

PURSUIING

HIS PROMISES



NORTH AMERICAN DIVISION

2019 YEAR-END MEETING

OCT 31-NOV 5, 2019

A Promise to Lean



'If MY PEOPLE, who are called by MY NAME, will humble themselves and pray and seek my face and turn from their wicked ways, then I WILL HEAR from heaven, and I WILL FORGIVE their sin and WILL HEAL their land.'

2 Chronicles 7:14 (NIV) (emphasis supplied)

PURSUING HIS PROMISES

North American Division

Year End Meeting Financial Report





Don't Forget



Grandma and Grandpa Jones

PURSuing HIS PROMISES

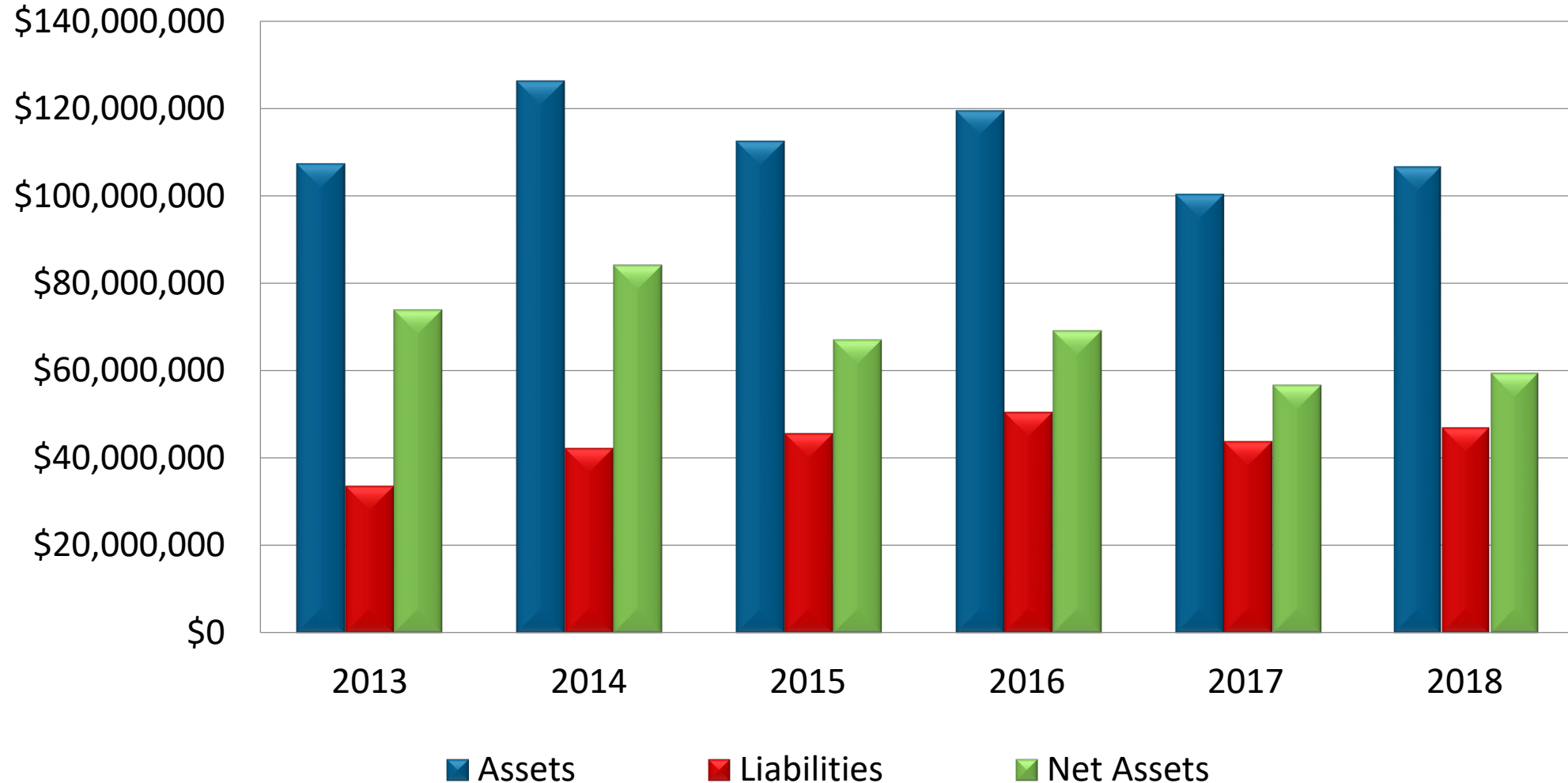
2018 Highlights

Audited Operating Financial Statements



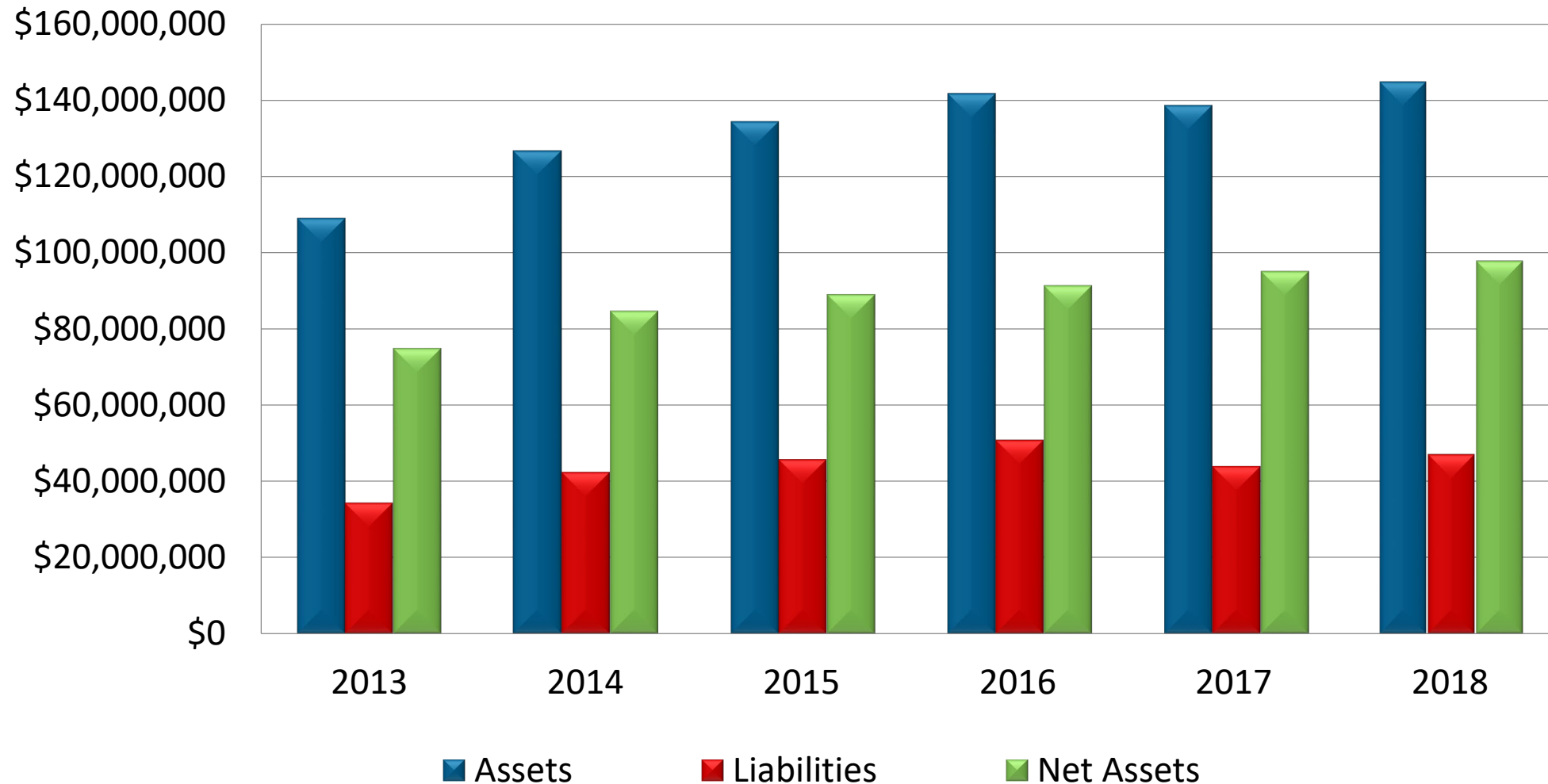


NAD Balance Sheet (Operating)



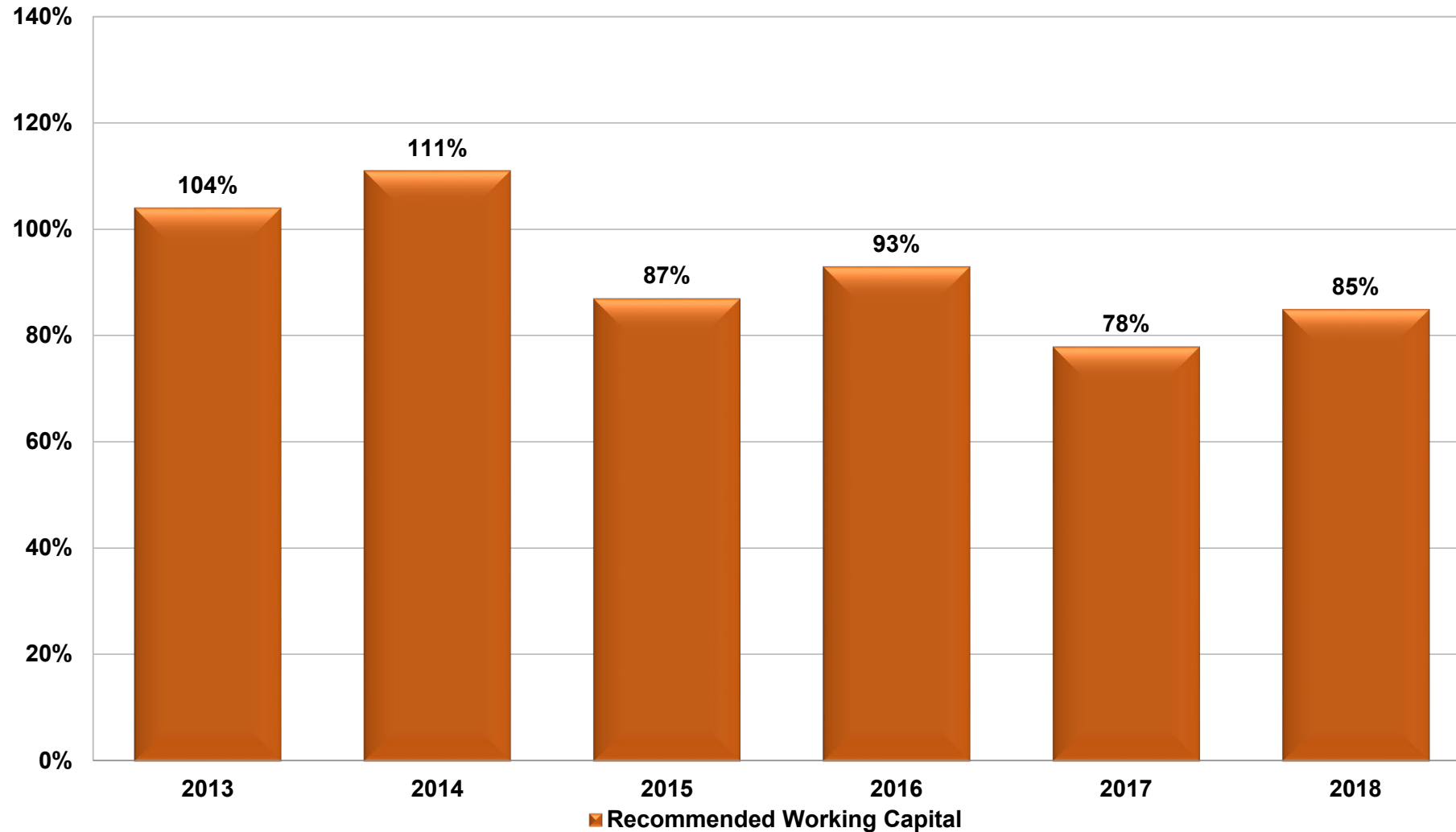


NAD Balance Sheet (Operating & Plant)

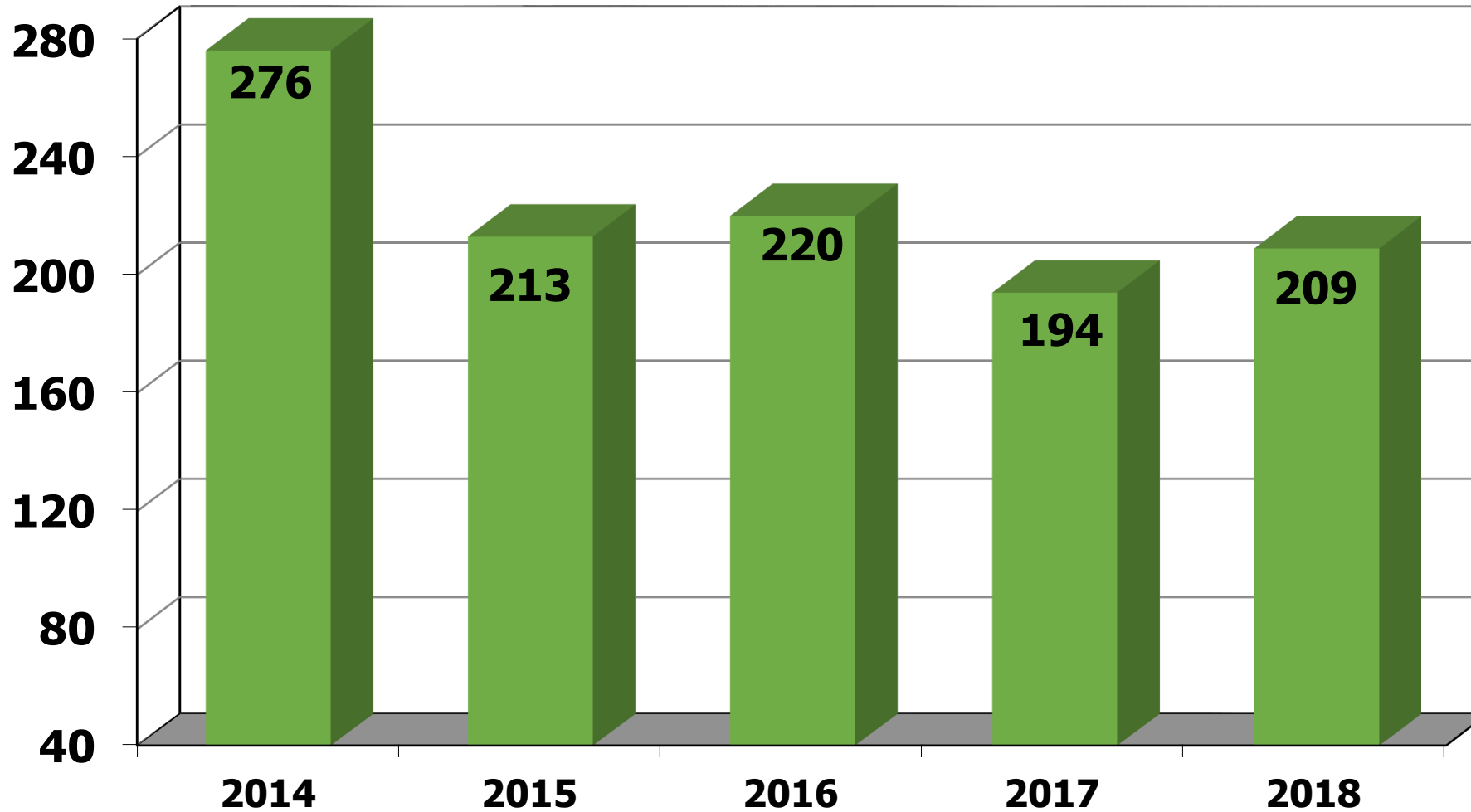




Recommended Working Capital

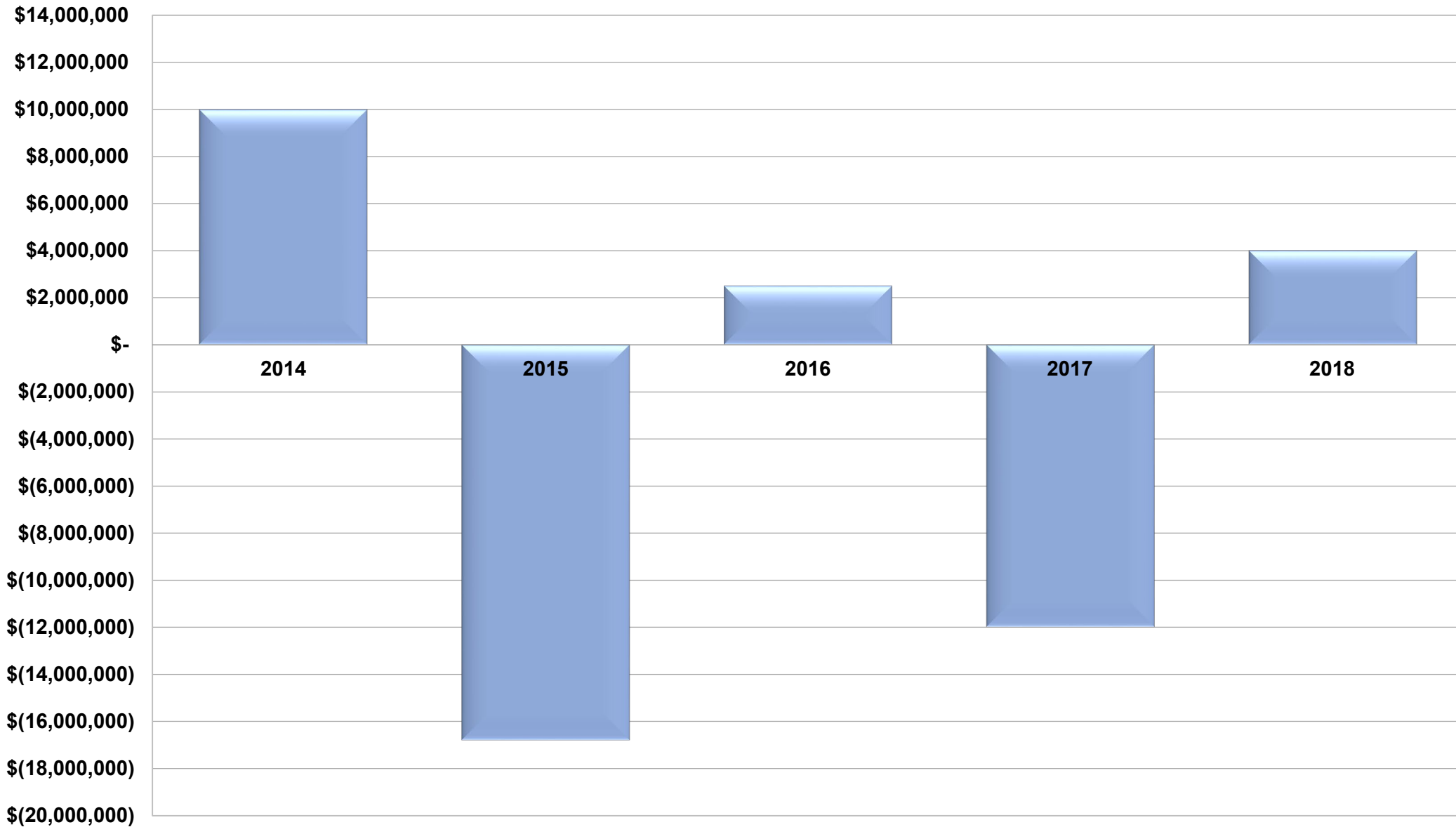


Days Cash Available



Cash Used in Calculation = (Cash + Investments)

Year-End Gain/Loss



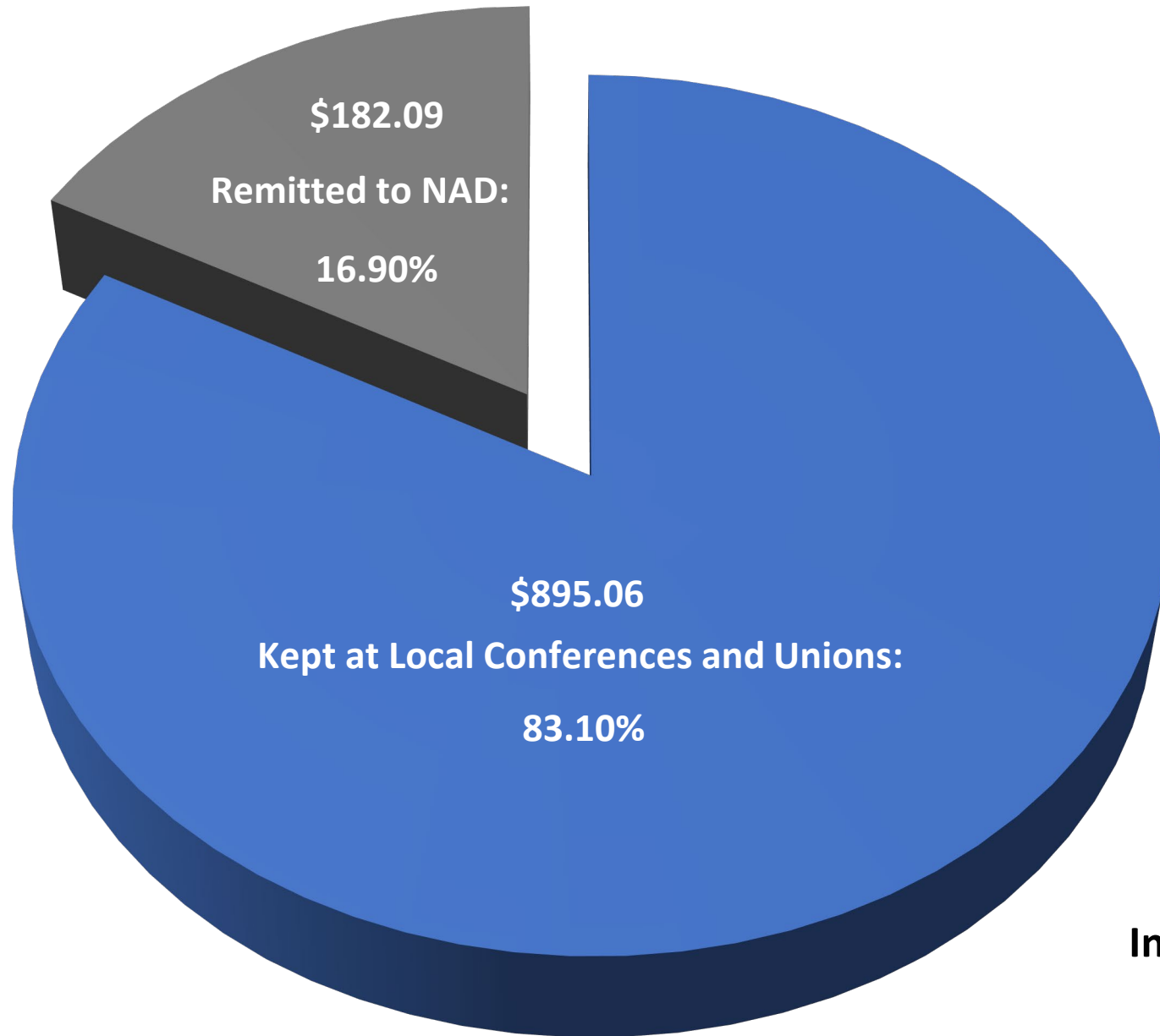
PURSuing HIS PROMISES

Tithe Indicators and Trends



2018 North American Division Gross Tithe: \$1,077.15 Million

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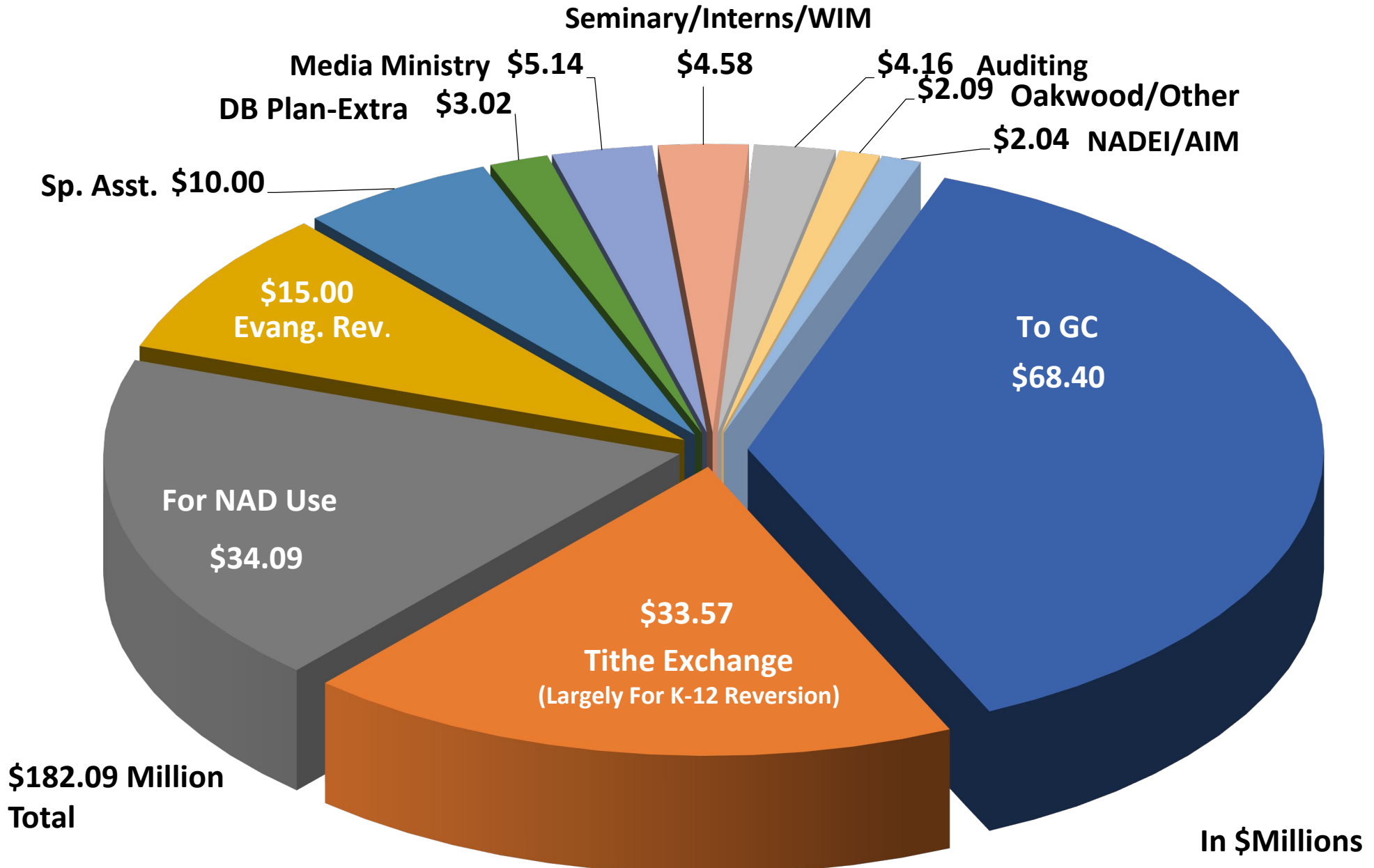


Tithe Received at NAD:

Direct-ACM	\$	0.27
From Conf.	\$	165.32
From Unions	\$	9.67
Special Asst.	\$	<u>6.83</u>
Total	\$	182.09

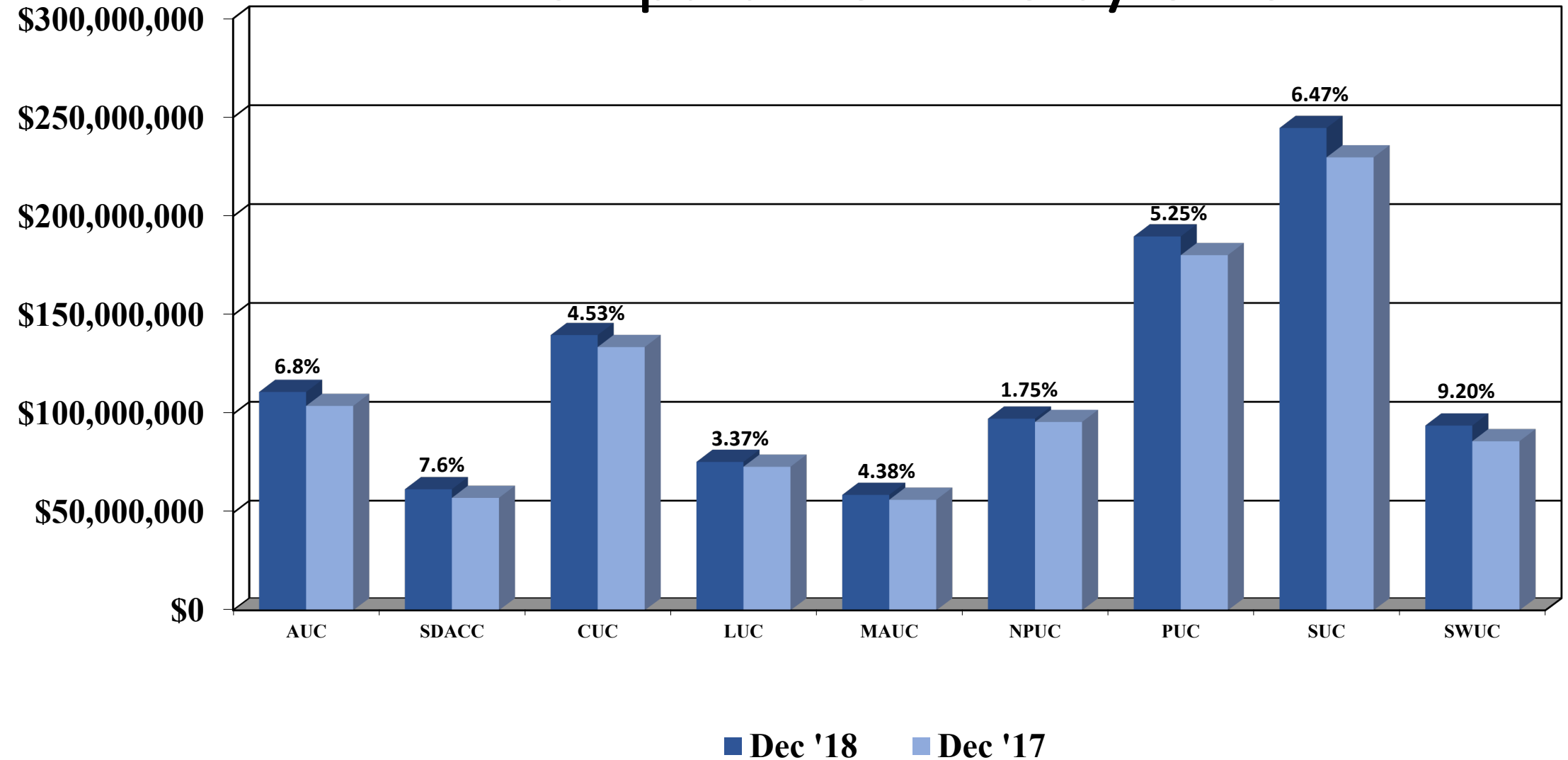
In \$Millions

NAD 2018 Distribution of Tithe Received:





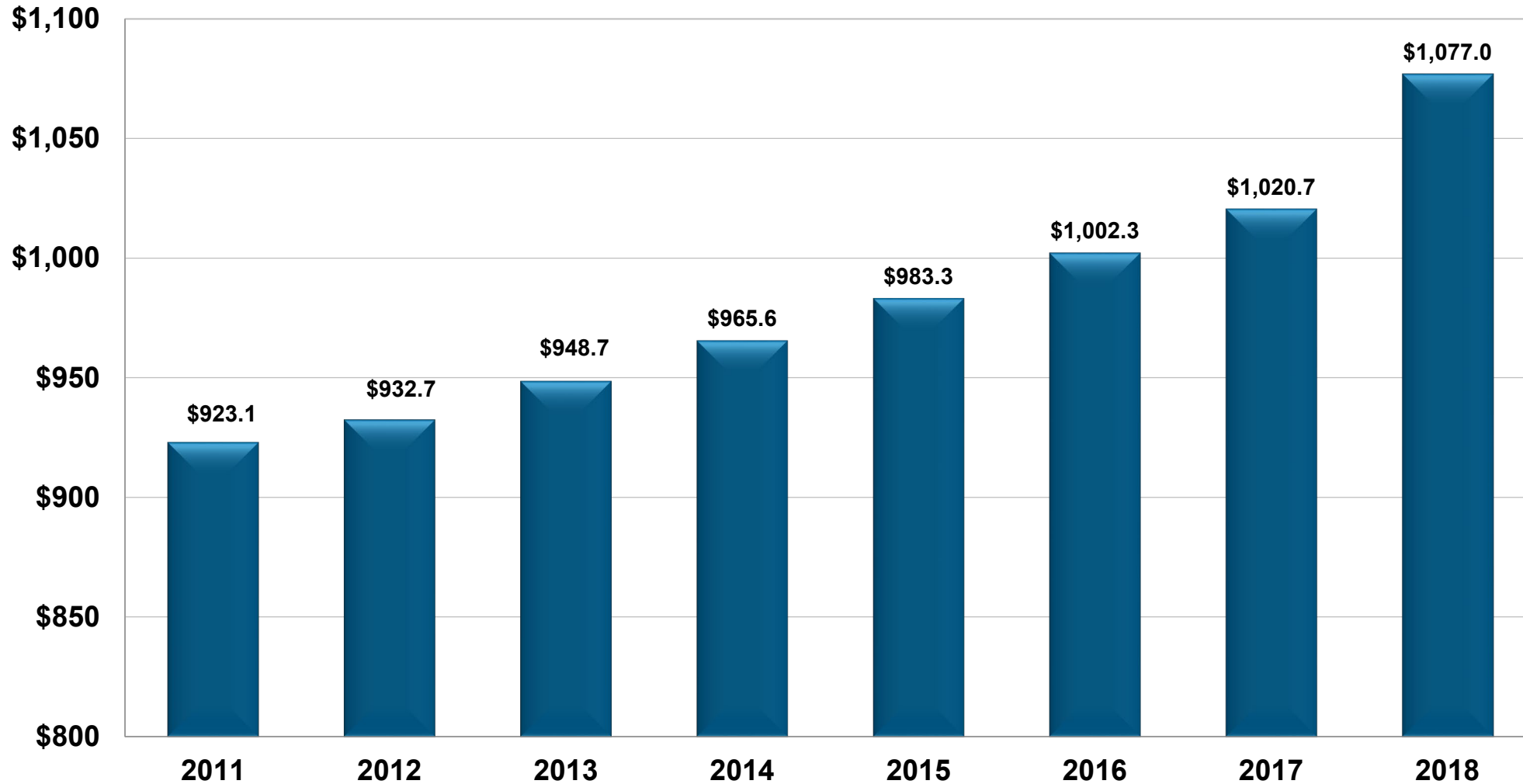
YTD Comparative Tithe by Union



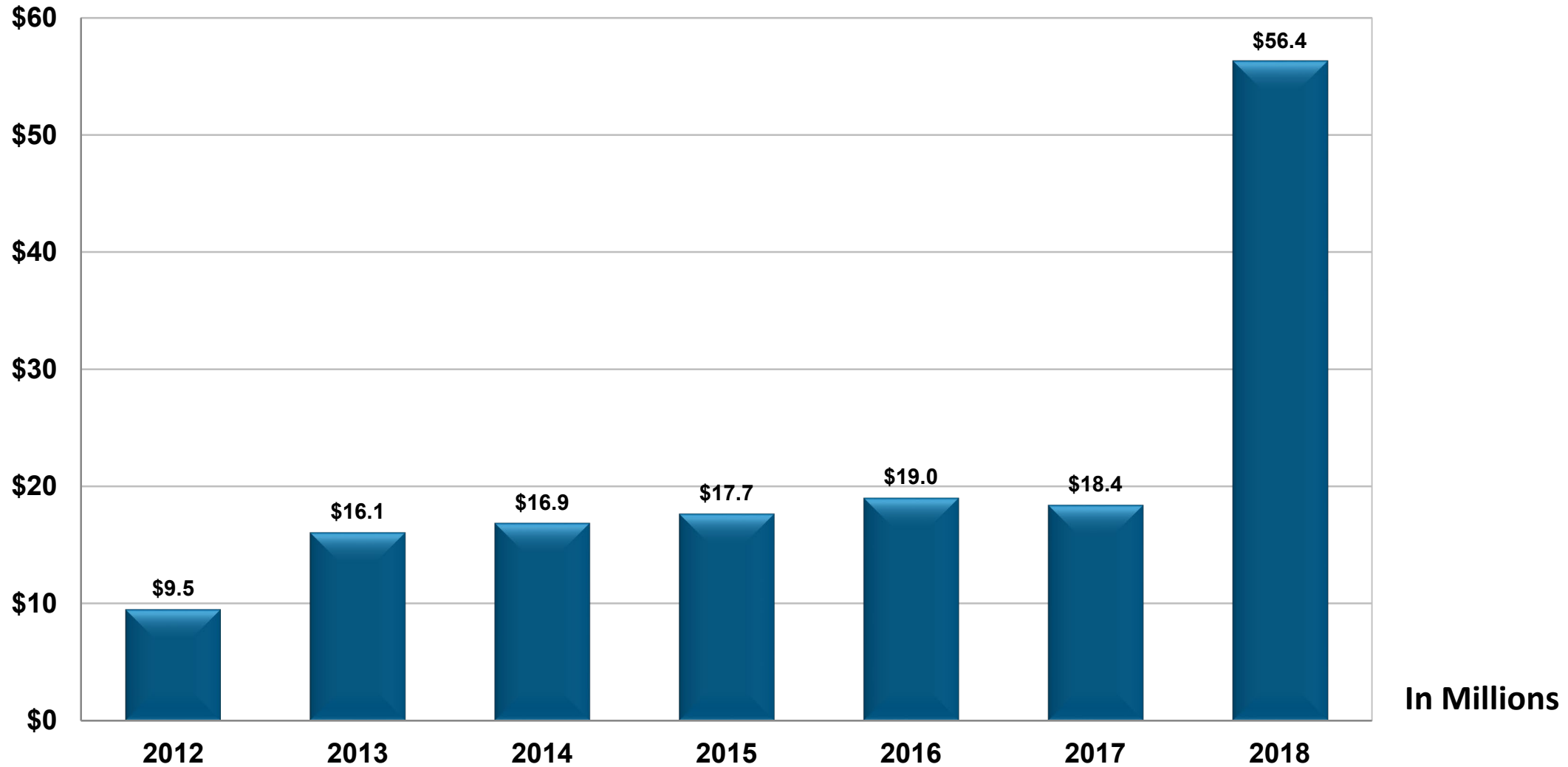
NAD Overall – 5.5%



North American Division Gross Tithe (in millions)



North American Division Gross Tithe Gain



PURSuing HIS PROMISES



Audit Committee Report Audited 2018 Financial Statements

Elder Dave Weigley - Chairman

North American Division Audit Committee Minutes

PURSUING HIS PROMISES

October 31, 2019



Committee Members Present: Dave Weigley, Chairman, Debbie Jackson, Mark Remboldt, Rick Remmers, Dave Smith, Vincent Waln

Invitees Present: Randy Robinson, Alex Bryant, Mike Jamieson, Sharon Mabena, David Baer, Robyn Kajiura (GCAS)

Opening Prayer: Dave Smith

Minutes: Voted: To approve the minutes of the November 1, 2018 meeting

Voted: To accept the December 31, 2018 Report to Governance from GCAS to the audit committee. Management response to GCAS was included in the Governance Report.

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

Voted: To recommend approval to the Year End Meeting of the December 31, 2018, 2017 Audited Unconsolidated Financial Statement of the General Conference of Seventh-day Adventists North American Division.

Voted: A commendation to the North American Division Treasury staff, and in particular, retired Treasurer Tom Evans, for the fine job done in preparation for the audit.

PURSuing HIS PROMISES

Operating Financial Statements (Unaudited)

2019 Year to Date



Quick Summary - September



- **Tithe** Through September, the YTD comparative tithe shows a loss of **1.08%**. 2 of 9 Unions had a gain. Lake Union led the way with **2.33%**. Year to date we have had (39) Sabbaths compared to (39) last year.
- **Income** from all sources is less than budgeted levels by **\$6,545,004** while net tithe income is less than budget by **\$2,208,303**
- **Expenses** are under budget by **\$787,530**
- **Bottom Line (From Operation)** is a negative **\$4,639,401** which is **\$5,757,474** worse than budgeted levels for the year. These will improve once restricted income is released for use.
- **Bottom Line (Overall)** is a negative **\$900,235** which is **\$901,032** worse than expected levels for the year. This includes non-operating activity.
- **Total Cash & Investments** are ahead of last year by **\$6,509,452** and we have about **185** days of cash. We want a minimum of between **180** and **210** days of cash.
- **Recommended Working Capital** is **84.47%** of the requirement. We want it at a minimum of **100%** but ideally between **105%** and **115%**.



Good



Caution



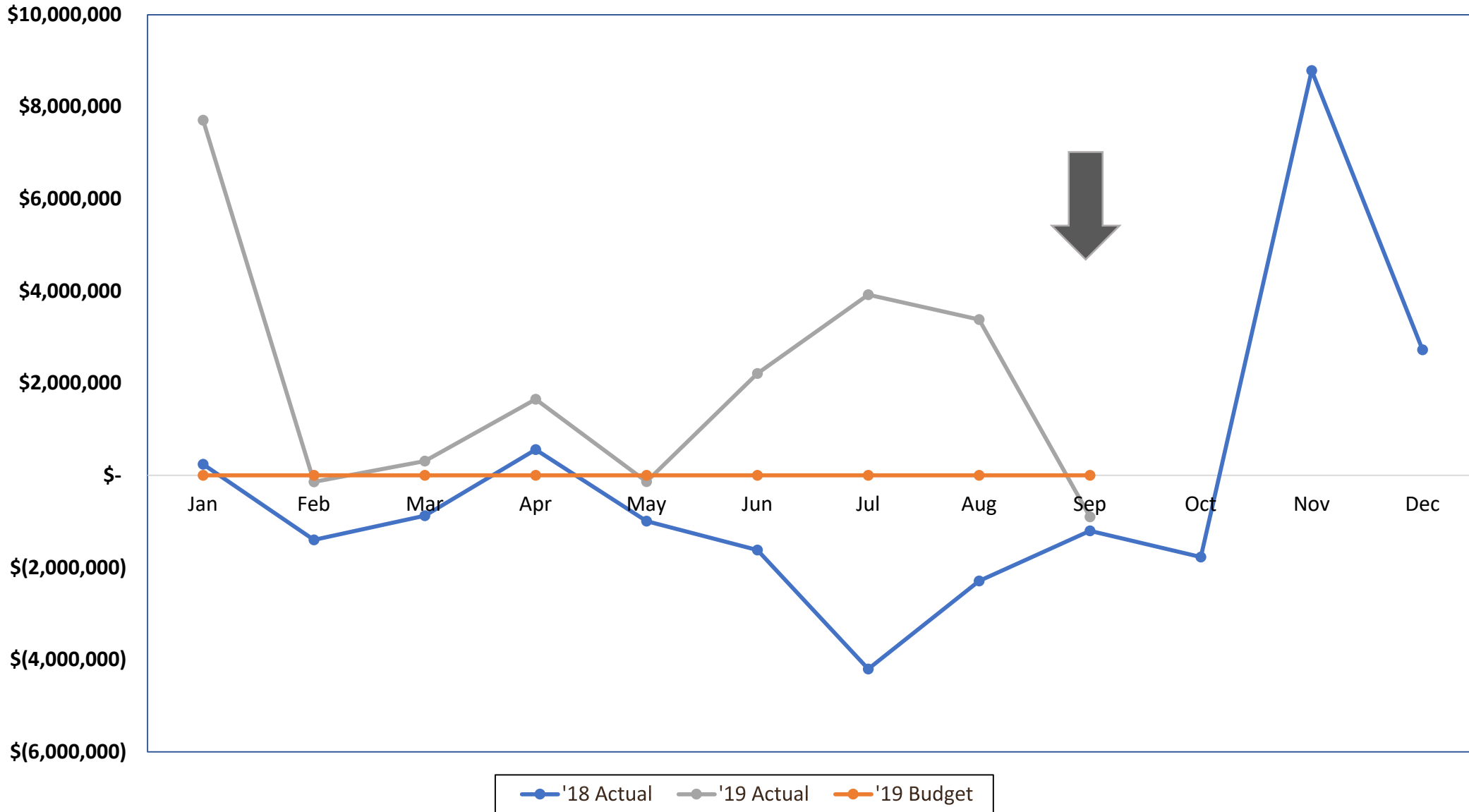
Improvement Needed

PURSUING HIS PROMISES

Financial Indicators

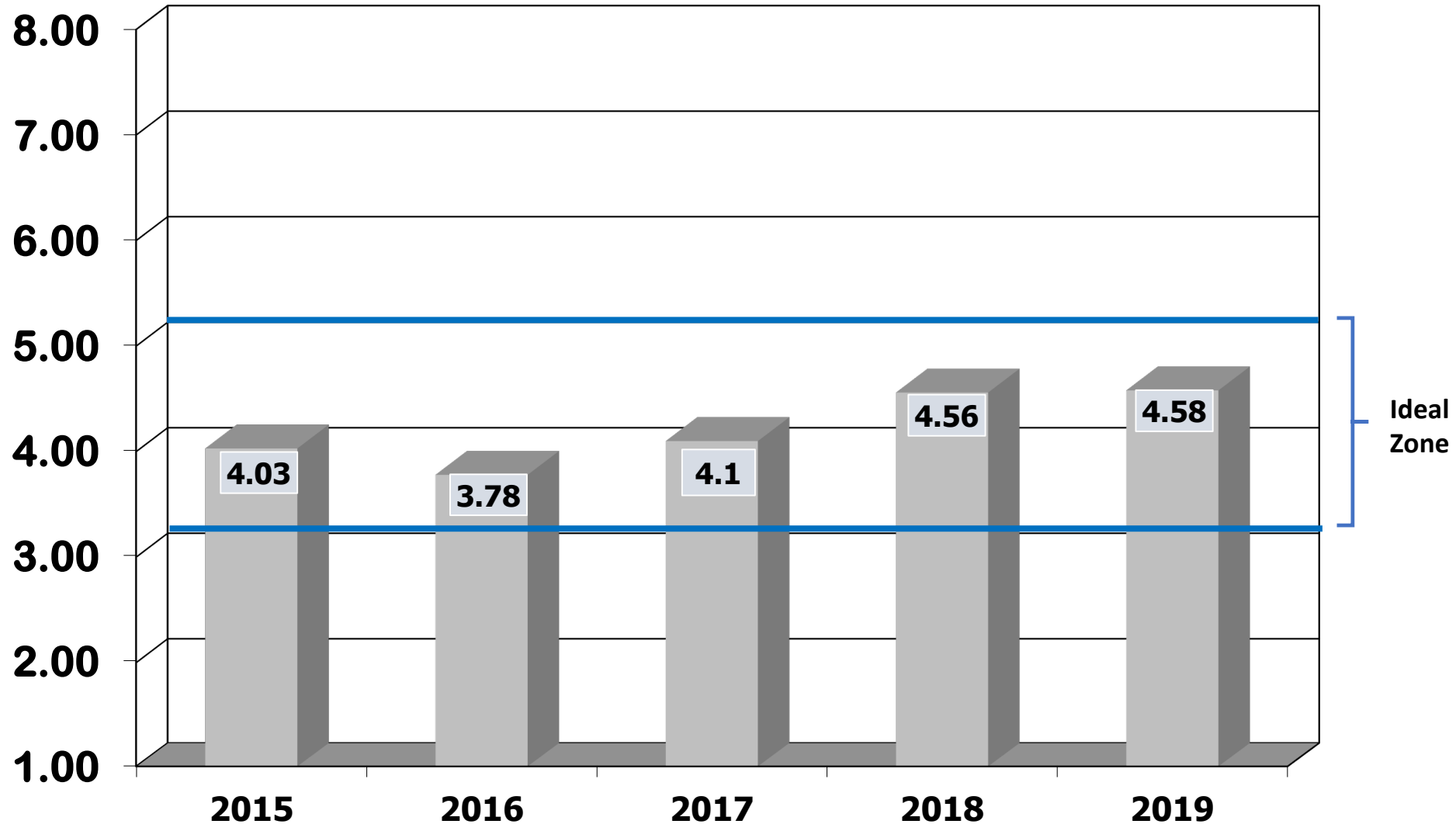


September YTD Gain/Loss



PURSuing HIS PROMISES

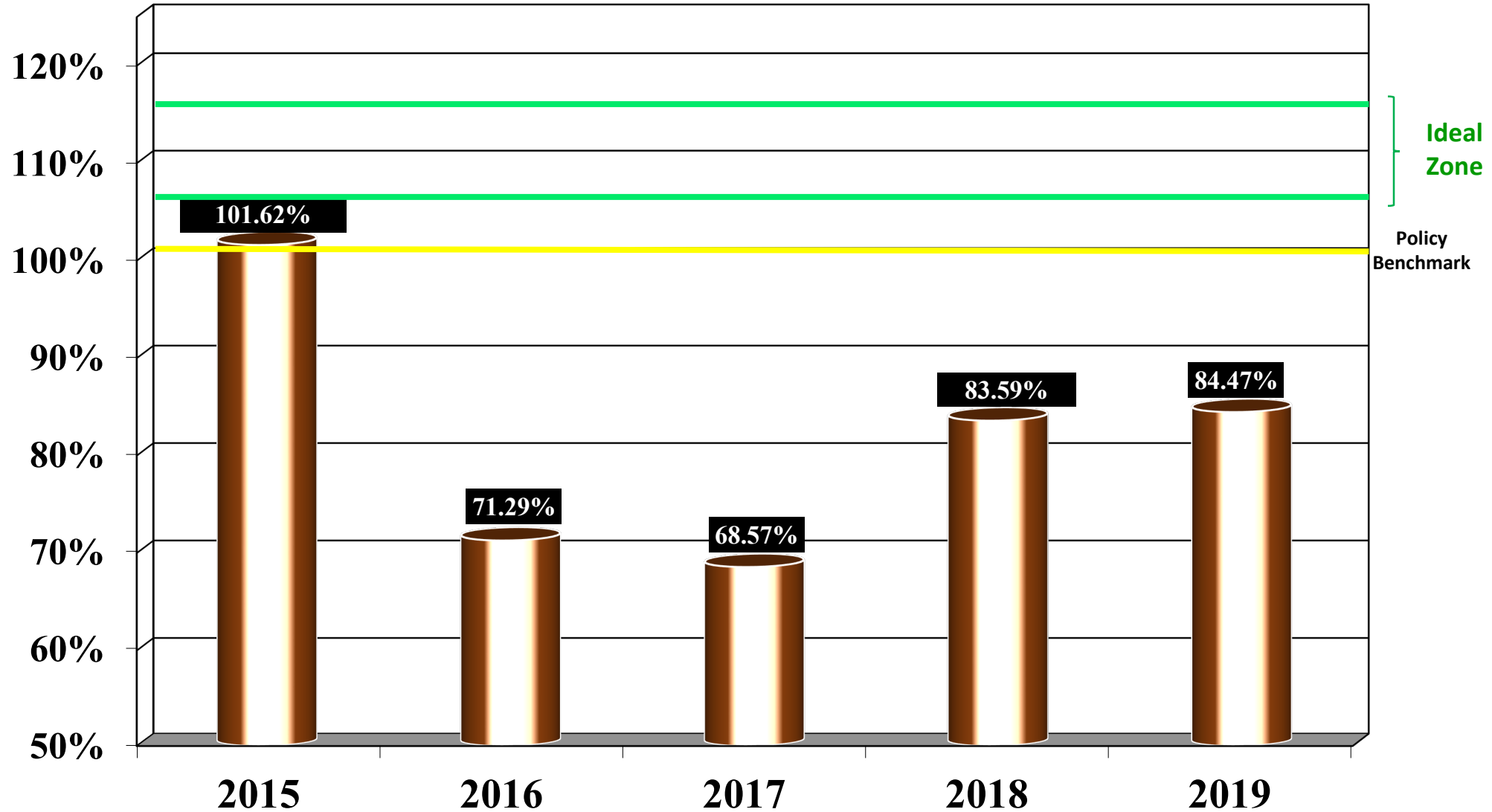
September YTD Current Ratio



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.

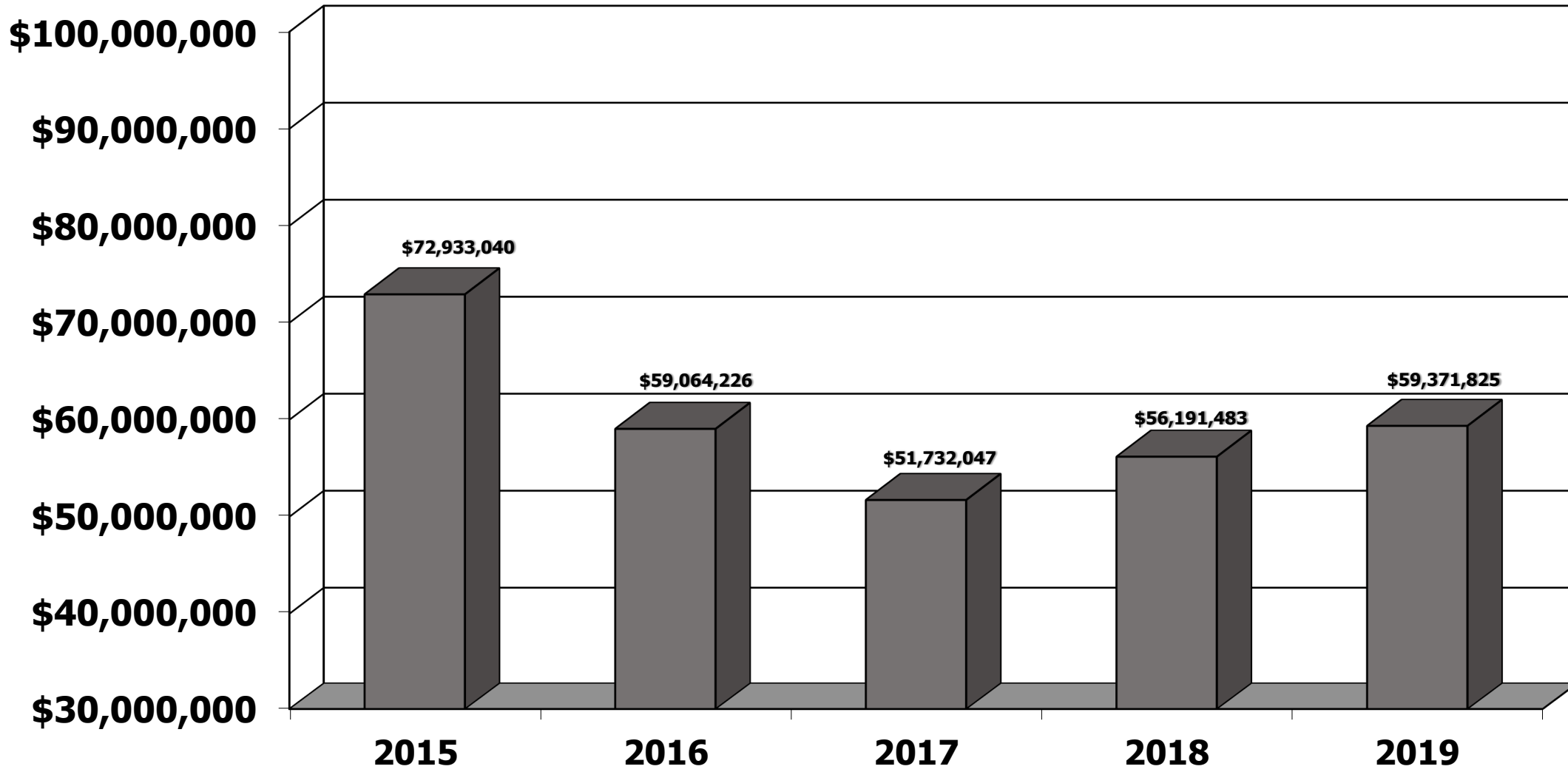
PURSuing HIS PROMISES

Recommended Working Capital



Working Capital Recommendation = 30% of annual expenses plus 15% of appropriations plus allocated operating functions.

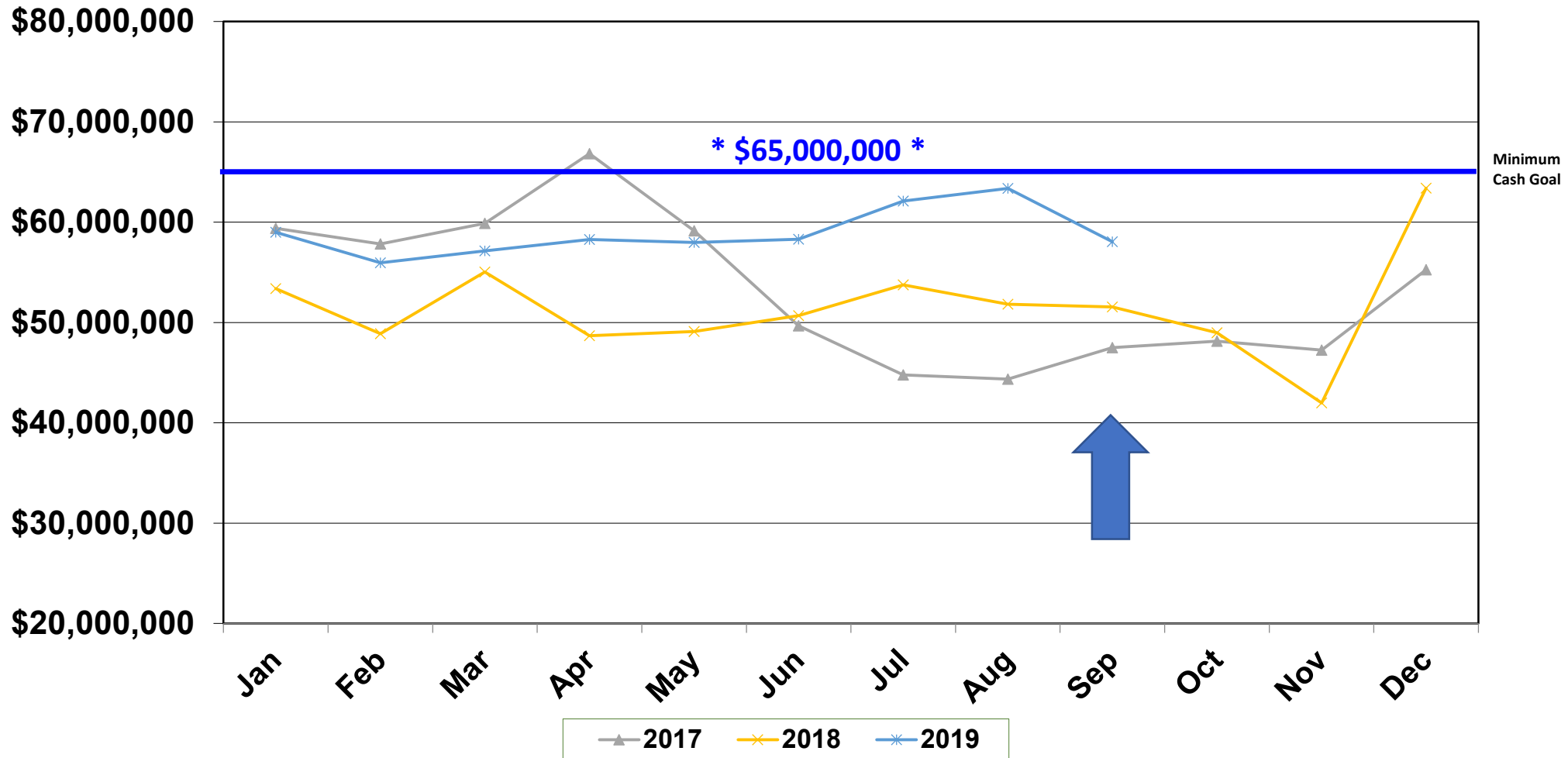
September YTD Actual Working Capital



Current Assets – Current Liabilities = Working Capital

September YTD Total Cash Comparison

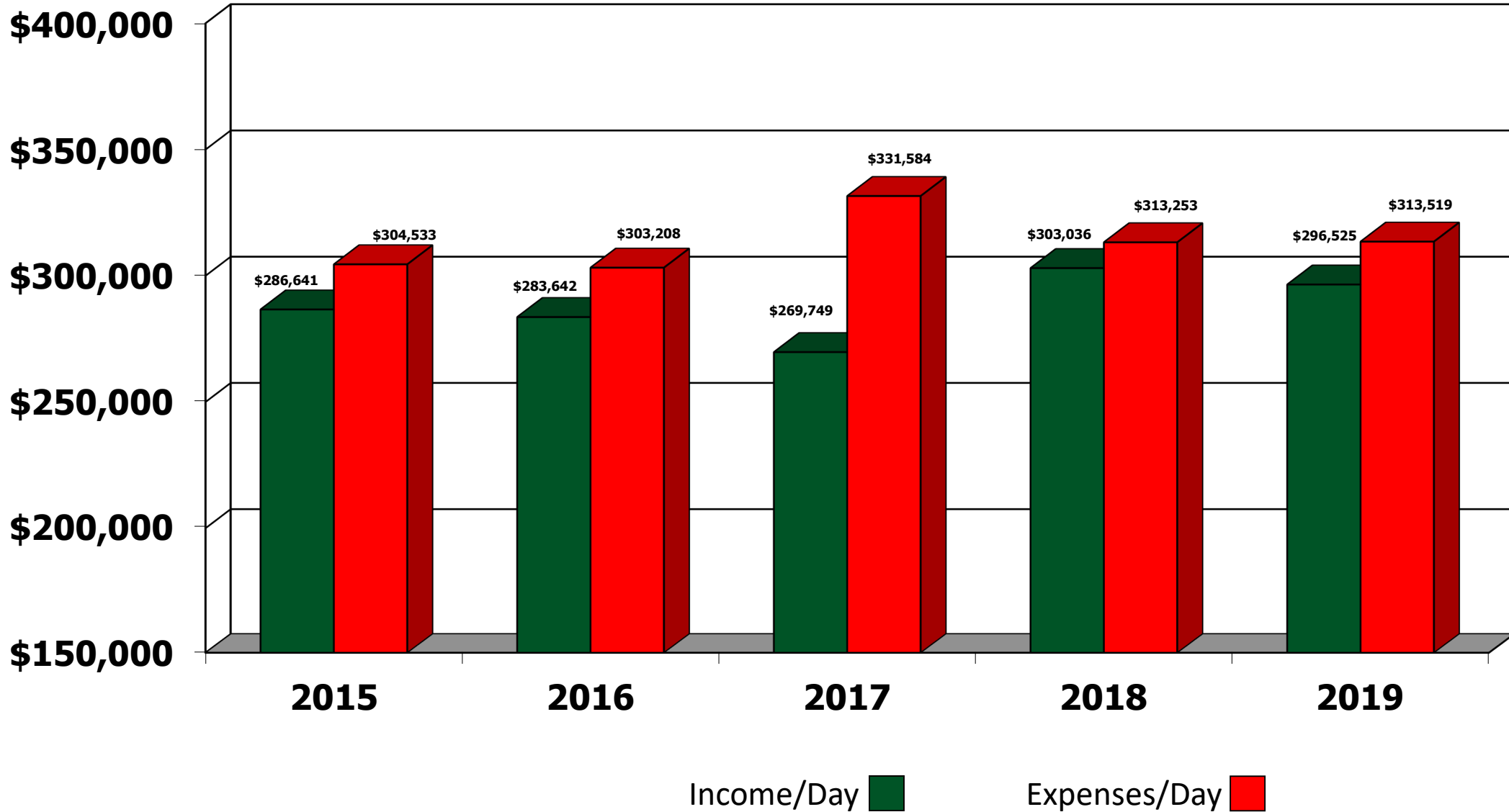
(Cash = (Cash + Investments) – Restricted Net Assets)



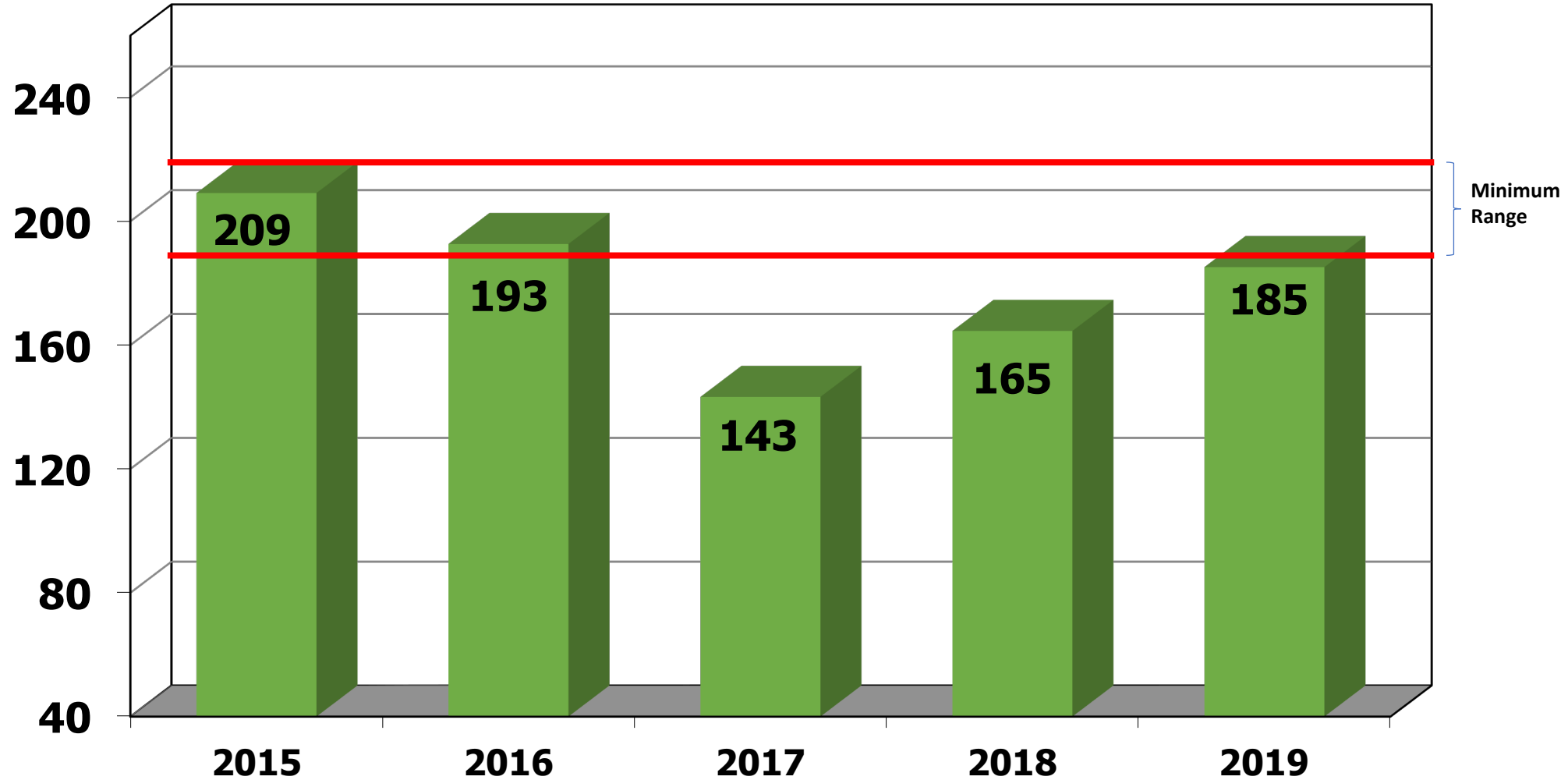
Minimum Cash Goal = 1/2 of annual operating expense.

September YTD Income/Expense Per Day

PURSUING HIS PROMISES



September YTD Days Cash Available



1 day of cash approx. = \$313,520 (Total cash minimum should be no less than 1/2 of annual operating expenses.)

$$\text{Cash Used in Calculation} = (\text{Cash} + \text{Investments}) - \text{Restricted Net Assets}$$

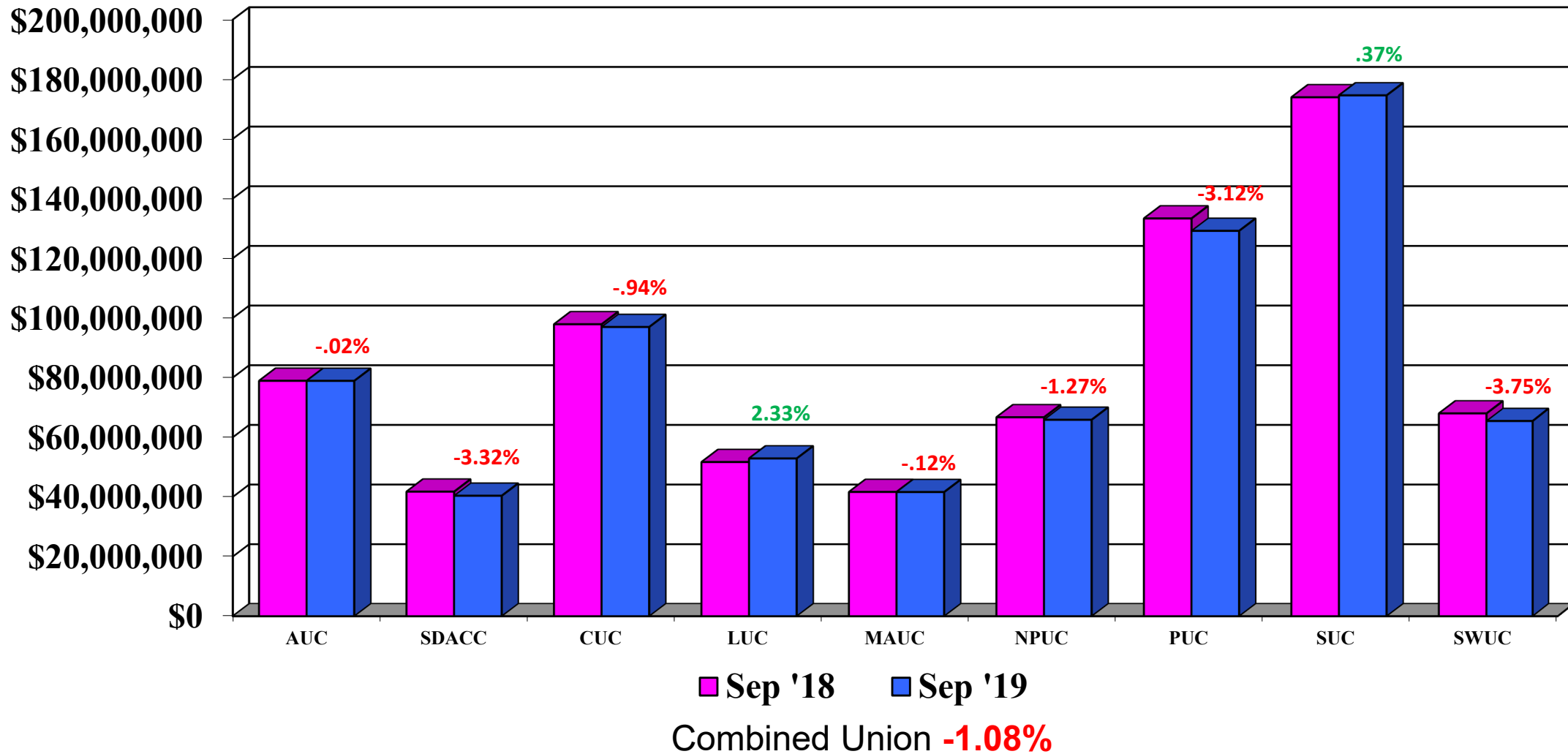
PURSUING HIS PROMISES



Tithe Trends

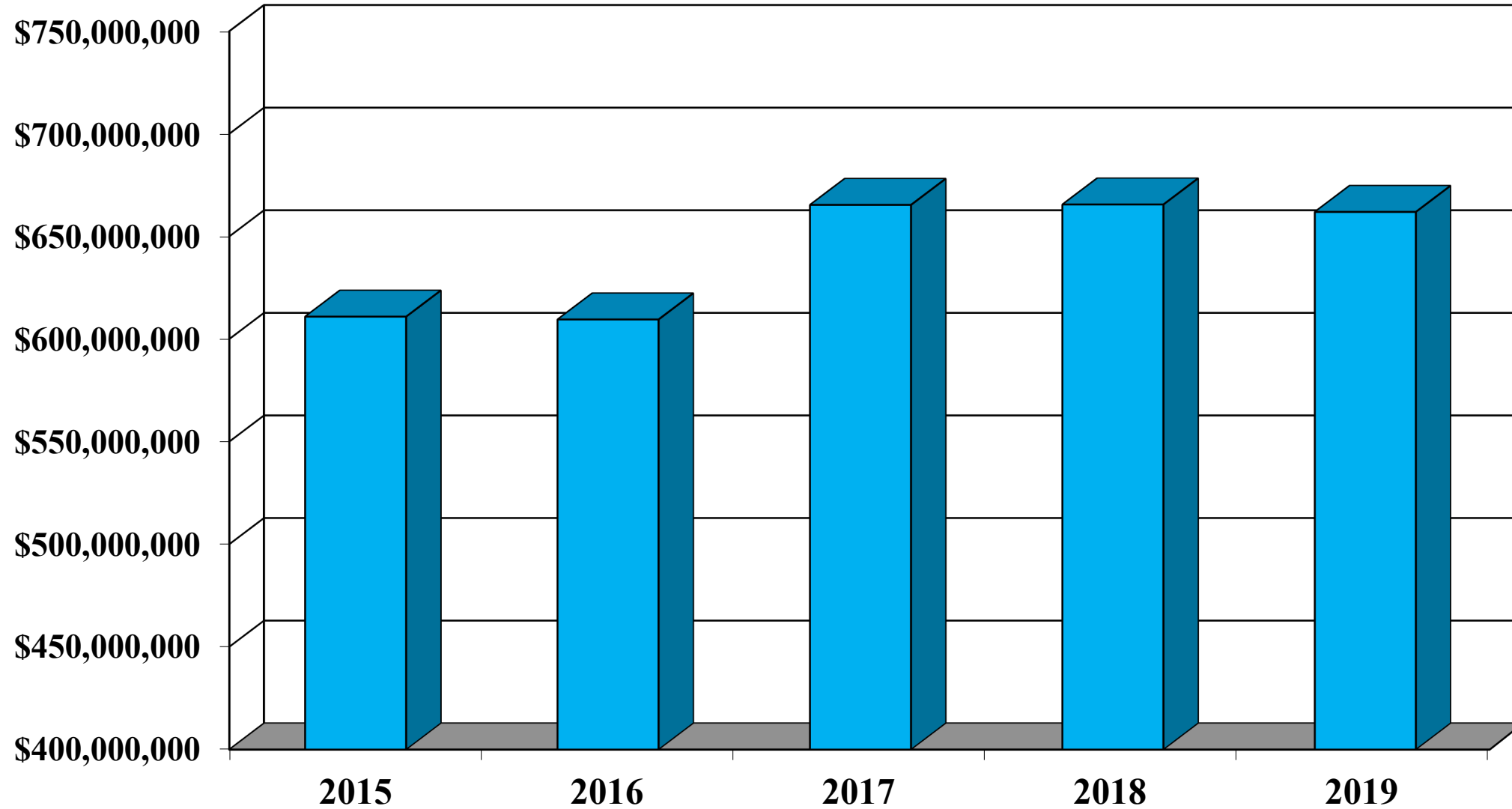
PURSUING HIS PROMISES

Union YTD Comparative Tithe



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September YTD Gross Division Tithe



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General Conference Auditing Service Report

Robyn Kajiura, Associate Director





General Conference
Auditing Service
Delivering Excellence!

noun
in·sight | a deeper understanding of
financial reporting matters





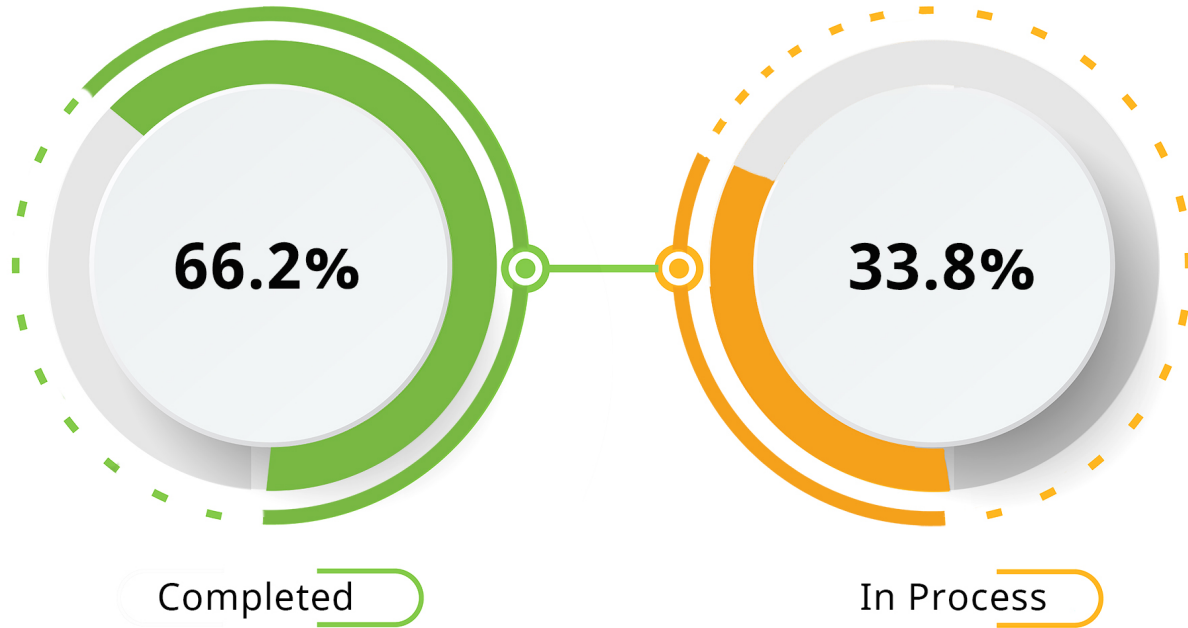
our·responsibility

Total Clients: **319**





our·resources





work·plan·results



84.6%

of our portfolio was either completed or in progress at the end of 2018.





types of financial statement opinions

Standard/
Unqualified

83.2%

4.5%

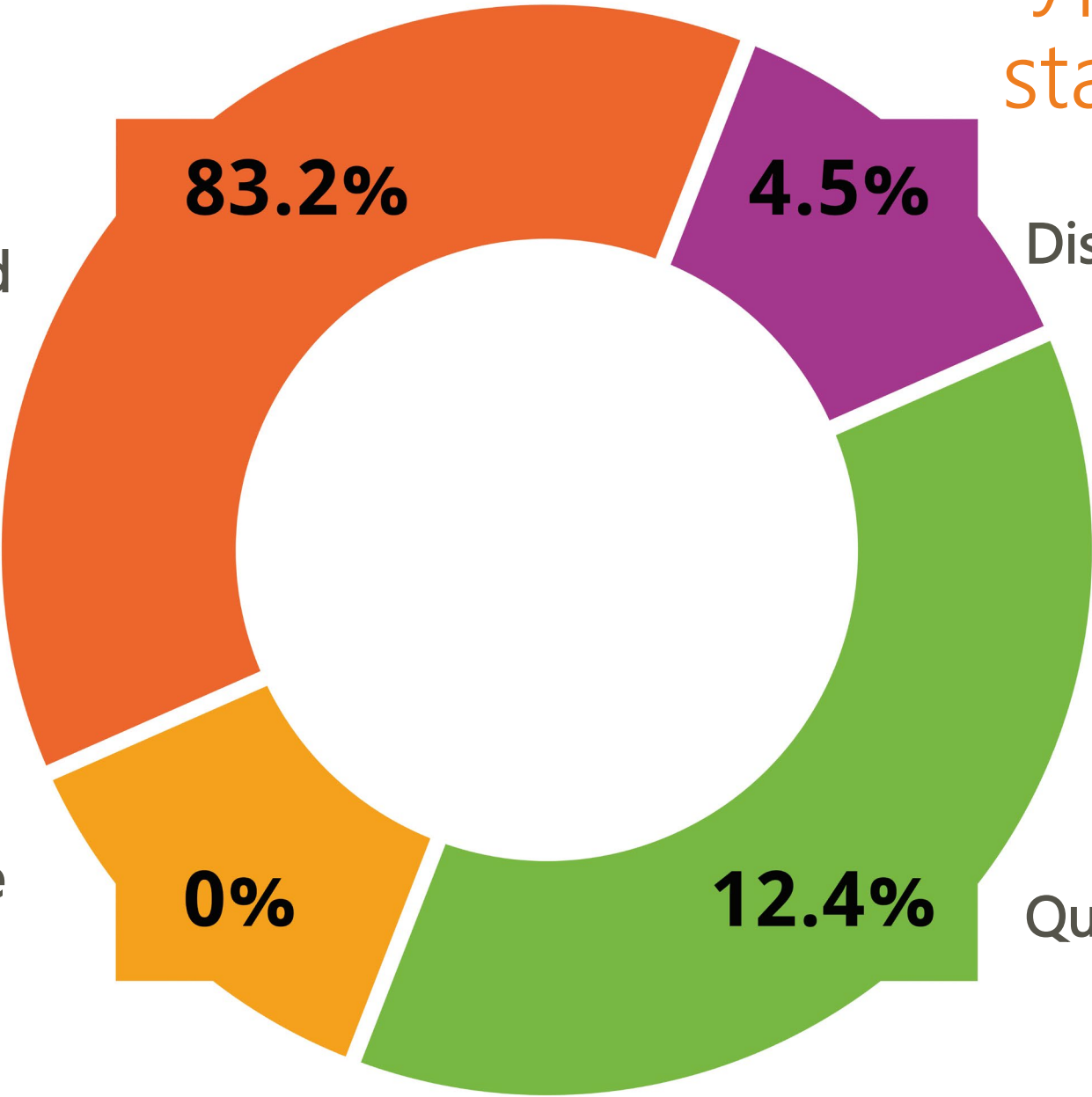
Disclaimer

Adverse

0%

12.4%

Qualified



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

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





types of policy compliance reports



Most frequent reasons for reporting a violation of core policies:

- Conflict of interest statements not signed by all committee members and other designated employees
- Insufficient monthly financial statements submitted to governing committee and administration
- Audit committee missing or improperly constituted
- Asset allocation study or investment policy not completed
- Salary/benefits not according to remuneration scale



Most frequent reasons for documenting internal control weaknesses:

- Segregation of duties minimal or inadequate
- Lack of approval or documentation for journal vouchers
- Lack of authorization of transactions
- Lack of reconciliation of accounts
- Ineffective oversight of accounting/reporting function



Consensus of Church Leaders

1. Promote a culture of transparency and accountability
2. Revise policies to incorporate best practices
3. Require establishment of Audit Committees
4. Provide training to boards/committees on governance



Role of Financial Oversight Committees

Audit

- To be fully informed about audit matters, financial reporting risks and financial reporting processes

Compensation

- To be fully informed about compensation practices within organization and ensure compliance with policies

Financial Statement Review

- To be fully informed about the financial health of subsidiary and affiliated organizations



Report to Governance



EXECUTIVE SUMMARY | 1

SCOPE

- We conducted an audit of the unconsolidated financial statements of Generic Conference of Seventh-day Adventists, in order to express an opinion for the year ended December 31, 2018.
- Our audit was conducted in accordance with United States of America auditing standards adopted by the Seventh-day Adventist denomination.
- Those standards require us to plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

MATERIALITY

- Materiality is the size of a misstatement or omission that could be expected to influence the decisions of the financial statements' users.
- Our audit was conducted based on a materiality which was calculated using the benchmark of total revenue after considering qualitative and quantitative factors. Materiality benchmarks were selected to represent the measure most relevant to users of the financial statements.

RESULTS

Opinion	Unmodified
Policy Compliance Report	Standard
Internal control deficiencies	Present
Significant audit adjustments	Not present

REPORT TO GOVERNANCE 2018 | Generic Conference

FINANCIAL SUMMARY | 2



REPORT TO GOVERNANCE 2018 | Generic Conference

FINANCIAL TRENDS | 3



- ### Key financial events
- Net income decrease in 2015 due to increased expenses for General Conference Session
 - Net income decrease in 2017 due to acquisition funding transfer for purchase of new building
 - Tithe income steadily increasing with membership increase

REPORT TO GOVERNANCE 2018 | Generic Conference

AUDIT OPINION | 5

RESULTS

Unmodified opinion

DEFINITION

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

OTHER INFORMATION

Emphasis of matter: *Unconsolidated financial statements*
 Other matter: *Use restricted to specified parties*

Please refer to the auditor's opinion attached to the audited financial statements for more detail.

REPORT TO GOVERNANCE 2018 | Generic Conference

POLICY COMPLIANCE | 6-1

To the Executive Committee
 Generic Conference of Seventh-day Adventists

September 26, 2019

We have audited, in accordance with United States of America auditing standards adopted by the Seventh-day Adventist denomination, the financial statements of the Generic Conference of Seventh-day Adventists, (Organization), which comprise the statement of financial position as of December 31, 2018, and the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have issued our special report thereon dated September 26, 2019. Our special report includes an Other Matter paragraph about the intended restriction on the use of our report to certain specified parties.

In connection with our audit, as internal auditors of the General Conference of Seventh-day Adventists, nothing came to our attention that caused us to believe that the Organization failed to comply with the Working Policy of the General Conference of Seventh-day Adventists, North American Division insofar as it relates to those policies designated as "core" policies. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

General Conference Auditing Service

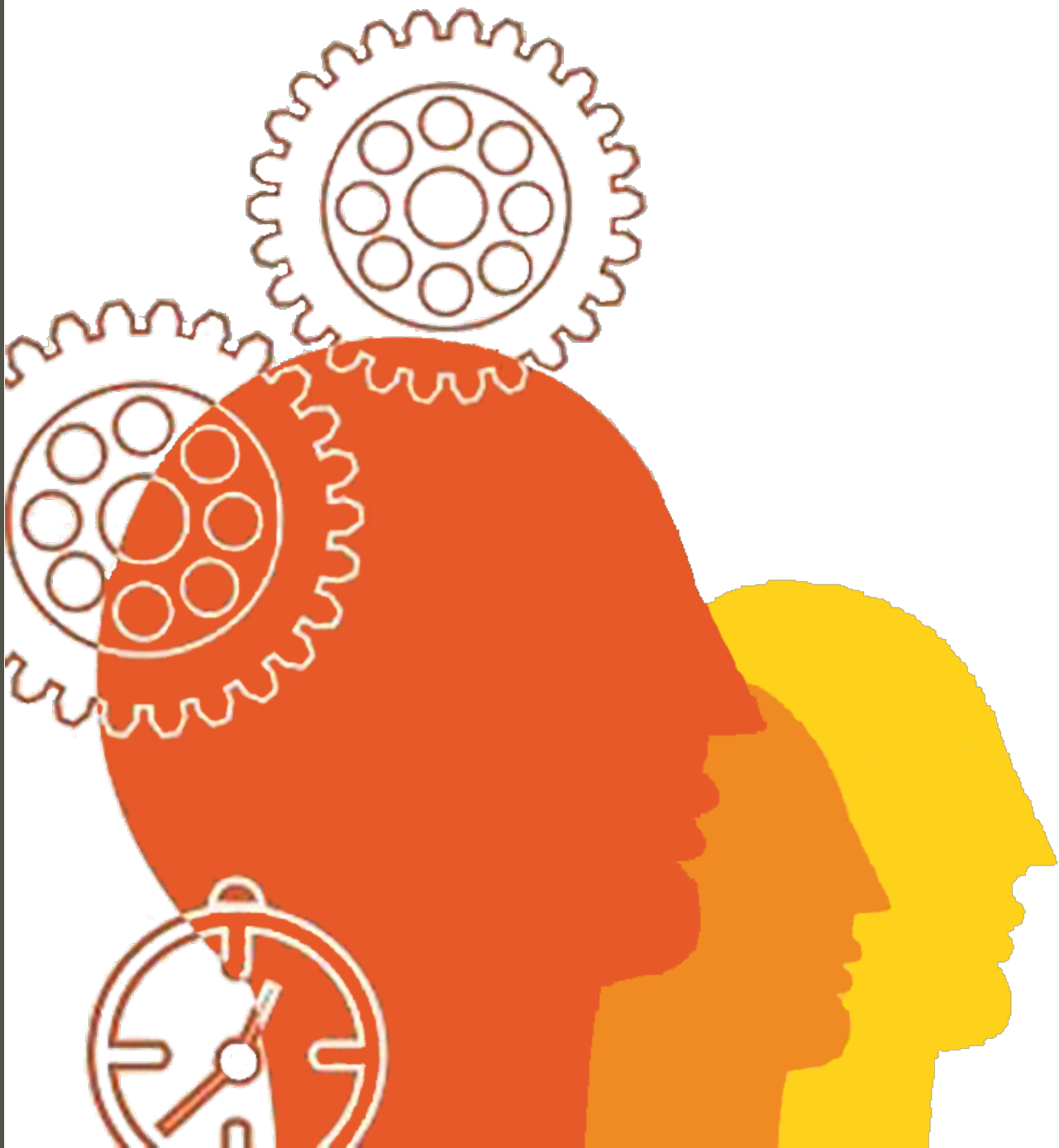
The following items are either immaterial noncompliance or noncompliance with recommendations.

OTHER CORE POLICY MATTERS	IMMATERIAL	RECOMMENDATION	FINDINGS
North American Division Working Policy (NADWP) E 70 20 - Service records updated for all employees	✓	-	Service record not properly updated for 1 (4%) of 25 employees sampled
NADWP S 24 10 - Recommends minimum amount of working capital	-	✓	At December 31, 2018, working capital was \$1,555,000 less than recommended
NADWP Y 29 15 - Minimum insurance limits carried by those receiving automobile insurance assistance	✓	-	Of 25 employees reviewed, 1 (4%) did not carry insurance at or above set minimums and 1 (4%) did not provide updated policy documents

REPORT TO GOVERNANCE 2018 | Generic Conference



in.sights



Source: A Global Study of Financial Reporting in the Seventh-day Adventist Church



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NAD Retirement Report

Ray Jimenez, Plan Administrator

PURSUING HIS PROMISES

NAD Investment Report

Provided by Tim Aka, Associate

Treasurer

General Conference



PURSUING HIS PROMISES North American Division Investment Portfolios 2018

Telephone: (301)680-6241

General Conference Investment Department
12501 Old Columbia Pike - Silver Spring, MD 20904

Fax: (301)680-6290



Statement for December, 2018
North American Division
OPERATING RESERVE

NAD 2018 Operating Reserve

You started the month with a market value of **\$31,441,297.33**

You ended the month with a market value of **\$30,840,950.41**

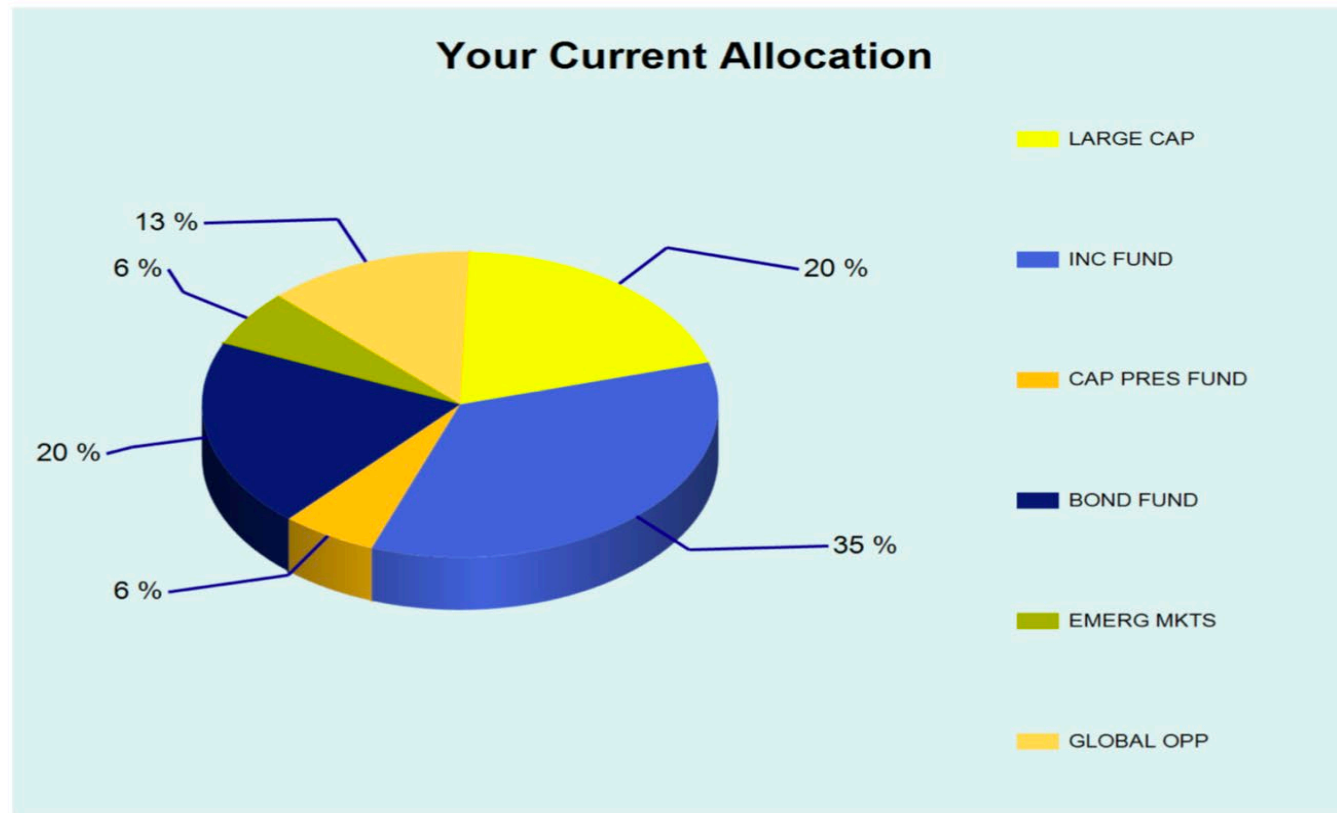
Your one month return **-1.91%**

Your Year-to-Date return **-2.70%**

Your annualized return since 6/30/2006 **2.20%**

Performance is calculated as an internal rate of return.

Positioning:
Income Oriented with Moderate Risk
62% Fixed Income 38% Stocks



2018 Performance: -2.2%

PURSuing HIS PROMISES North American Division Investment Portfolios YTD 2019

Telephone: (301)680-6241

General Conference Investment Department
12501 Old Columbia Pike - Silver Spring, MD 20904

Fax: (301)680-6290



Statement for September, 2019
North American Division
OPERATING RESERVE

NAD Operating Reserve

You started the month with a market value of **\$33,079,163.82**

You ended the month with a market value of **\$33,280,102.58**

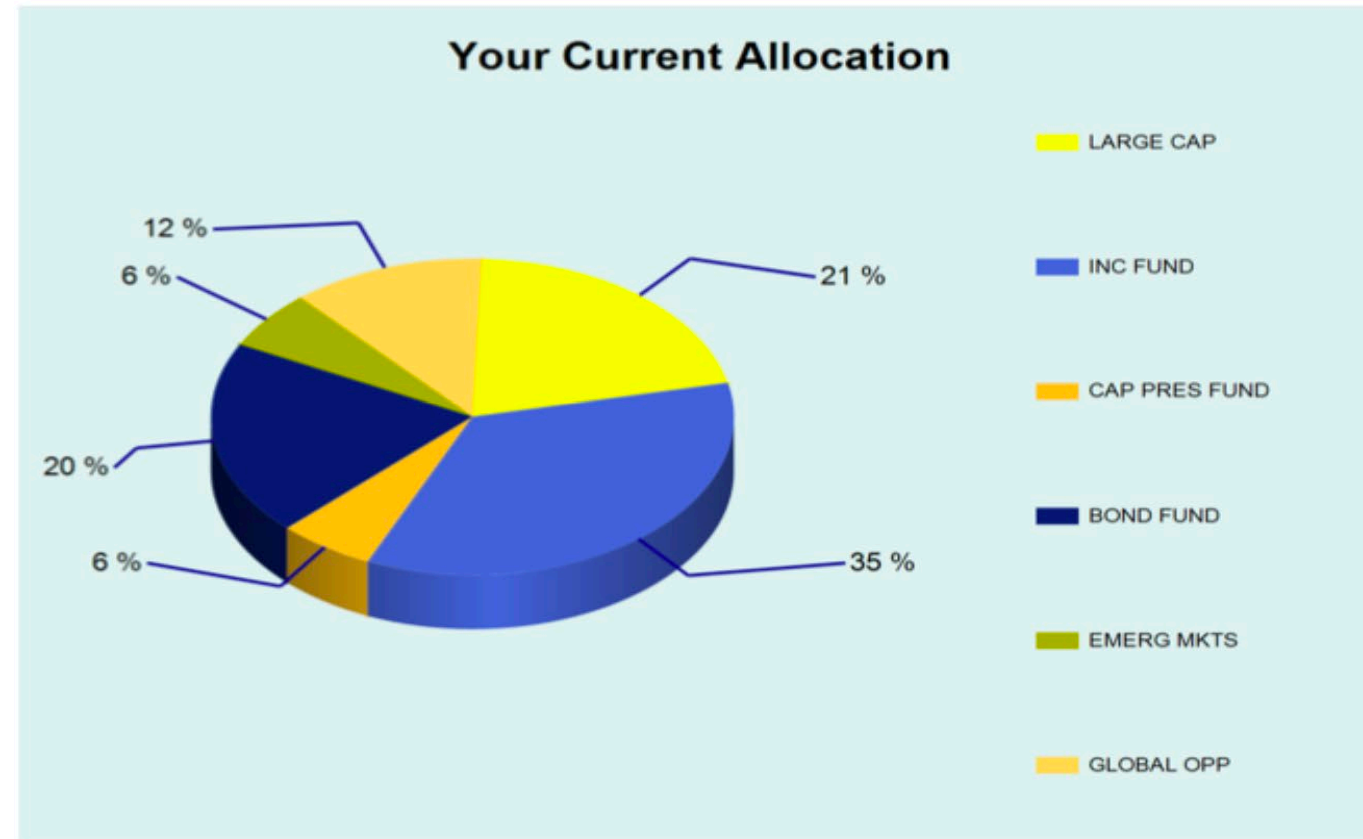
Your one month return **0.61%**

Your Year-to-Date return **7.91%**

Your annualized return since 6/30/2006 **2.56%**

Performance is calculated as an internal rate of return.

Positioning:
Income Oriented with Moderate Risk
61% Fixed Income 39% Stocks



Year to Date Gain: 7.9%

Headlines



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one, funded by readers

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🕒 This article is more than 1 month old

Germany on brink of recession as business confidence nosedives

In latest sign Europe's largest economy is struggling, ifo index falls to lowest level since 2012

AUG 14, 2019 NEWS

U.S. Economy Faces 'Strongest Recession Signal Yet'

COMMENTS



ABS-CBN NEWS

HOME NEWS BUSINESS ENTERTAINMENT LIFE SPORTS OVERSEAS SPOTLIGHT

Save Home > Overseas

Battered Hong Kong faces economic recession, existential crisis

Noah Sin and Lukas Job, Reuters
Posted at Aug 26 2019 08:40 AM

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WORLD

China's Economy Falters; Slowest Growth In Nearly 3 Decades

July 15, 2019 · 10:54 AM ET

Global economic slow down is evident. U.S. is facing a increasing potential of a recession in the next 6 to 12 months. A synchronized global economic slow down would increase market risk as volatility and uncertainly rise.

PURSuing HIS PROMISES



Significant Initiatives



Significant Initiatives

P U R S U I N G H I S P R O M I S E S



- * Data Cloud Collaboration
 - 5 Geographically distinct locations
 - Adventist owned and operated (no more 3rd party public cloud co-locations)
 - Will save the church scores of thousands of dollars year after year
 - Adventist School Pay – Service approximately 180 institutions across NAD
 - NAD Data Center – 100% in control of our own data (saving \$40k/mo)
 - plus nearly 10 times more rack space to serve the field
- * Web based payroll (APS.Net)
- * Continue to standardize accounting package for efficiency and reduced audit costs and time
- * Web based Local Church Accounting Software
- * Web based Local School Accounting Software
- * Updates to AdventistGiving
 - Growing 15%-20% annually on average
 - Low fees compared to industry but are seeking ways to reduce further
- * Accounting Metric Emphasis on Cash and Working Capital Clarity
- * Developing accounting presentation tools and to simplify information to committees

Proposed Action:

- Voted: To approve the 2018/YTD 2019 financial report as presented.



Treasury Staff and Support



Treasury

Randy Robinson, Treasurer/CFO

Mike Jamieson, Undertreasurer

Carol Pack, Executive Assistant

Sharon Mabena, Associate Treasurer

David Baer, Controller

Lynette Montoute, Assistant Treasurer

Mayda Santos, Chief Accountant

Michael Prest, Accountant

Carol Patten, Accounting Clerk

Adventist Retirement

Ray Jimenez, Administrator

Edwin Romero, Treasurer/CFO

Lyn Wick, Associate Administrator

Lisa Turpen , Associate Administrator and SHARP Manager - RN

Beth Roberts, Assistant Administrator

plus other support staff

Adventist Accounting System International

Michael Park, Director

Rose Ortiz, Implementation and Training Specialist

Jeff Fogelquist, Implementation and Training Specialist

Sheyla LaPierre, Implementation and Training Specialist

Jorge Ayala, Development and Implementation

Nathan Traxler, Implementation and Training Specialist

Welcome to Judy Glass, newly
elected Undertreasurer

PURSuing HIS PROMISES



2018 Compensation Review





- Elder Gary Thurber chaired the compensation committee
- The committee review both compensation and travel for 2018

PURSuing HIS PROMISES

2020 Budget and Assumptions



2020 Budget Assumptions:

- Budgeted at 98% of 2018 Tithe
- Remittance to the GC has been reduced to 5.85% from the current 6.10% per agreement with the General Conference.
- Conference Remittances reduced to 15% from 15.15% in 2019.
- Planned for 1.6% salary increase in July (pending YEM action)
- Adjusted appropriations according to new tithe figures





North American Division 2018 Use of Funds:

Tithe Income		\$182,086,603
Sent on to GC	\$68,399,001	
Tithe Exchange—(See Non-Tithe Graph Later)	\$33,572,459	
Evangelism Reversion	\$14,995,428	
Special Assistance	\$10,000,000	
Retirement-(Defined Benefit Plan Extra Appr.)	\$3,022,343	
Adventist Media Ministry	\$5,138,100	
Seminary--Min/Bus/Com/WIM Apprpr.	\$4,578,633	
Auditing Services (pay ½ of Conferences fees)	\$4,163,887	
Oakwood/Other Appropriations	\$2,090,996	
NADEI/AIM	\$2,035,135	\$147,995,982
Left for North American Division Use		<u>\$34,090,621</u>

**This \$34.09 million is 3.16% of the \$1,077.15 million gross Tithe
(3.16 cents per gross tithe dollar)**

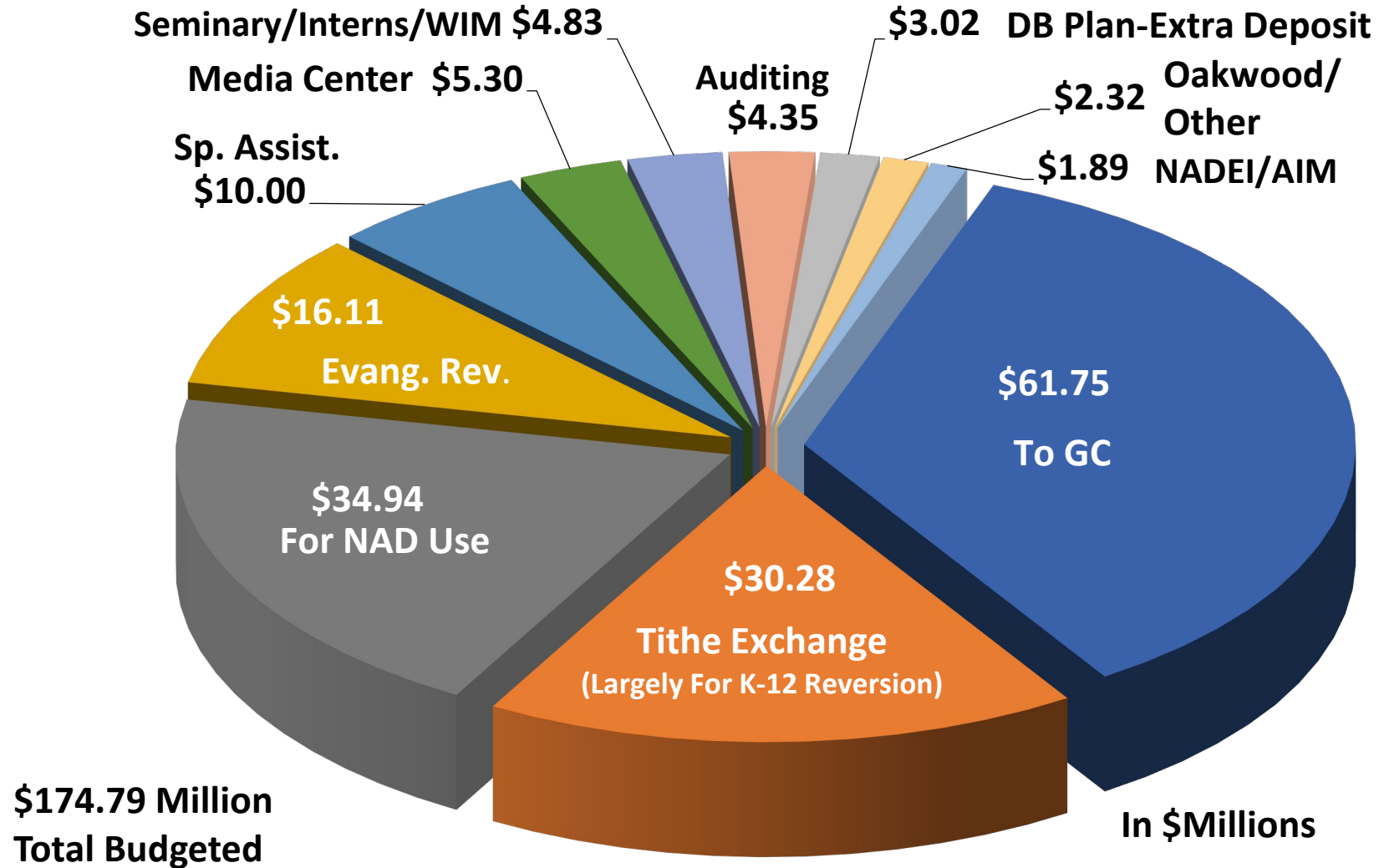


How We Used the \$34.09 Million NAD Pie Slice in 2018:

All Admin. Functions/Expenses	\$23,677,573
Strategic Initiatives-Building Blocks	\$2,100,188
Projects-(Broken out later)	\$1,347,000
Evangelism	\$1,854,170
Adv. Giving/Schl Pay/ACC/eAdventist	\$1,199,525
Adventist Church Treasury Solutions	\$682,337
Guam Micronesia—Our Mission	\$519,801
Adventist Rev./El Centinela/Message	\$504,172
To Tithe Reserves	\$559,400
Plusline-AdventSource	\$276,627
Title VII Cases/Other/Misc	\$290,581
Conventions Including GC/Ministerial	\$850,000
Esperanza TV	\$171,135
Miscellaneous	<u>\$58,112</u>
	<u>\$34,090,621</u>

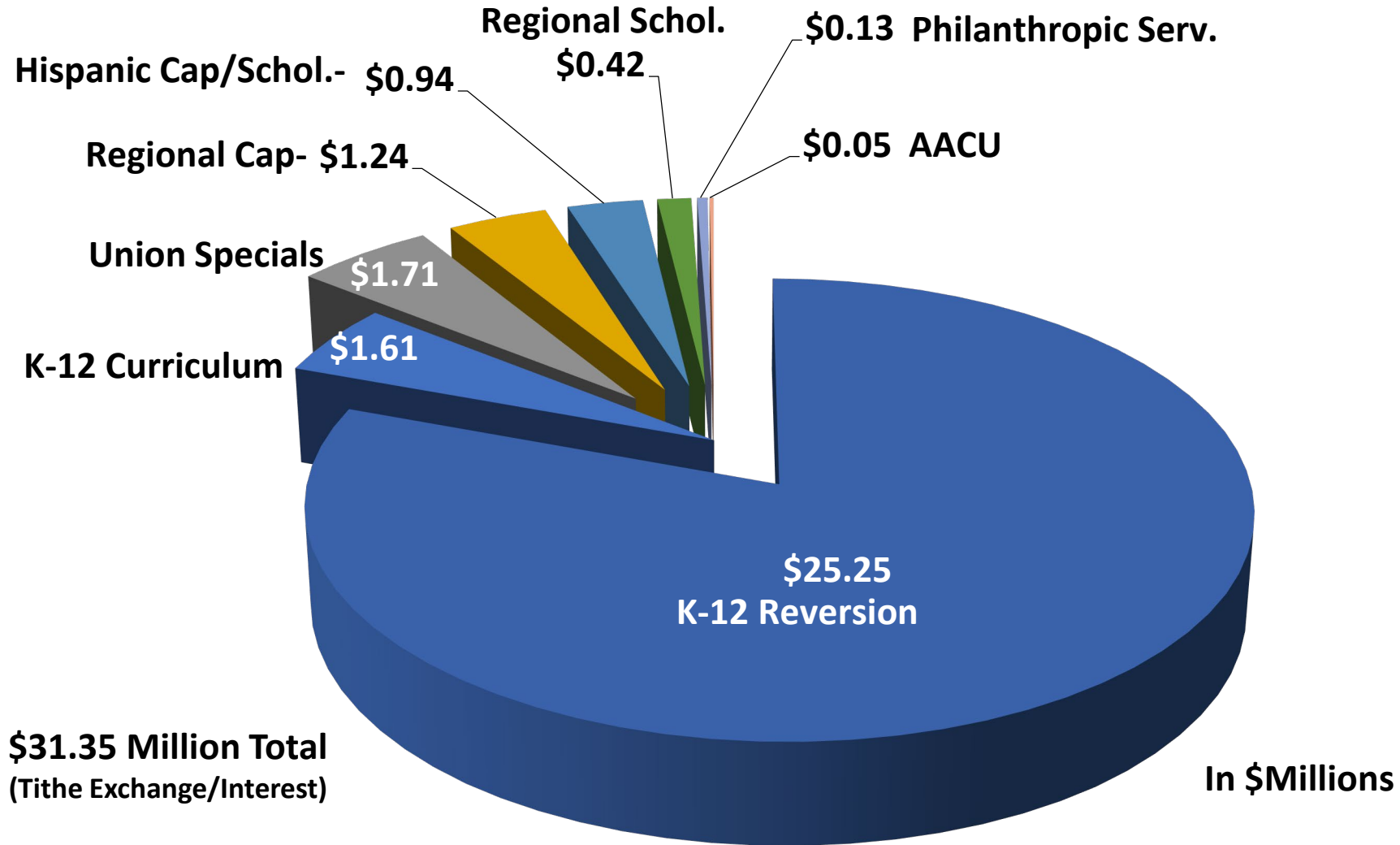


2020 Budgeted NAD Use of Tithe Funds:





2020 Budgeted NAD Use of Non-Tithe Funds:



Proposed Action:

- Voted: To approve the 2020 budget as presented providing for possible adjustments due to actual year-end tithe or other minor changes as authorized by NADCOM.



PURSuing HIS PROMISES

Guam and Micronesia





2020 Remuneration Factor Recommendations – GMM

January 1, 2020

\$3,682

Guam/Saipan

January 1, 2020

\$1,841

USD Micronesia

Proposed Action:

- Voted: To approve the 2020 Salary figures for Guam and Micronesia



PURSuing HIS PROMISES



Remuneration Recommendation





'The earth and everything in it, the world and its inhabitants, belong to the LORD; The earth and everything in it exists for the LORD - the world and those who live in it.' Psalm 24:1

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Special Presentation