We serve God by delivering excellent audit services to the Seventh-day Adventist Church!
Our Shared Mission

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

Our Shared Values

Service

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

Integrity

- We are guided by moral and ethical principles which are reflected in our conduct.

Respect

- We respect God by humbly dedicating ourselves to Him
- We respect our clients by valuing their opinions, understanding their needs, and supporting their mission.
- We respect our colleagues by valuing their contributions, understanding their needs, and supporting their professional growth.
- We respect our profession by applying its standards and best practices.

Professionalism

- We demonstrate a culture of helpfulness and courtesy by our attitude.
- We develop our core competencies through a commitment to continuous learning and obtaining the highest level of professional qualifications.
- We design our system of quality control to ensure our work complies with professional standards.
- We determine to communicate valuable information in an effective manner.

Efficiency

- We are committed to conserving church resources by providing the highest quality audits at the best economical value.

We each embrace these values enabling us to deliver excellence!
Serving God challenges each member of the GCAS family to deliver excellence every day. From 45 country office locations, approximately 200 professionals engage in the privileged task of adding an opinion to financial information prepared by church organizations. GCAS plays a pivotal role in enabling the worldwide Church membership to have the confidence that financial resources have been spent or safeguarded for their intended use.

Our 2009 Annual Report provides an insight on our professional activities by presenting the summarized results of audit engagements performed from office locations around the world. These results were provided in detail to church leaders and their constituents as a part of administering their respective organizations.

In response to the latest professional standards, GCAS revised its quality control framework to ensure that on every audit engagement excellence will be delivered. By holding ourselves to the highest of standards, we express our respect to the worldwide Church membership and extend our response to their highest expectations.

To the GCAS Board, I would like to say thank you for your support; and to my colleagues, I would like to say thank you for your service. Together we are making Delivering Excellence our signature!

Paul

Jack

Jack L Krogstad, PhD CPA
GCAS Board Chair

As a representative of the GCAS Board, let me express how honored we are to stand with GCAS personnel in their mission of serving God by “delivering excellent audit services to the Seventh-day Adventist Church.” Thank you for accepting your vocation as a Divine calling and your unwavering commitment to the “Gold Standard” of excellence.

During this past year of unprecedented global economic crisis, GCAS has once again stood tall as a leader for integrity, accountability, transparency, and efficiency. The work GCAS performs around the world is vital in nourishing an organizational culture of credible financial information. It is within this culture of credibility, Church leaders are able to make informed strategic decisions and church members receive reports about the use of financial resources.

This Report to the 2009 Annual Council, not only highlights the role and activities of GCAS during the past year, but, more importantly, invites Church leadership to celebrate a Church organization that can be trusted by its worldwide membership.

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Paul

Paul H Douglas, MBA CPA
GCAS Director
**Credibility Cycle**

The service GCAS provides to its client base enhances the credibility of financial information prepared and presented by Church organizations. When this credibility cycle functions at its optimum, it increases the confidence and trust of Church members that their leaders are being faithful stewards of God's resources.

*Definition of Client Base*

*General Conference Working Policy 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.*
Our Resources

The engine for delivering excellence is fueled by the revenue we receive from billing our services to clients in North America Division and an allocation from the General Conference World Budget for our services to clients in the remaining world divisions. We provide these services with a highly qualified team which is diverse in its composition and dedicated to the commitment of obtaining the highest professional qualifications.
**Conditions for Receiving a 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.

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**Categories of Opinions and Policy Compliance Reports**

### 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.

### 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.

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Statistics

Clients Not Audited vs. Audit Reports Issued

- Clients Not Audited: 33%
- Audit Reports Issued: 67%
- Total Clients: 2720
- Total Audit Reports Issued: 1810

Types of Policy Compliance Reports Issued

- Standard/Clean: 50%
- Non-Standard: 50%

Types of Opinions Rendered

- Standard/Clean: 62%
- Qualified: 29%
- Adverse: 4%
- Disclaimer: 5%
- Total Opinions Rendered: 1810

Total Assets Per Types of Opinions Rendered

- Standard: $3,394,000,000
- Qualified: $7,739,000,000
- Adverse: $132,000,000
- Disclaimer: $108,000,000
- Total Assets Audited: $11,459,000,000
An analysis of our reports reveals a frequency to certain findings which we would like to highlight. Each organization that is audited receives a written report to which denominational policy requires a response.

**Most Frequent Reasons for a Qualified Opinion**
- Assets not recorded on financial statements
- State of the accounting records
- Unable to obtain sufficient appropriate audit evidence
- Unable to verify numerous outstanding items on account reconciliations
- Inadequate provision for bad debts

**Most Frequent Working Policy Violations**
- Missing or improperly constituted Financial Audit Review Committee
- Inappropriate use of tithe and ingathering funds
- Missing Conflict of Interest Statements
- Adequacy of insurance coverage
- Local Church reviews not performed
- Employee service records not updated and signed
- Monthly financial statements not prepared and presented
- Investments made in instruments not allowed
- New corporations formed without approval

**Most Frequent Internal Control Deficiencies**
- Management Override
- Inadequate segregation of duties
- Client personnel lack understanding of accounting principles
- Inadequate oversight and review of financial reporting system
- Opening of unauthorized bank accounts
- Bank and inter-organizational accounts not reconciled
- Tithe reporting from local churches not monitored
- Lack of authorizations for transactions
Emerging Issues

The landscape of professional standards and denominational policies are in constant change. To remain on the leading edge of these changes, we highlight them here as emerging issues so Church leaders and their respective organizations can be prepared for implementation.

Professional Standards

Accounting

The convergence of country specific accounting standards to globally recognized International Financial Reporting Standards (IFRS) continues, with at least two major topics: expanded disclosures about fair values and a reporting standard for small and medium-sized entities.

Fair Value Disclosures

Expanded disclosures are required about the sources of information used to calculate the fair value of certain assets, liabilities, and financial activity. These disclosures are required in the USA for years beginning after November 15, 2007. These disclosures are the subject of a current exposure draft for international standards, which the International Accounting Standards Board (IASB) intends to publish as a standard during 2010. In the USA, there are now also expanded disclosures required for entities that hold investments for the purpose of endowments.

IFRS for Small and Medium-Sized Entities

In July 2009, the International Accounting Standards Board published an abridged version of IFRS, intended for use by entities whose debt or equity securities are not traded on an open market. This requires the same accounting foundation and basic financial statements as regular IFRS, but allows more flexibility in the scope of note disclosures. It may be implemented at the start of any annual period beginning after July 2009. USA GAAP does not yet have any comparable standard.

Auditing

There are no significant new professional auditing standards. However, auditors continue to refine their implementation of the internal control and risk assessment standards that became effective last year.

Denominational Requirements

Accounting Manual

The General Conference voted to implement the new Seventh-day Adventist Accounting Manual (SDAAM) beginning January 1, 2009, with all entities expected to be in conformity with SDAAM on January 1, 2011. Refinements to the illustrated financial statements in the SDAAM are being drafted to reflect the increased disclosure requirements, IFRS for small and medium-sized entities, and to illustrate financial statements for providers of health care services.

Working Policies

Addition to Core Policies

GCAS is now testing for compliance with policy in the context of the “core” policies designated in the 2008-2009 edition of General Conference Working Policy. A recommendation is being made to the 2009 Annual Council to include in these core policies being tested the requirement for each denominational entity to have a functioning Financial Audit Review Committee.

Financial Reviews

General Conference Working Policy now makes provision for GCAS to conduct financial reviews. This is a lower level engagement than a financial audit. General Conference Treasury is developing criteria to determine which denominational organizations would receive this level of service from GCAS.
GCAS has a uniform system of quality control, although it performs a wide variety of engagements from 45 country office locations. This system of quality control applies to audits, and related professional services, provided by GCAS. The GCAS system of quality control is based on the International Standards on Quality Control (ISQC) #1, and the American Institute of Certified Public Accountants’ (AICPA) Statement on Quality Control Standards #7 and contains six elements:

"Serving God by delivering excellent audit services."
**BOARD MEMBERS**

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Technology  

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Opinions  

Douglas D Reeves, BS CPA  
Trust  

Jeremy T Smith, BA CPA  
Process Improvement/Communication  

James E Trude, BS CPA  
Audit Methodology  

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Michael Prasada Rao, MA  
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Southern Asia-Pacific  

Norbert Zens, MBA  
Euro-Africa  

Open  
Trans-Africa Indian Ocean
Office Locations

Argentina, Australia, Botswana, 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, Romania, Russia, South Africa, South Korea, Switzerland, Tanzania, Thailand, Trinidad, Uganda, Ukraine, United Kingdom, USA, Venezuela, Zambia, Zimbabwe