Our Board Members

Jack L Krogstad, PhD CPA, Chair .................. NAD Lay Representative
Lowell C Cooper, MDiv MPH, Vice Chair .... GC Vice President
Paul H Douglas, MBA CPA, Secretary ........ GCAS Director
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South Pacific .................. Mark R Pannekoek, BS CA
Southern Asia .................. Michael Prasada Rao, MA
Southern Asia-Pacific ........ Ruel A M Baculanta, BS CPA
Trans-Africa Indian Ocean .... Emmanuel S Manu, ACCA CA
Trans-European ................ Sandra C Grice, CPA FCCA
Argentina
Australia
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Cote d’Ivoire
El Salvador
Ethiopia
France
Germany
Ghana
Haiti
Hong Kong
India
Indonesia
Jamaica
Japan
Kenya
Madagascar
Malawi
Mexico
Moldova
Mozambique
Nigeria
Peru
Philippines
Porto Rico
Romania
Russia
South Africa
South Korea
Switzerland
Tanzania
Thailand
Trinidad
Uganda
Ukraine
United Kingdom
USA
Venezuela
Zambia
Zimbabwe

Annual Report from the General Conference Auditing Service

Annual Report 2007

Presented at
Annual Council 2008
Manila, Philippines

GCAS Annual Report 2007
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ABOUT THE LOGO
The logo was created as a reflection of both the mission and core values of the General Conference Auditing Service (GCAS). The circular shape in the foreground, containing four converging “hands” of varying colors, is a representation of the convergence of four of GCAS’s core values—integrity, respect, professionalism, and efficiency—into the singular value of service. The circular shape is also a representation of the fact that these values converge in the context of global service. The curving line that originates at the GCAS initials and transitions to the circular shape in the foreground represents the GCAS mission of delivering excellence to the world church.

OUR MISSION
We serve God by delivering excellent audit services to the Seventh-day Adventist Church!

OUR VALUES
We each share a personal commitment to Christian Service. Our attitude and actions incorporate integrity, respect, professionalism and efficiency.

ACCOUNTING
Within a global economic perspective, there continues to be a deliberate move towards convergence of country specific accounting standards to a set of internationally recognized accounting standards.

AUDITING
The professional standards have increased the required communications about internal control deficiencies. As well, auditors now have to give attention to whether the client has responded to the noted deficiencies.

DENOMINATIONAL REQUIREMENTS

ACCOUNTING MANUAL
The General Conference and Division Treasurers voted to implement the new Seventh-day Adventist Accounting Manual (SDAAM) with an effective date of January 1, 2009. This new SDAAM incorporates the latest available international accounting and reporting standards.

The new SDAAM presents a more definitive requirement for conference/mission entities to use fund accounting, with the minimum of an operating fund and a plant fund.

WORKING POLICIES

Core Policies
The General Conference Executive Committee identified core policies to be tested during the audit engagement for each denominational organization. For each identified core policy, a materiality threshold was defined and a related assertion statement was developed which must be signed by the principal officers before the commencement of the audit engagement.

Each Division has the opportunity to add additional policies to the set of core polices that would be tested during the course of an audit engagement in the respective division.

Investments
The policies relating to the investment of church funds were revised by the General Conference Executive Committee at its Annual Council in 2007. Investments of church funds are now guided by a philosophy, core principles and certain policies designed to ensure that the appropriate risk is matched with reward, while maintaining the objective of being faithful stewards of God’s resources. Each division is to prepare its similar policy that guides the investment of church funds within its territory.

Financial Reviews
The GC Working Policy now makes provision for GCAS to conduct financial reviews. This is a lower level engagement than a financial audit. The General Conference Treasury is developing criteria to determine which denominational organizations would receive this level of service from GCAS. In response to this change in policy, GCAS is developing a standard review methodology to respond to such engagement.
GCAS Annual Report 2007

GCAS Annual Report 2007

Our Report Analysis

Most Frequent Reasons for a Qualified Opinion

» Assets not recorded on financial statements
» State of the accounting records
» Unable to obtain sufficient audit evidence
» Numerous outstanding items on account reconciliations
» Inadequate provision for bad debts

Most Frequent Working Policy Violations

» Missing or improperly constituted Financial Audit Review Committees
» Inappropriate use of tithe and ingathering funds
» Missing Conflict of Interest Statements
» Inadequate insurance coverage
» Local Church audits/reviews not performed
» Employee service records not updated and signed
» Monthly financial statements not prepared and presented

Most Frequent Internal Control Deficiencies

» Management override
» Inadequate segregation of duties
» Client personnel lack understanding of accounting principles
» Unauthorized transactions
» Insufficient supporting documentation
» Inadequate oversight and review of financial reporting system
» Opening of unauthorized bank accounts

On behalf of the GCAS Board, I congratulate GCAS for this inaugural Report to the 2008 Annual Council. The purpose of this ongoing Annual Report is to inform Church leadership about the overall state of the Church’s worldwide audit program and highlight trends and issues in its financial oversight system. The global functioning of the Church depends in large measure upon the level of trust that members place in Church leadership. GCAS supports Church leaders in their gospel mission by enhancing member trust through oversight that preserves financial accountability, reliability and transparency.

The approximately 200 professional auditors of GCAS truly deliver excellent audit services to the Church. With individual integrity, respect, professionalism and efficiency, they have collectively created a “Gold Standard” of excellence that is recognized throughout the world field. In fact, the North American operations of GCAS recently received its fourth consecutive “clean opinion” from an independent public accounting firm’s peer review. GCAS was recognized as adhering to the stringent quality standards established by the American Institute of Certified Public Accountants.

The 18-member GCAS Board includes five church officers and 13 laypersons (one from each division) with expertise in areas relating to financial management and auditing. The Board is elected by the General Conference in session and is chaired by a layperson. In essence, the GCAS Board is a governance and oversight mechanism instituted by the Church to ensure the structural independence of GCAS and promote responsible financial reporting policies and practices throughout the Church.

Jack
Jack L Krogstad, PhD CPA
GCAS Board Chair

GCAS is proud to present this inaugural Report to the 2008 Annual Council. For more than 30 years, GCAS has been delivering excellent audit services to the Seventh-day Adventist Church. From our modest beginnings GCAS has grown into a global organization of approximately 200 professionals operating from 45 country office locations. Our work is based on the highest international standards and rival the quality you would expect to find in an international accounting firm.

The GCAS Annual Report will provide you with an insight on our professional activities. The report represents the composite of these activities from our office locations around the world. It reveals the results of our audits which were provided to church leaders and their constituents as a part of administering their respective organizations.

Excellence is not an accident! With this common mind set the GCAS Leadership Team, supported by the GCAS Board, is very intentional in recruiting and retaining the right people; re-engineering the audit process to ensure that it is efficient and leverages the best available technologies; providing a product of audit reports that are timely to support effective financial oversight; creating partnerships to assist the Church in developing its accounting professionals; and managing our client relationships so that their perceptions will match the reality of excellence being delivered.

Let me express a special thank you to the GCAS Board for their support and to each of my colleagues for their service. Together we are making Delivering Excellence our signature!

Paul
Paul H Douglas, MBA CPA
GCAS Director
GCAS Annual Report 2007

OUR RESPONSIBILITY

Definition of Client Base

General Conference Working Policy 2007-2008

SA 05 25 Assignment—1. Client Base—The General Conference Auditing Service shall be the Seventh-day Adventist church’s preferred provider of auditing or financial review services. The client base includes all denominational organizations such as world divisions, unions, and local conferences and missions, unions of churches, institutions, organizations or services above the level of a local congregation.

Clients Not Audited vs. Audit Reports Issued

<table>
<thead>
<tr>
<th>Division Served</th>
<th>Financial</th>
<th>Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro-Africa Area</td>
<td>EUD</td>
<td>$350,000.00</td>
</tr>
<tr>
<td>Euro-Asia Area</td>
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</tr>
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<td>IAD</td>
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</tr>
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</tr>
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</tr>
<tr>
<td>Headquarters Total</td>
<td></td>
<td>$1,982,172.00</td>
</tr>
<tr>
<td>Revenue</td>
<td>$9,732,813.00</td>
<td></td>
</tr>
<tr>
<td>GC World Budget</td>
<td>$5,937,757.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$15,670,570.00</td>
<td></td>
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* The total number of clients is subject to change based on completing all pertinent work and ensuring all clients are clearly identified.

Our Resources

Demographics

- Gender: Male 49%, Female 51%
- Ethnicity: 81%

Professional Certifications

- Non-Certified: 49%
- Certified: 51%
- e.g., CPA, CCA, CA, CFE, etc.

Our Reports

Definitions

Conditions for Standard/Unqualified Audit Report*

The standard unqualified audit report is issued when the following conditions have been met:

1. All statements - balance sheet, income statement, statement of retained earnings and statement of cash flows - are included in the financial statements.
2. The three general standards of auditing have been followed in all respects on the engagement.
3. Sufficient appropriate evidence has been accumulated, and the auditor has conducted the engagement in a manner that enables him or her to conclude that the three standards of field work have been met.
4. The financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP). This also means that adequate disclosures have been included in the footnotes and other parts of the financial statements.
5. There are no circumstances requiring the addition of an explanatory paragraph or modification of the wording of the report.


Policy Compliance Report

Four Categories of Audit Reports*

- Standard Unqualified: The five conditions have been met.
- Qualified: The auditor concludes that the overall financial statements are fairly presented, but the scope of the audit has been materially restricted or generally accepted accounting principles were not followed in preparing the financial statements.
- Adverse: The auditor concludes that the financial statements are not fairly presented.
- Disclaimer: The auditor concludes that he or she is unable to form an opinion as to whether the financial statements are fairly presented, or he or she is not independent.

Statistics

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**GCAS Annual Report 2007**

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**Our Responsibility**

**Client Base**

- Divisions
- Unions
- Conference/Missions
- Educational Institutions
- Healthcare Institutions
- Publishing Houses/MAEs
- ADRA
- Trust
- Other

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**Policy Compliance Report**

- **Standard Report**: The policy compliance report does not mention any instances of non-compliance with denominational policy.
- **Non-Standard Report**: The policy compliance report does mention instances of non-compliance with denominational policy.

**Professional Certifications**

- Non-Certified
- Certified

GCAS Annual Report 2007

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AREA OFFICES
Euro-Africa .............................................. Norbert Zen, MBA
Euro-Asia ............................................. Ruel A M Baculanta, BS CPA
Inter-American ..................................... Felix Archbold, BS
North American ...................................... Robyn W Kajira, BS CPA
Northern Asia-Pacific .............................. Tae Seung Kim, BA
Southern African .................................... Coenraad J Haupt, IAC
South American ...................................... Lucas da Silva, MBA CPA
South Pacific ........................................... Mark R Pannekoek, BS CA
Southern Asia ......................................... Michael Prasada Rao, MCom
Southern Asia-Pacific ............................. Rabi Velasco, BS CPA
Trans-Africa Indian Ocean ......................... Sandra C Grice, CPA FCCA

OUR OFFICE LOCATIONS
Argentina
Australia
Bahamas
Brazil
Canada
Chile
Colombia
Costa Rica
Cote d’Ivoire
El Salvador
Ethiopia
France
Germany
Ghana
Haiti
Hong Kong
India
Indonesia
Jamaica
Japan
Kenya
Madagascar
Malawi
Mexico
Moldova
Mozambique
Nigeria
Peru
Philippines
Puerto Rico
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Presented at
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