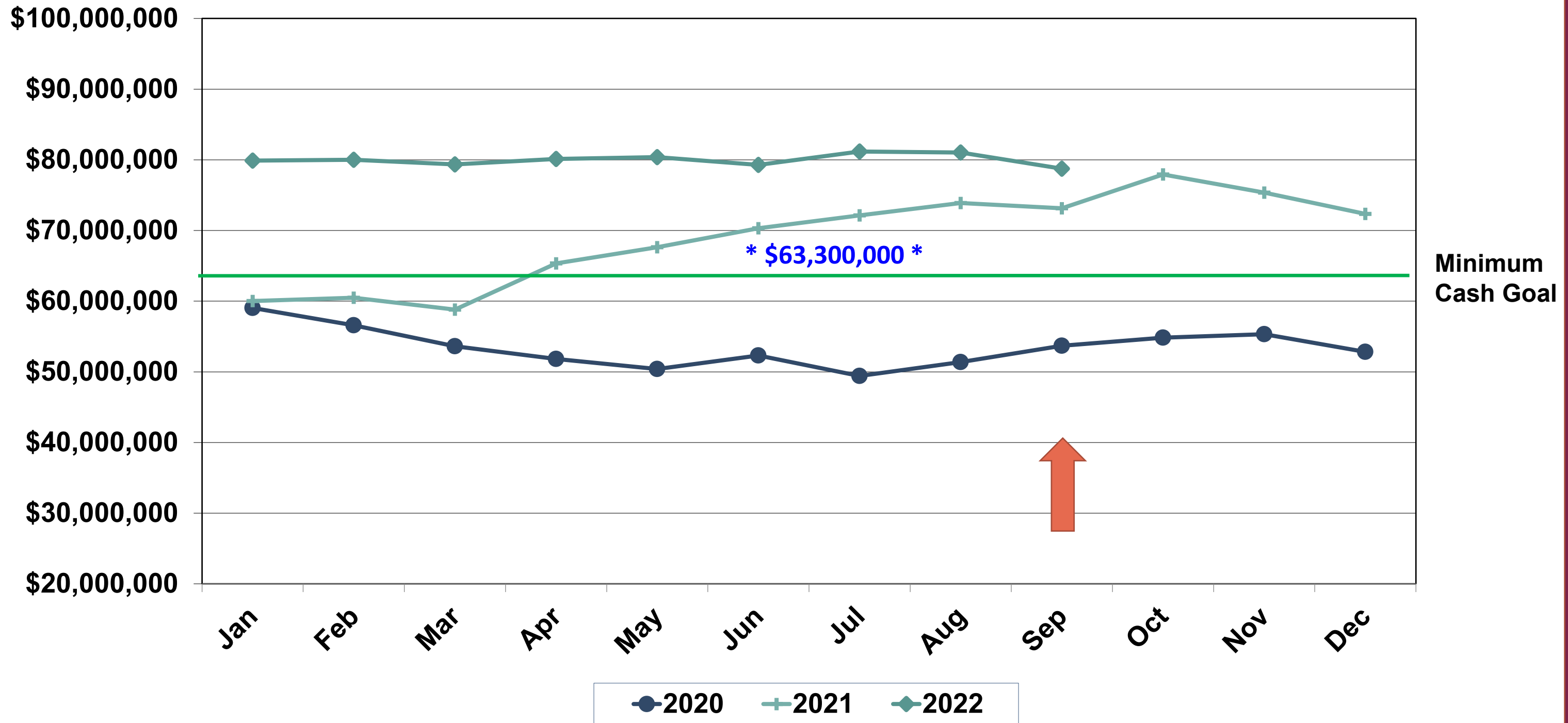
Minimum Working Capital Recommendation = 6 months of core expenses.

September YTD Actual Working Capital



Current Assets – Current Liabilities = Working Capital

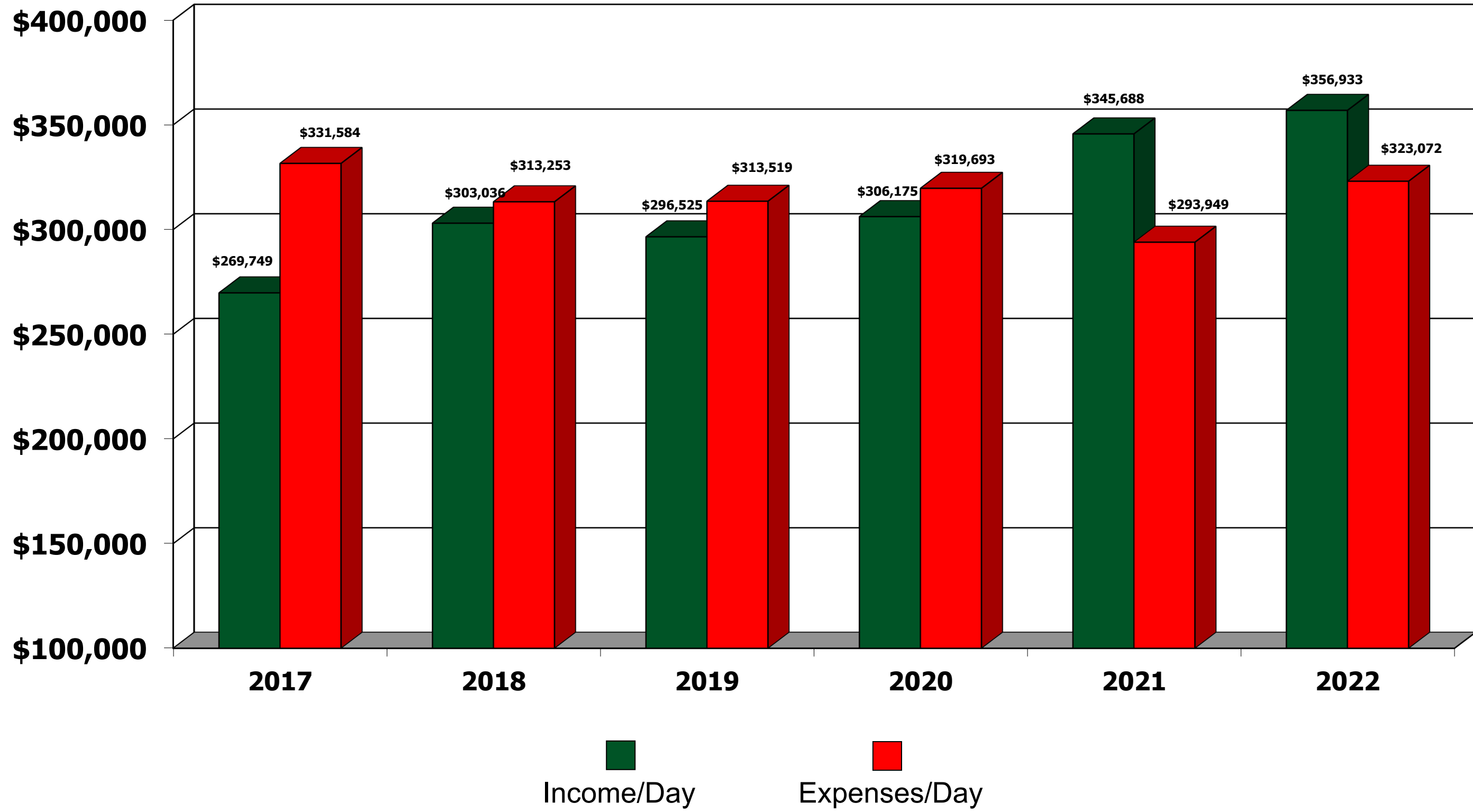
September YTD Cash Comparison



Minimum Cash Goal = 1/2 of 2022 Budgeted Operating Expenses.

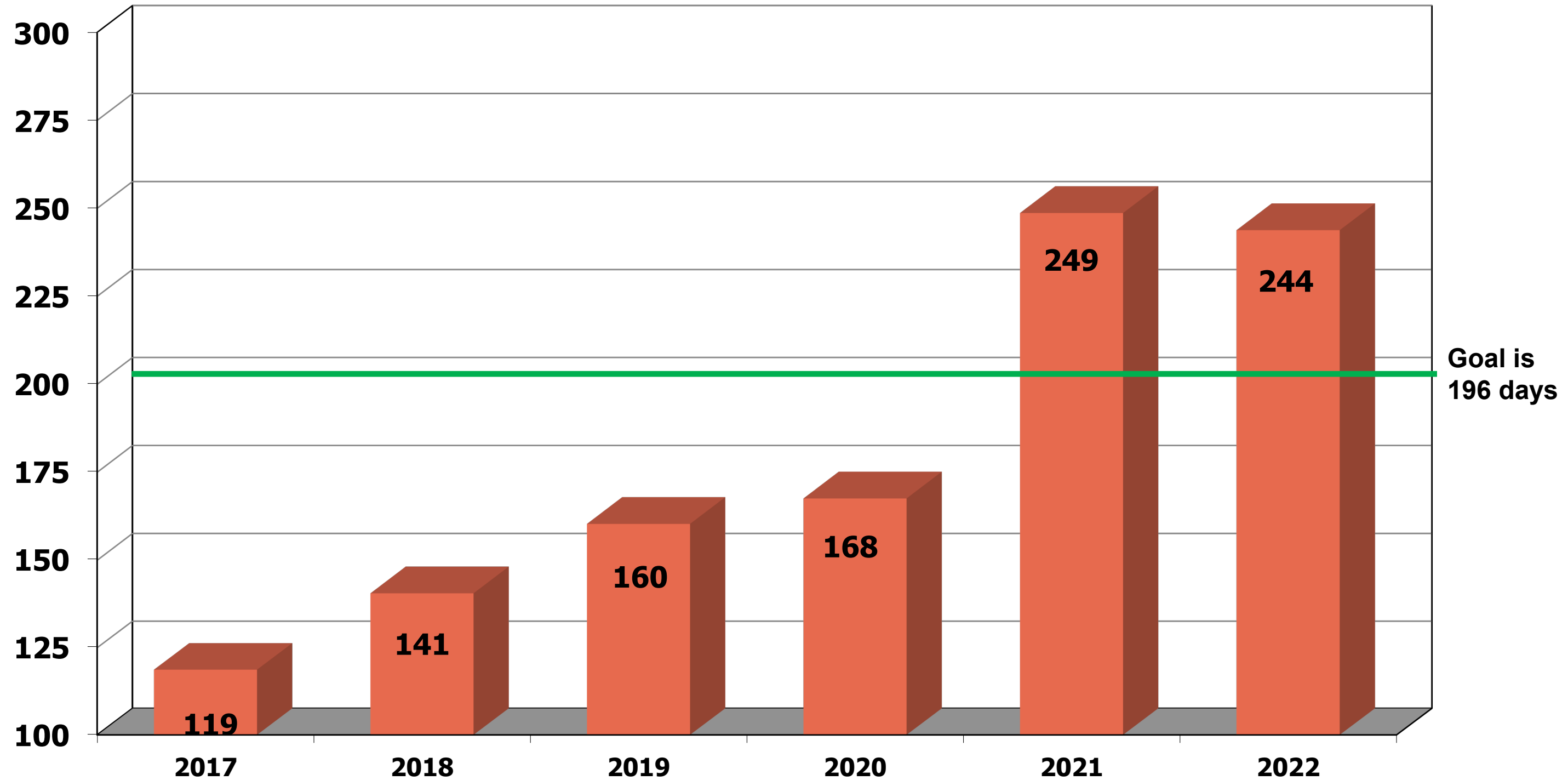
$Cash = ((Cash + Investments + Remittance Receivable) - (Restricted Net Assets + Current Liabilities))$

September YTD Income/Exp Per Day





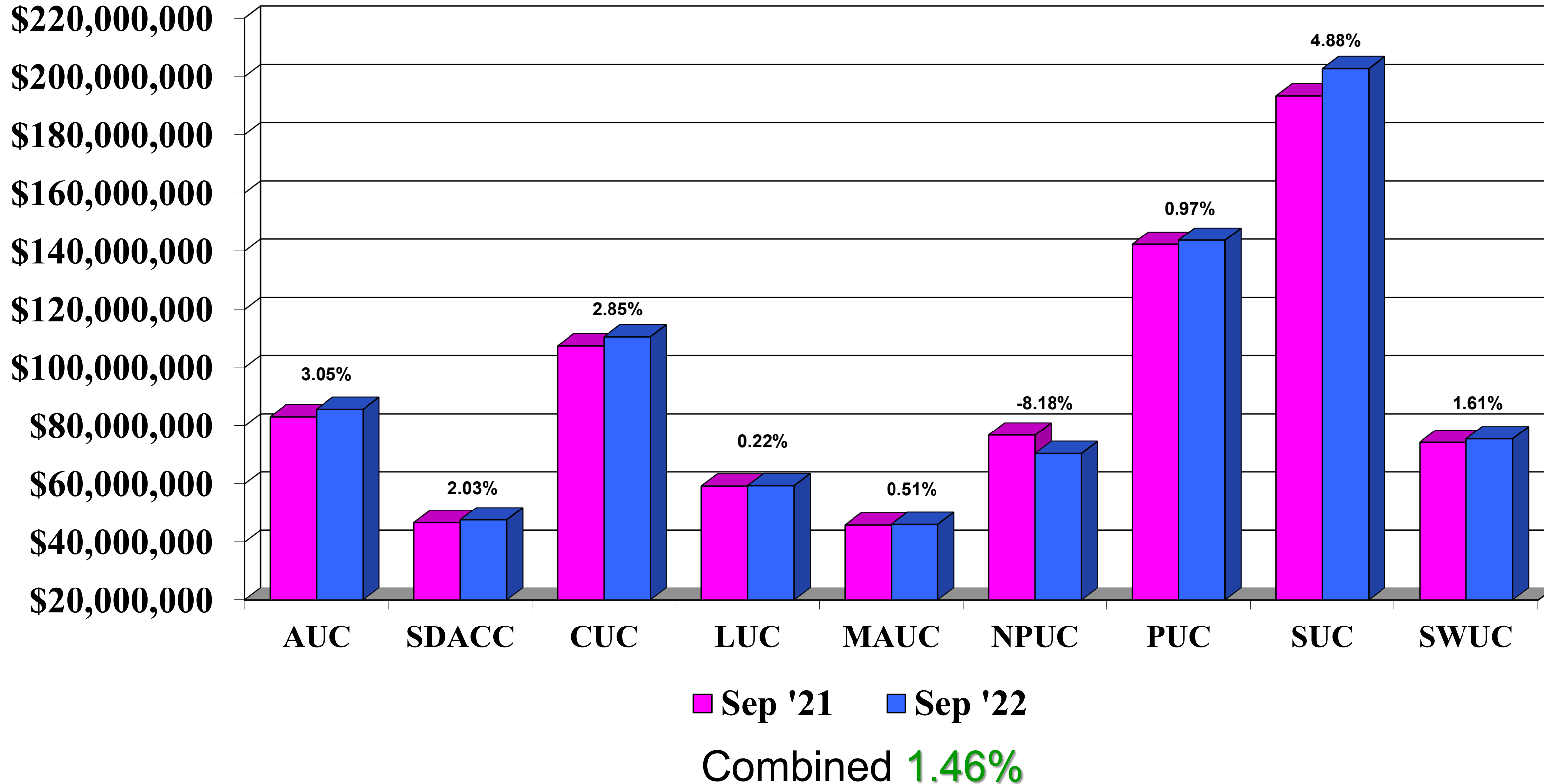
September YTD Days Cash Available



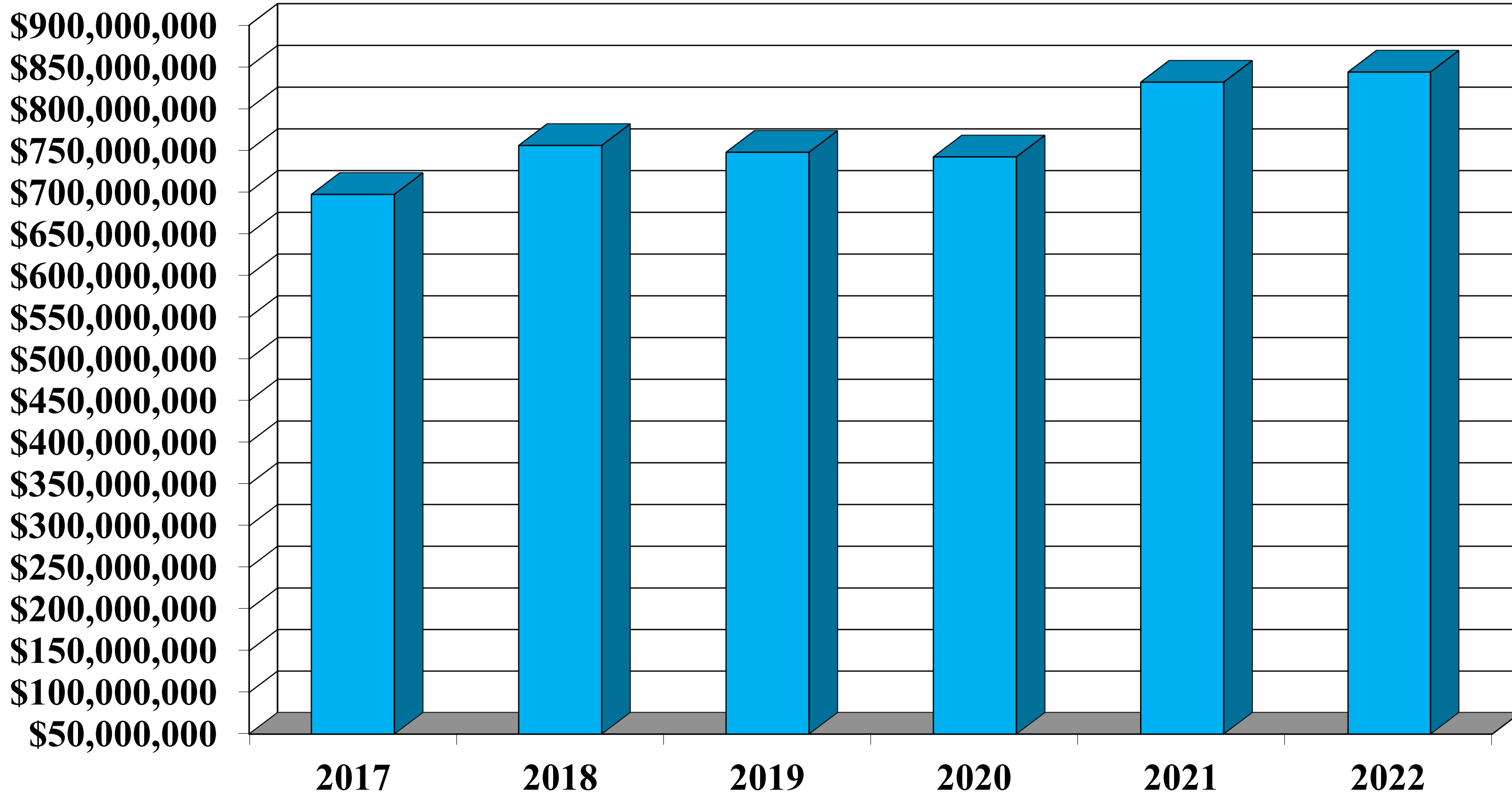
1 day of cash = \$323,072; Total cash goal is \$63,300,000

Actual Available YTD Cash is \$78,759,175

September Union YTD Comparative Tithe



September YTD Total Division Tithe



Looking to the Future

- After looking at this report, you can conclude, I believe rightly, that the NAD is in a strong financial position.
- The NAD is well positioned to weather challenges that we see coming and that are already here:
 - Contribution uncertainty
 - Post Covid cost increases
 - Significant Inflation
 - Adventist Eschatology
 - Pressures against Christian Values (marriage, gender, etc)
 - Use of Federal Funding by Christian Organizations (non-profit status)
- God is faithful to sustain His Church!

TOGETHER
IN MISSION



September 2022 Financial Report

Recommended Action: To accept the September 30, 2022 financial report, subject to audit.

TOGETHER |
IN MISSION



Compensation Review Committee Report

Gary Thurber, Chair

TOGETHER |
IN MISSION



Compensation Review Committee Actions

Voted: To accept the remuneration report as presented, with the request to review noted individuals whose regular travel was above annual limits, for the year ended December 31, 2021.

Voted: To accept the travel report as presented for the year ended December 31, 2021.

TOGETHER |
IN MISSION



Compensation Review Committee Report

Recommended Action: To receive the Compensation Review Committee Report as presented, for compensation paid during the year ended December 31, 2021.

TOGETHER |
IN MISSION



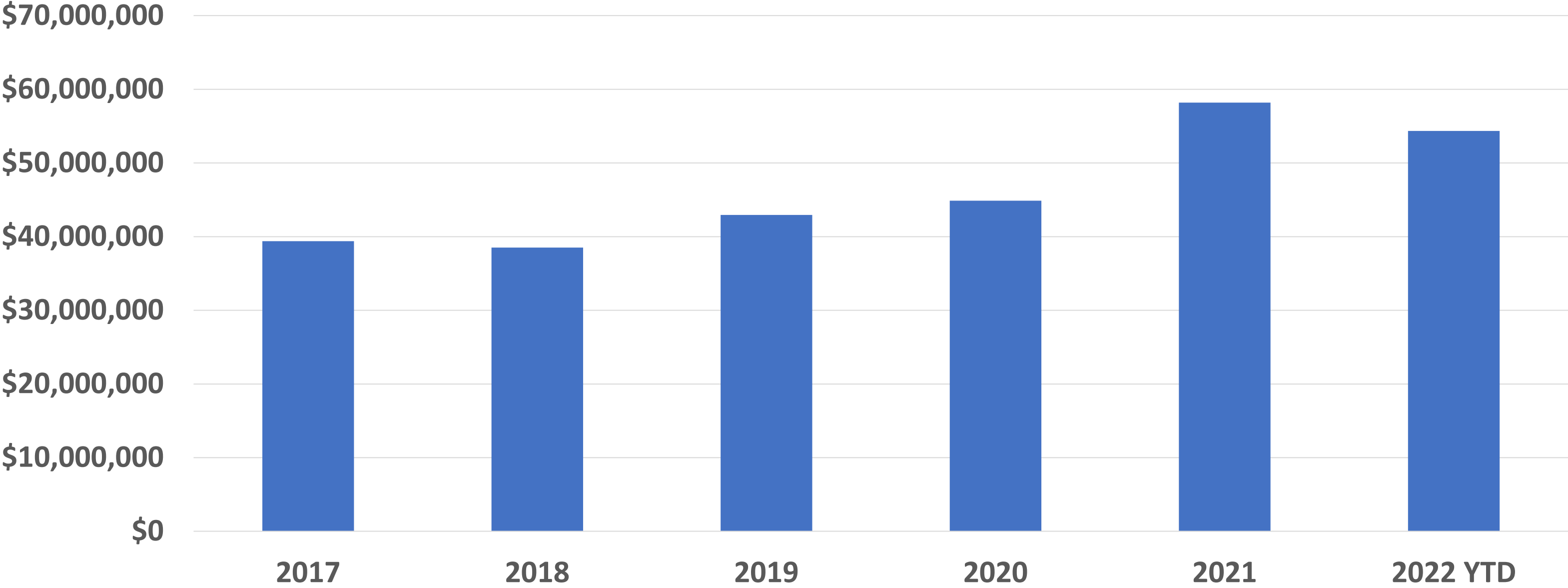


NAD Investment Report

TOGETHER
IN MISSION



Invested Funds - Operation



Asset Allocation: Approximately 10% Equity and 90% Fixed Income

TOGETHER
IN MISSION



Short Term Adjustments

- Utilizing Short Term Treasurys while in rising interest rate environment
- Continuing to evaluate asset allocations

TOGETHER |
IN MISSION



September 2022 Investment Report

Recommended Action: To receive the 2022 YTD Investment Report as presented.

TOGETHER |
IN MISSION



General Conference Auditing Service Report

JoJean Birth, Associate Director: North American Division

TOGETHER |
IN MISSION





General Conference
Auditing Service
Delivering Excellence!



Building on our **FOUNDATION**

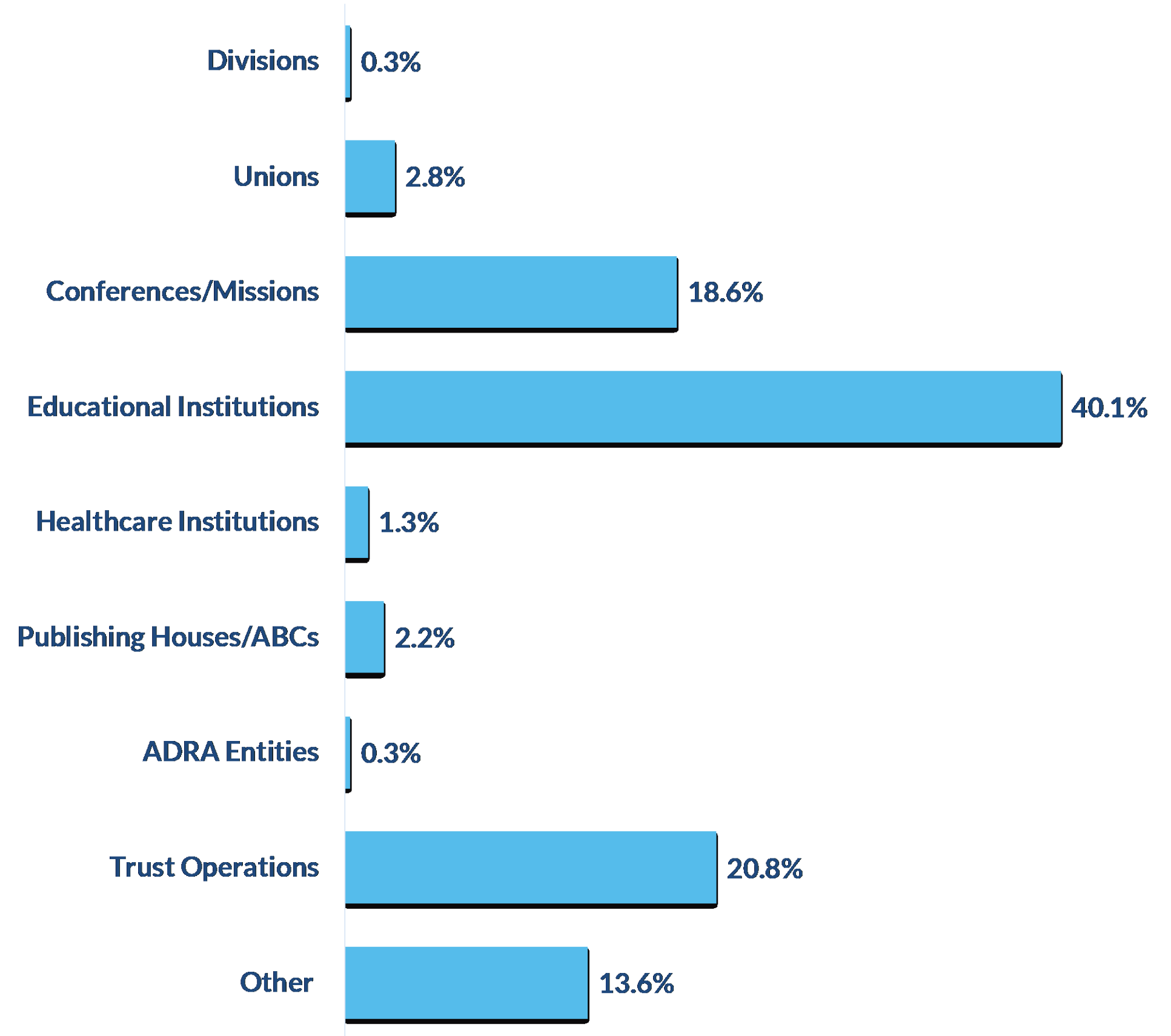
Delivering our Promise



Our Responsibility

(Portfolio)

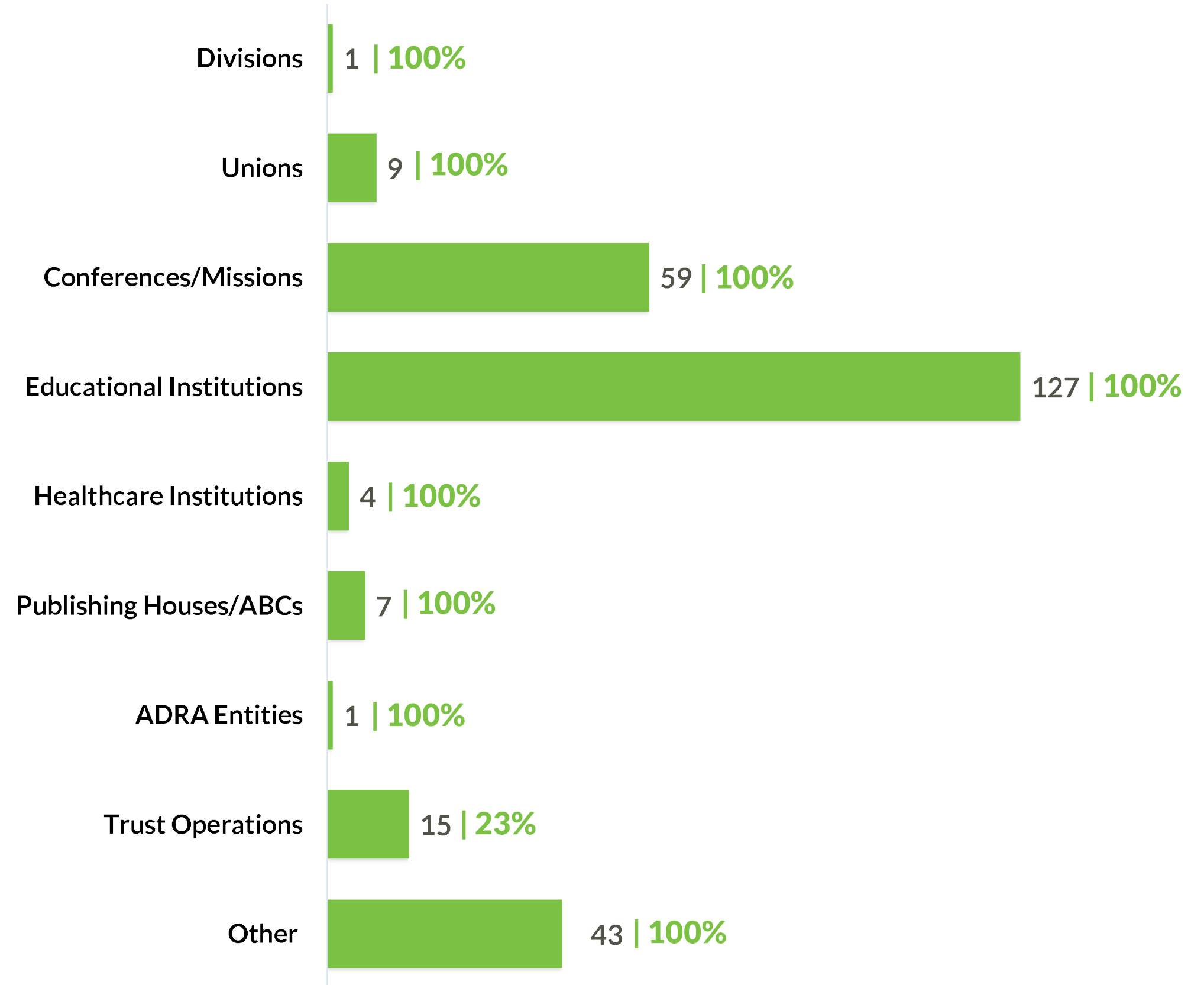
Total Clients: 316



Our Commitment

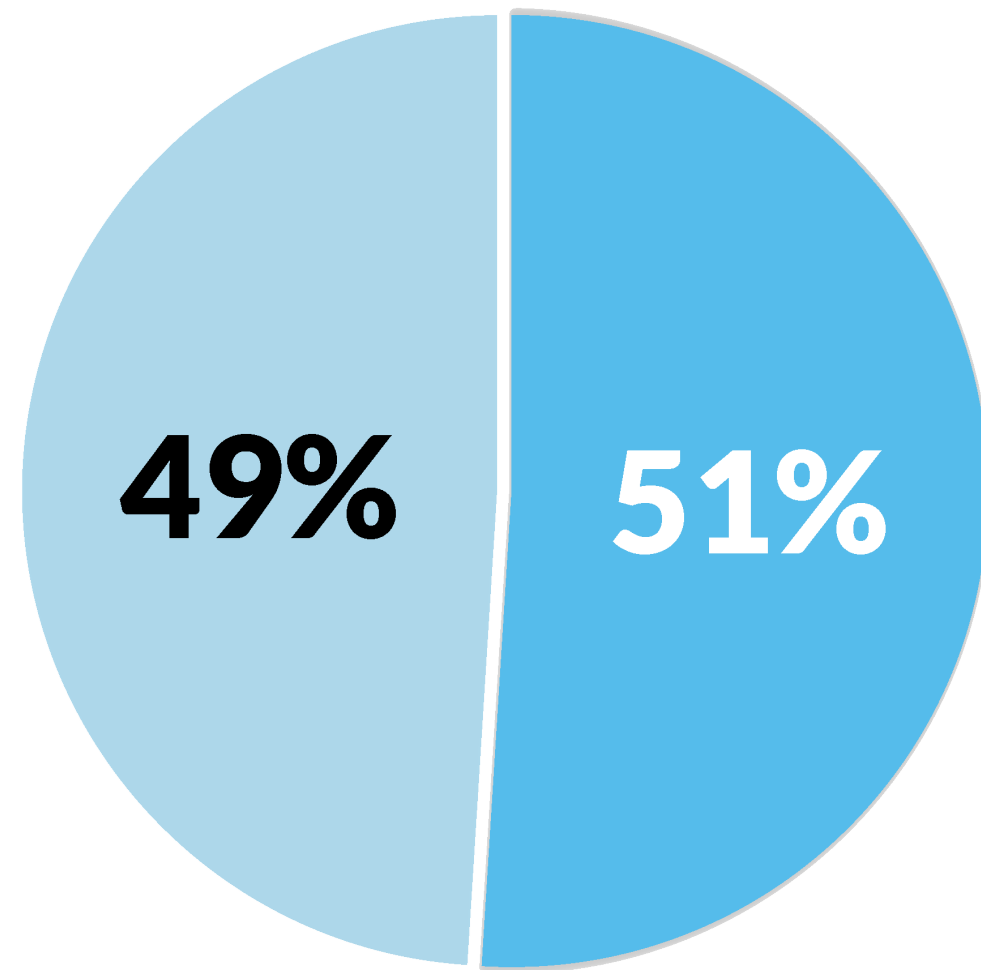
(Annual Workplan)

Total Clients: 266



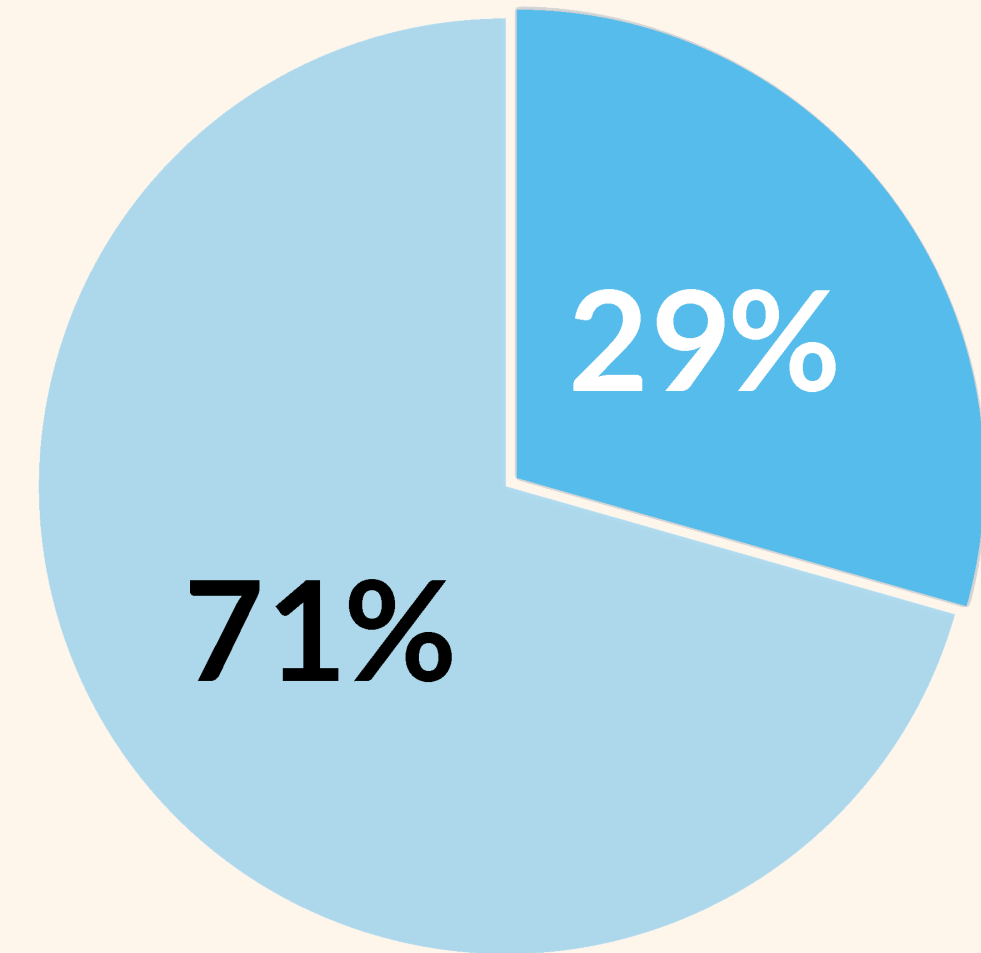
Our GCAS Team

Auditor Demographics



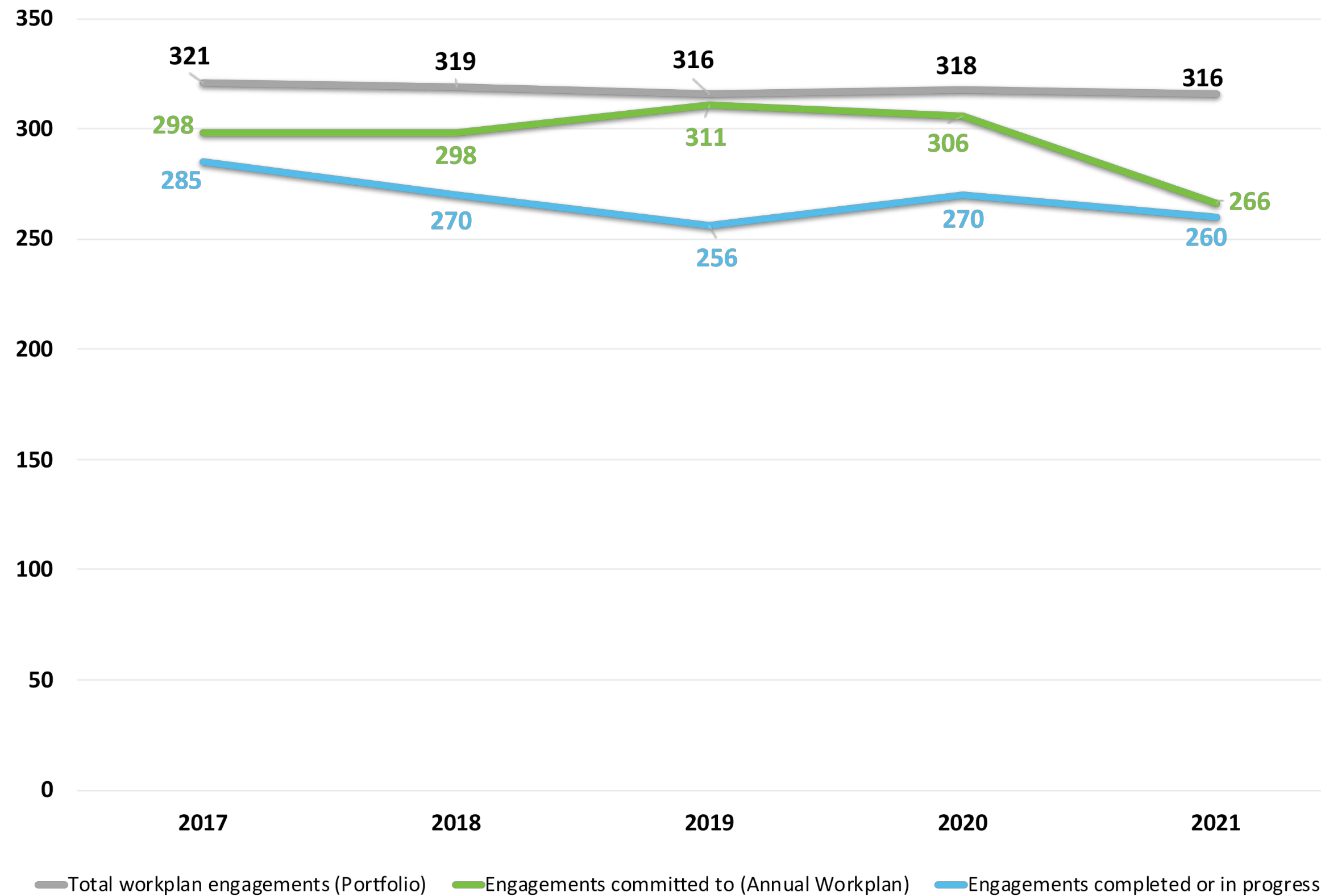
Our qualified audit team consists of **49% women** and **51% men**.

Professional Certification



Within this team, **71%** hold globally recognized professional accounting or auditing certification, and **29%** are working towards certification.

Workplan Results

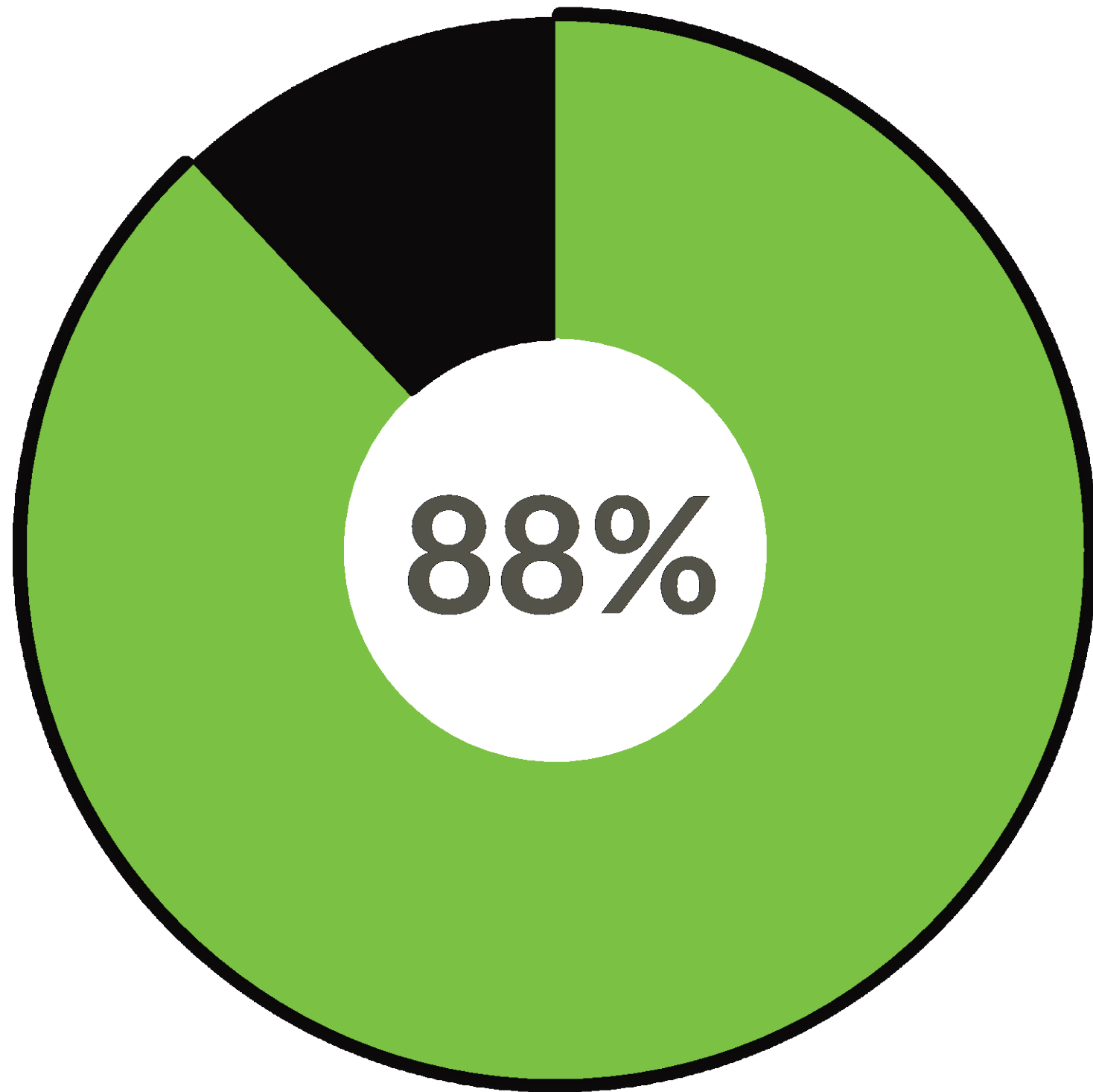


GCAS Portfolio Summary

Type of Entities	Total Portfolio	AWP	Engagements				*PY Engagements Completed
			Completed	In Progress	Postponed	Not Attempted	
Divisions	1	1	1	0	0	0	0
Unions	9	9	9	0	0	0	1
Conferences/Missions	59	59	53	5	0	1	8
Educational Institutions	127	127	91	20	0	16	13
Healthcare Institutions	4	4	4	0	0	0	1
Publishing Houses/ABCs	7	7	6	1	0	0	0
ADRA Entities	1	1	1	0	0	0	0
Trust Operations	65	15	26	5	0	34	0
Other	43	43	37	1	0	5	0
Total	316	266	228	32	0	56	23

*PY Engagements = Additional engagements completed in 2021 for the same organization relating to prior years

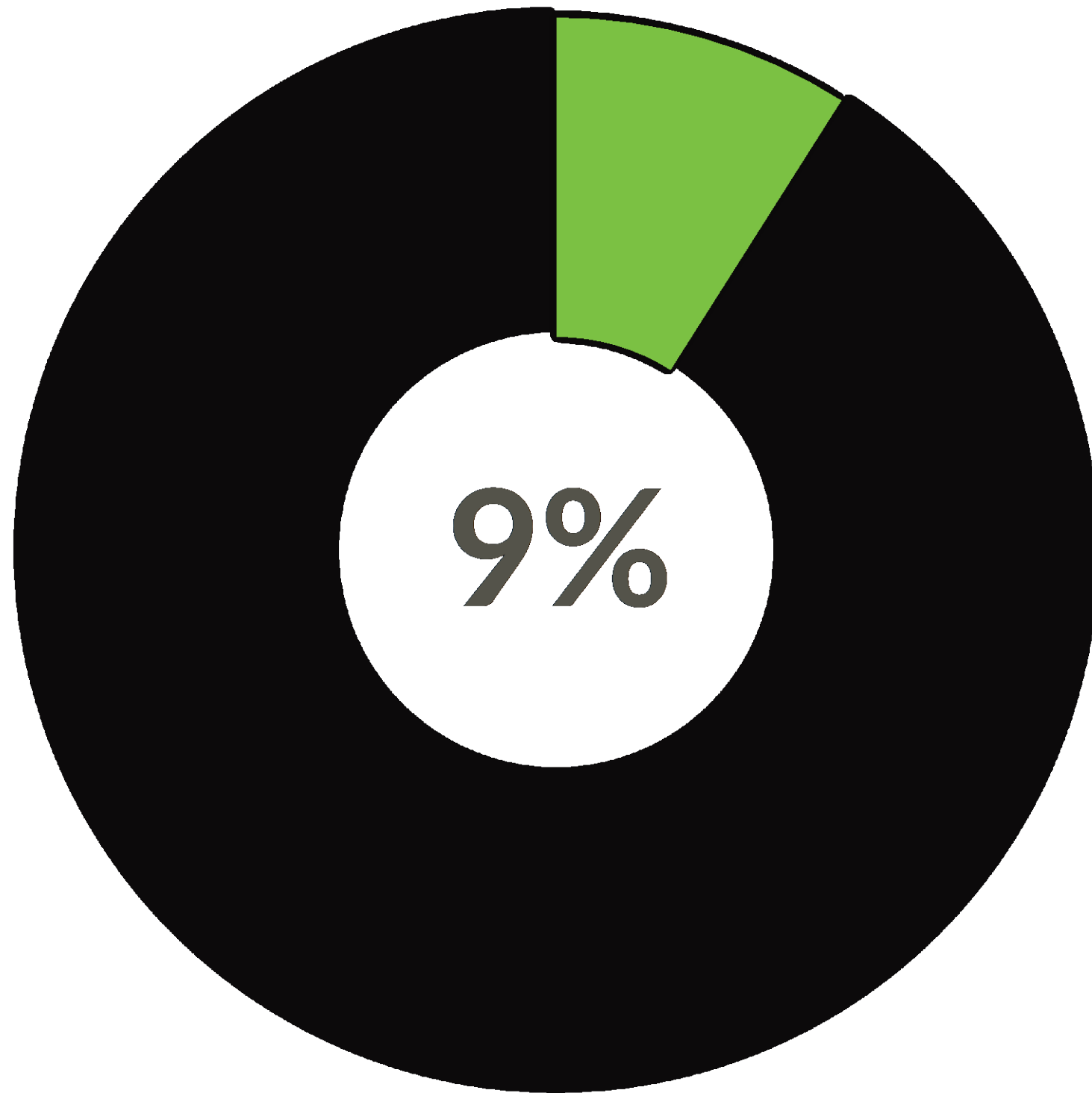
Types of Auditor's Reports



Standard

The auditor concludes that the overall financial statements are fairly presented.

Types of Auditor's Reports

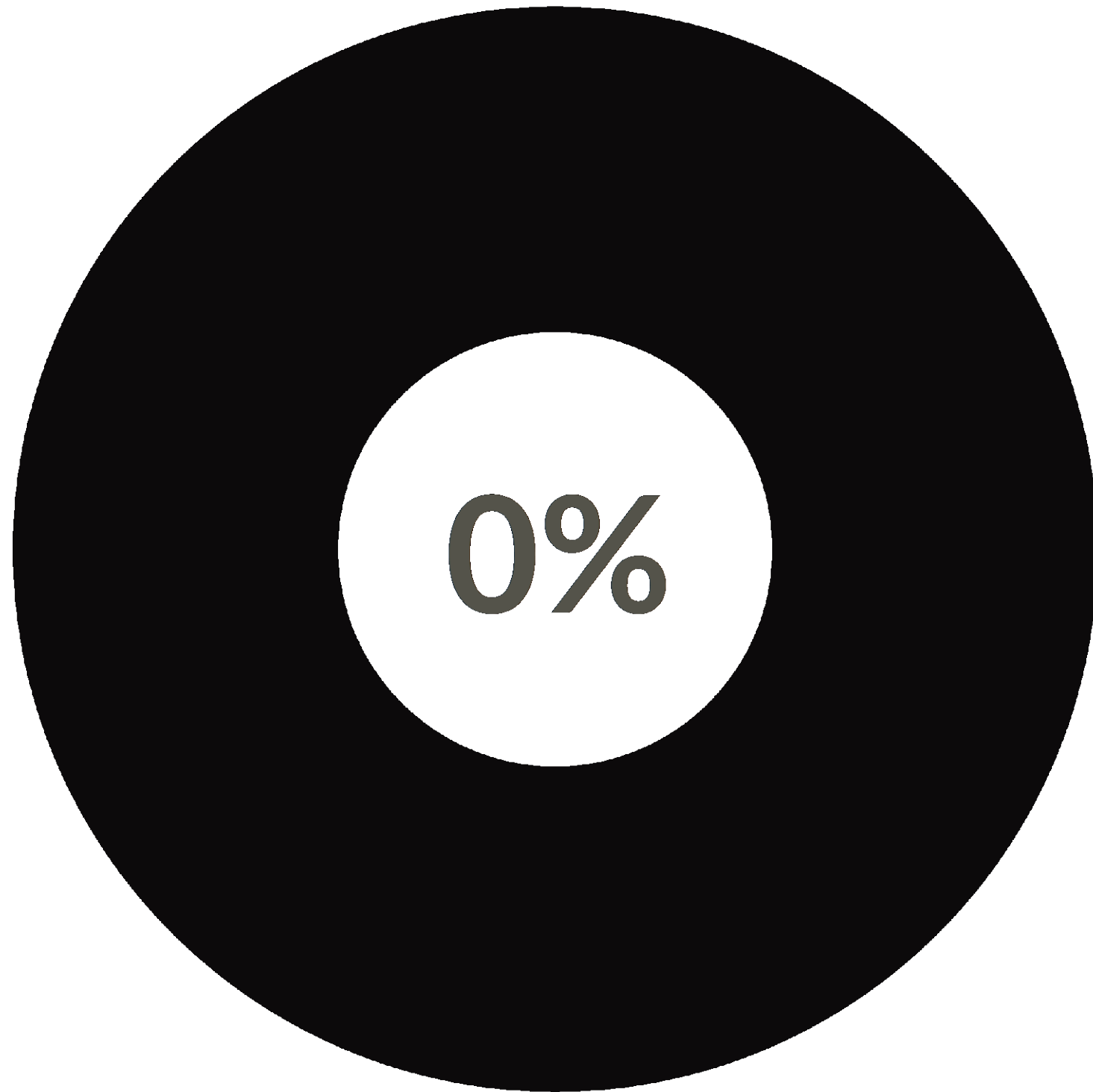


Qualified

The auditor concludes that the overall financial statements are fairly stated except:

- they contain a misstatement that is not pervasive, or
- the auditor is unable to obtain sufficient audit evidence to determine whether there may be a material misstatement, but confident that any potential misstatement is not pervasive.

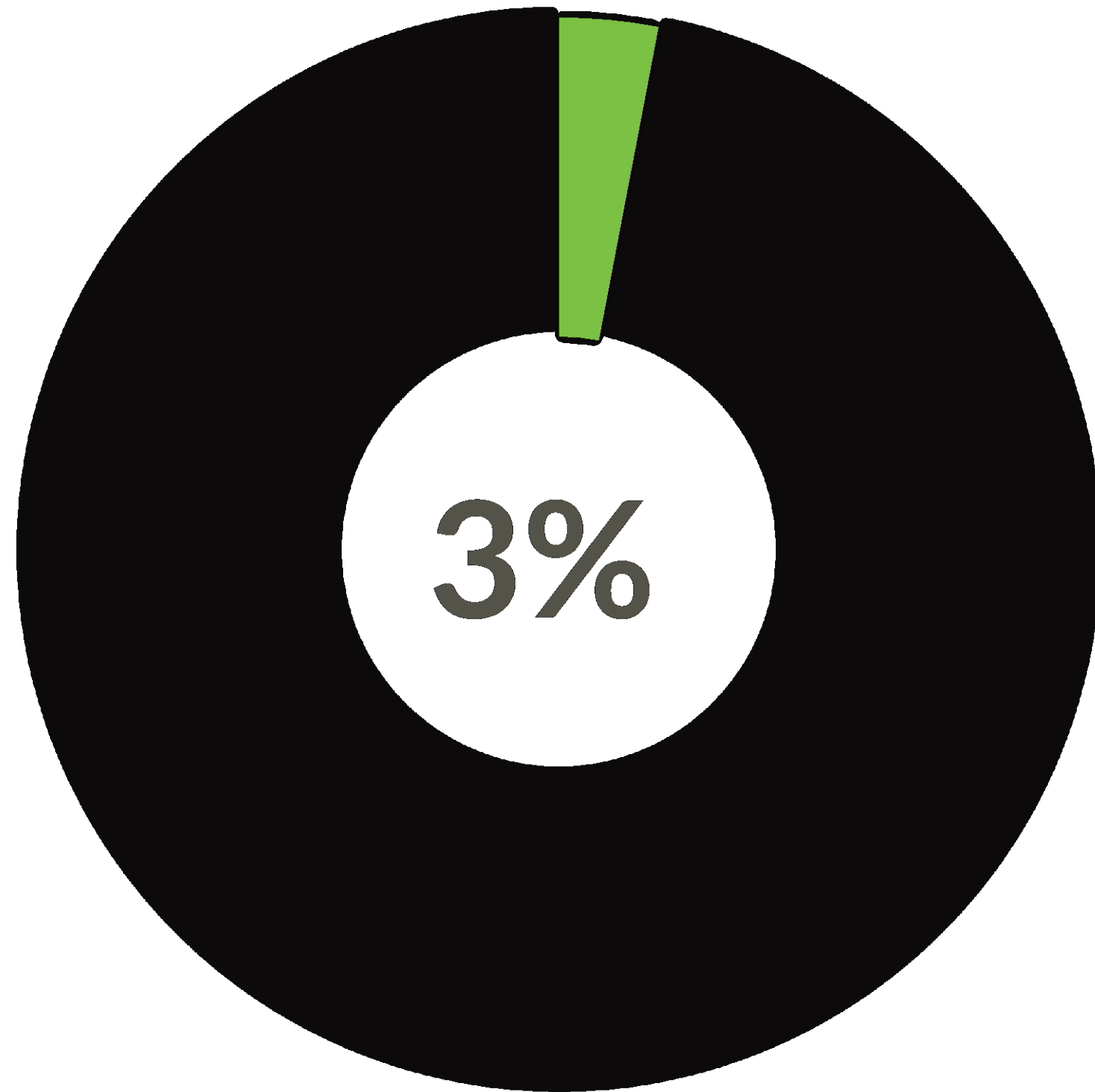
Types of Auditor's Reports



Adverse

The auditor concludes that the financial statements are materially and pervasively misstated.

Types of Auditor's Reports



Disclaimed

The auditor declines from rendering an opinion on the financial statements because the auditor is unable to obtain sufficient audit evidence and potential misstatements could be both material and pervasive.

Reporting Highlights

Most frequent reasons for providing a modified opinion on financial statements:

- Lack of evidence resulting in a disclaimer
- Lack of evidence for revenue
- Misstatement of property, plant and equipment
- Lack of evidence for property, plant and equipment
- Lack of evidence for accounts receivable

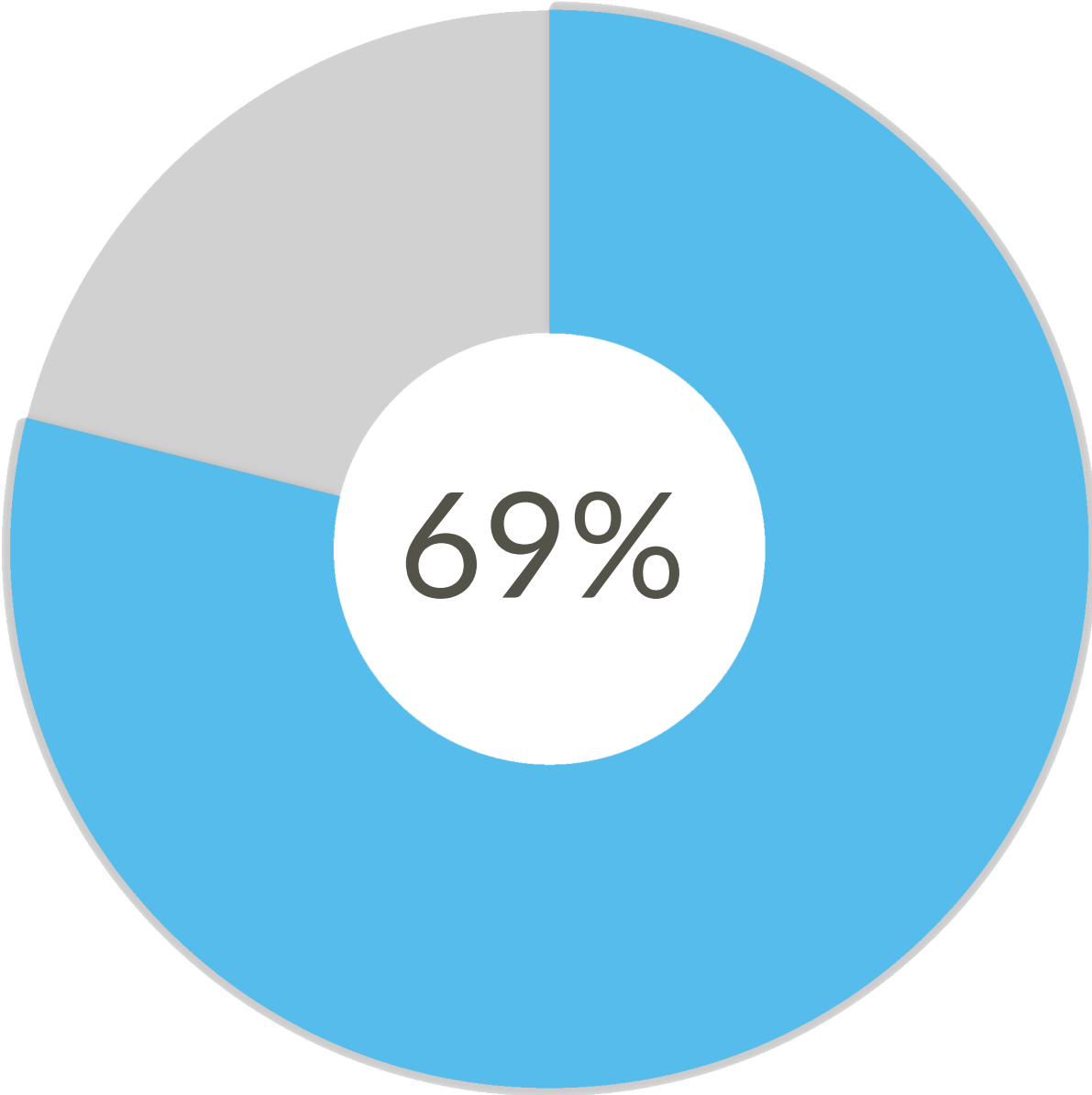
Reporting Highlights

Most frequent reasons for documenting internal control weaknesses:

- Segregation of duties minimal/not adequate
- Inadequate review/approval of journal vouchers and/or financial statements
- Inadequate monitoring of operating effectiveness of controls
- No fraud risk assessment performed
- Lack of authorization of transactions

Core Financial Policies

The percentage of policy compliance reports issued with at least one violation of the core policies enumerated in GCWP S 90



Reporting Highlights

Most frequent reasons for reporting a violation of core policies:

- Conflict of interest statements missing/incomplete
- Local organization reviews - less than 95% done during the past 2 years
- Monthly financial statements not prepared and/or presented
- Service records
- Pay rate not within applicable range in remuneration scale

Financial Reporting Matters

Auditing

- Quality Management

Denominational

- Financial Reporting Framework
- Working Capital and Liquidity
- Financial Oversight





Building on our **FOUNDATION**

Delivering our Promise



GCAS Report

Recommended Action: To receive the GCAS report as presented.

TOGETHER |
IN MISSION



NAD Retirement Plan Video Report

Edwin Romero, Plan Administrator

TOGETHER |
IN MISSION



NAD Retirement Plan Report

Recommended Action: To receive the NAD Retirement Plan report as presented.

TOGETHER |
IN MISSION



NAD 2023 Budget

Judy Glass, Undertreasurer

TOGETHER |
IN MISSION



Budget Assumptions

- Includes .5% tithe reduction remitted to GC from Conferences
- Based on 95% of a 1% increase over actual 2021 gross tithe (current YTD increase through September is 1.46%)
- Includes 6% COL increase, to be implemented on January 1 , 2023
- Includes \$500,000 budget for NAD Quinquennial Educator's Convention

TOGETHER
IN MISSION



Budget Assumptions-continued

- Travel budgeted at about 80% of Pre-Covid level
- Includes \$1 million appropriation to ARM for premium reductions
- Budget is balanced (Including a planned use of approximately \$2.5 million of existing fund balance).

TOGETHER |
IN MISSION



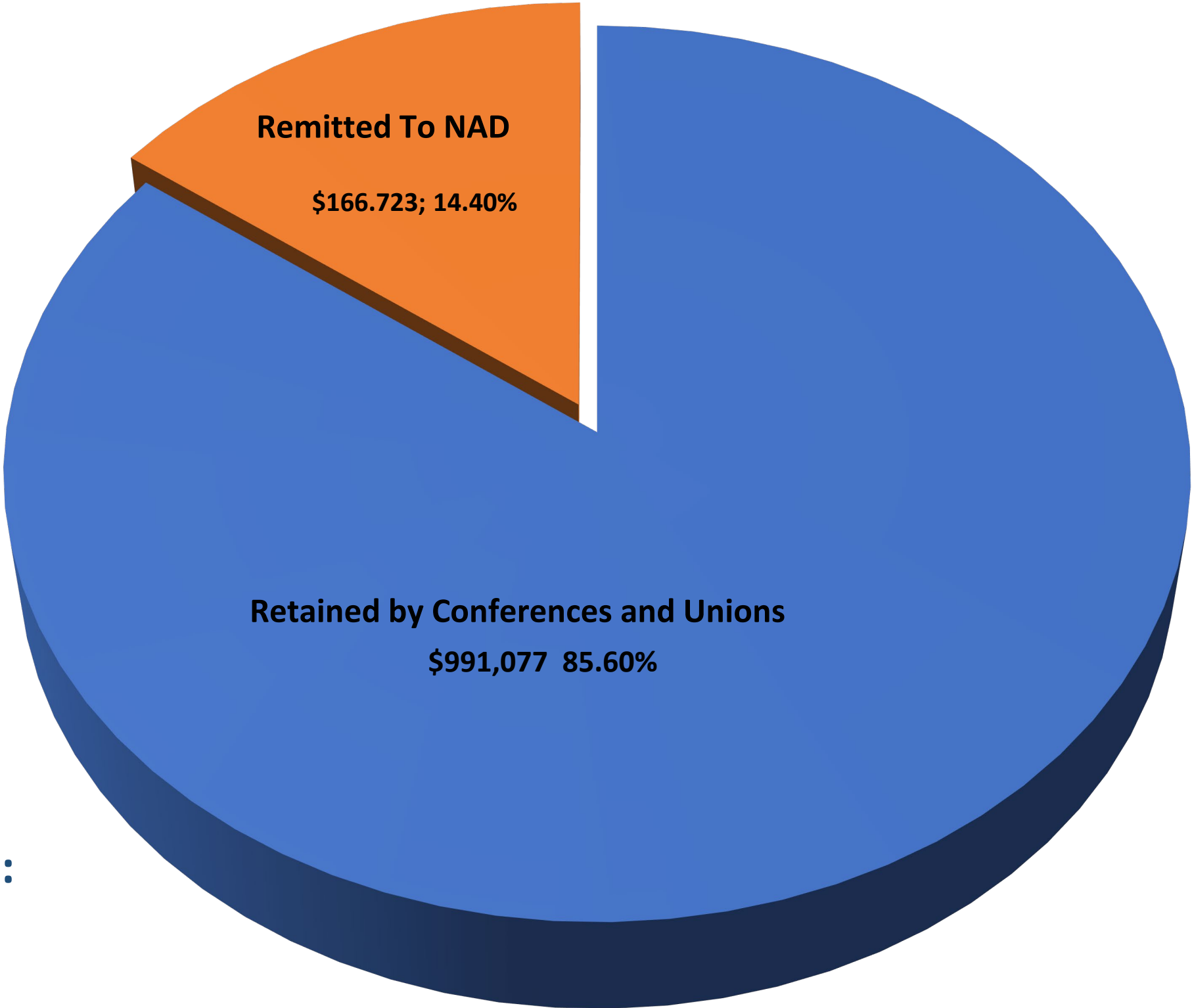
Budget Comparison

Expense Category	2023 Budget	2022 Budget	Variance
Salary and Allowances	\$20,929,028	\$19,425,004	\$1,504,024
Other Employment Related Expenses	\$9,504,228	\$9,060,755	\$443,473
Appropriations	\$83,234,429	\$79,019,908	\$4,214,521
Facilities	\$3,034,431	\$2,800,951	\$233,480
Departments and Support	9,761,206	9,841,764	-\$80,558
Auditing/Legal/Conventions	\$8,885,000	\$6,835,000	\$2,050,000
Total	\$135,348,322	\$126,983,382	\$8,364,940

TOGETHER
IN MISSION



2023 Budgeted Tithe Distribution - (\$1,157,800,000 Gross Tithe)

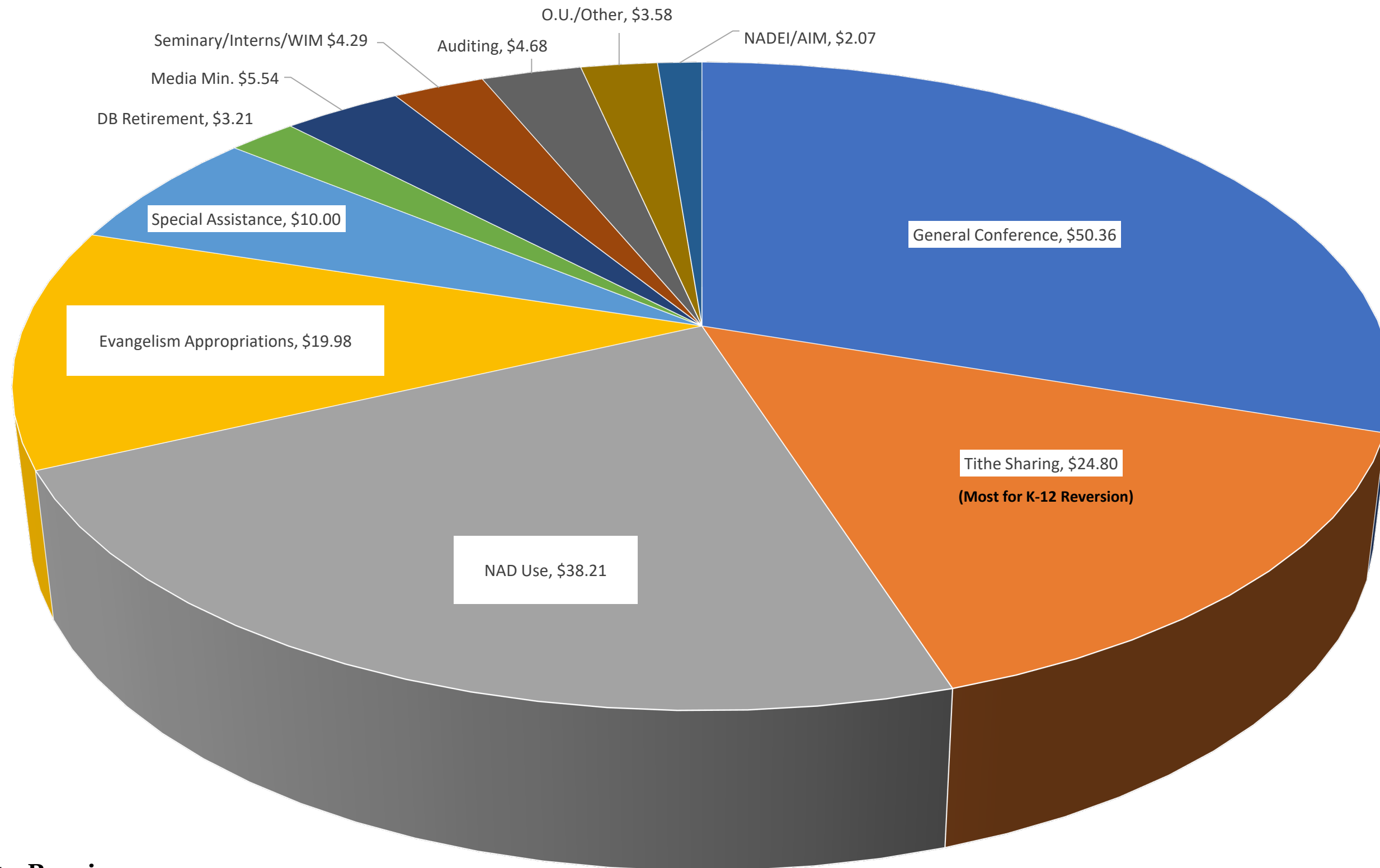


Tithe Budgeted to Receive:
From Conf. \$ 156,303
From Unions \$ 10,420
Total \$ 166,723

TOGETHER
IN MISSION



2023 NAD Budgeted Tithe Use Distribution



Tithe Budgeted to Receive:
From Conf. \$ 156,303
From Unions \$ 10,420
Total \$ 166,723

TOGETHER
 IN MISSION



2023 Budget

Recommended Action: To approve the 2023 Budget as presented with the understanding that adjustments may be made by NAD Administration when actual 2022 year-end figures are finalized.

TOGETHER |
IN MISSION



THANK YOU!!

To a Tremendous Treasury Team!

- David Baer
- Ner Cepeda
- Judy Glass
- Sharon Mabena
- Lynette Montoute
- Carol Pack
- Michael Prest
- Mayda Santos
- Michael Park
- Jorge Ayala
- Jeff Fogelquist
- Natalie Kavistan
- Sheyla LaPierre
- Rosy Ortiz
- Nathan Traxler

TOGETHER
IN MISSION



Praise to God for His Goodness

**'Give thanks to the Lord, for He is good;
His love endures forever.'**

Psalm 107:1 (NIV)

**'Now, our God, we give you thanks, and
praise your glorious name.'**

1 Chronicles 29:13 (NIV)

TOGETHER |
IN MISSION



Treasurers Financial Report

Recommended Action:

To accept the Treasurers Financial Report as presented.

TOGETHER |
IN MISSION



TOGETHER |
IN MISSION

