confidence \\
\[\text{kän-fə-dən(t)s, - den(t)s}\]

*noun*: the feeling or belief that one can rely on someone or something; firm trust
WE would like to express our appreciation to the General Conference Executive Officers for developing a definitive response to concerns expressed by the GCAS Board regarding inadequacies related to transparency and accountability in financial reporting. The response which will be distributed at the 2011 Annual Council provides the framework to strengthen financial transparency and organizational accountability in the Seventh-day Adventist Church and its family of institutions.

We encourage Church leaders around the world to embrace and implement the framework provided in their respective organizations. There is a premium value to be placed on constituents and other stakeholders having confidence in their Church and its leaders. Confidence does not just happen! It requires leaders to make an investment in example; and it requires leaders to understand the multiple inputs required for confidence to surface and be sustained.

GCAS is proud to participate in the financial reporting process by providing excellent auditing services to the Seventh-day Adventist Church. There are three key initiatives that are ongoing which demonstrate our commitment to providing excellent services:

1. Our recent reorganization will allow us to position people in locations around the world to meet service demands more economically;
2. Our study in connection with General Conference and Division administrations will allow us to match resources to the risk related to organizations that are financially significant; and
3. Our investment in technology will allow us to transform the audit process to a digital environment and increase productivity.

The long-term benefits for these three key initiatives include a service delivery that is more timely, a financial oversight system that considers risk, and an audit engagement that is more effective and efficient.

Our 2010 Annual Report provides 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 constituent stakeholders as a part of administering their respective organizations.

A special thank you is extended to our approximately 200 professionals operating from 35 regional offices who make Delivering Excellence our signature everyday!
Our Responsibility

Client Base—The General Conference Auditing Service shall be the Seventh-day Adventist Church’s preferred provider of auditing or financial review service. 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 the local congregation.

*General Conference Working Policy SA 05 25*
Stakeholders provide financial resources.

Church organizations use these resources for their mission.

Church organizations present audited information to stakeholders.

GCAS performs audits of this financial information.

Church organizations prepare financial information.
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 the allocation from the General Conference World Budget for our services to clients in the remaining world divisions.

Revenue

- Engagement Fees, 47.39%
- GC World Budget Appropriation, 52.49%
- Other Income, 0.12%

Professional Certification

- Certified 56%
- Non-Certified 44%
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.

Demographics

 Expenses

- Salaries & Benefits, 70.89%
- Travel, 20.37%
- Administrative & General, 6.91%
- Professional Resources, 0.35%
- Professional Development, 0.89%
- Professional Equipment, 0.60%
Our Audit Process

AGREE
- Develop and agree on written terms of engagement with the client

OBTAIN
- Obtain information about client’s accounting and financial reporting system

ASSESS
- Assess the risk of material misstatement, whether due to error or fraud

PERFORM
- Design and perform audit procedures based on assessed risk of material misstatement

CONCLUDE
- Analyze results, draw conclusions, and form an opinion about the financial statement

REPORT
- Prepare and issue audit opinion and other communications to prescribed recipients
Types of Opinions

**Standard/Unqualified**

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

**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.

Types of Policy Compliance Reports

**Standard/Unqualified**

The policy compliance report does not mention any instances of non-compliance with denominational policy.

**Qualified**

The policy compliance report does mention instances of non-compliance with denominational policy.
Most Frequent Reasons for a Qualified Opinion

» Assets not recorded on financial statements
» State of the accounting records
» Unable to obtain sufficient audit evidence
» Uncertainty regarding value of investments and receivables
» Unable to verify numerous outstanding items on account reconciliations
» Inadequate provision for bad debts

Types of Opinions Rendered

- Standard/Unqualified: 65%
- Qualified: 25%
- Adverse: 5%
- Disclaimer: 5%

Total Opinions Rendered = 1495
Total Assets Per Types of Opinions Rendered

- Standard, $8,171,000,000
- Qualified, $2,385,000,000
- Adverse, $201,000,000
- Disclaimer, $68,000,000

Total Assets Audited = $10,825,000,000
**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
- Reviews of local church records 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
- No budget provision to recover losses/deficits

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**Policy Compliance Reports Issued**

- 54% Qualified
- 46% Standard/Unqualified
Most Frequent Internal Control Deficiencies

» Management override
» Inadequate segregation of duties
» Client personnel lack understanding of accounting principles
» Material audit adjustments
» 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

Status of Audit Engagements

Total Clients = 2530
Total Audit Reports Issued = 1495
Emerging Issues 2011-2012

Professional Standards

Accounting
The convergence of country specific accounting standards to globally recognized International Financial Reporting Standards (IFRS) continues. Some countries that have adopted IFRS for public companies are also developing specific accounting standards for not-for-profit entities.

Conceptual Framework
» The International Accounting Standards Board (IASB) is continuing its project to create a sound foundation for future accounting standards to ensure that they are principle-based and internally consistent.

Leases
» IASB is continuing its process of developing a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.

Employee Benefits
» The IASB recently amended standards on employee benefits to consolidate guidance on short-term benefits and termination benefits, which had previously been in separate standards, and to improve disclosures about how employee benefit plans affect the entity’s financial statements. This new guidance is effective January 1, 2013.

Auditing
The International Audit and Assurance Standards Board (IAASB) is working on a project to enhance the usefulness of the auditor’s report. It will consider users’ perceptions about the standard auditor’s report, with input from academic studies and certain country-specific standards.
Denominational Requirements

Working Policies
Addition to Core Policies
» GCAS is now testing for compliance with policy in the context of the “core” policies designated in the 2009-2010 edition of General Conference Working Policy. The 2010 Annual Council voted to include in these core policies the requirement for each denominational entity to have its controlling committee approve an investment policy statement and perform an asset allocation study. GCAS will be testing for compliance with this core policy during 2011.

Financial Reporting
» The General Conference is in the process of revising polices which incorporate best practices related to the receipt, response and resolution of issues identified in audit reports provided by GCAS or by an external audit firm. This revision to policy is intended to develop a common expectation of transparency and accountability for all denominational organizations.

Financial Reviews
» GC 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.

Accounting Manual
The General Conference extended the deadline for implementation of the new Seventh-day Adventist Accounting Manual (SDAAM), with all entities expected to be in conformity on January 1, 2012. Educational seminars have been provided. Refinements to the illustrated financial statements in the SDAAM are being drafted to reflect increased disclosure requirements, and to clarify the applicability of fund accounting. The IASB issued an optional abridged IFRS for small and medium-sized entities, which the denomination will study to determine what impact, if any, it may have on the SDAAM.
**Board Members 2010 - 2015**

- **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

- **Ted N. C. Wilson, PhD**
  GC President

- **G.T. Ng, PhD**
  GC Secretary

- **Robert E. Lemon, MBA**
  GC Treasurer

- **Ailton Dorl, MBA**
  SAD Representative

- **Hyden Gittens, M.Sc, CPA**
  IAD Lay Representative

- **Elvira Grosu, ACCA**
  EUD Lay Representative

- **Svetlana Kara, CCIM**
  ESD Lay Representative

- **Philip Maitanmi, CA**
  WAD Lay Representative

- **Philip Ndlovu, B.Sc, CA**
  SID Lay Representative

- **Yungsang Oh, M.Sc, CPA**
  NSD Representative

- **Frensly Panneflek, MBA, M. Sc**
  TED Lay Representative

- **Lotie Ragas, MPA, CPA**
  SSD Lay Representative

- **John Stanley, Ph.D**
  SUD Lay Representative

- **Evelyn Will, BBus**
  SPD Lay Representative

- **Vincent Zirimwabagabo, B.Com**
  ECD Lay Representative

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**team·work noun** ˈtēm-ˌwərk:

work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole
Leadership Team

Paul H. Douglas, MBA CPA
Director

John H. Adu, CPA CA
HQ Engagements

Linda E. Fredlund, CPS/CAP
Employment & Budget

Ludmila G. Leito, BA BS
Communication & Scorecard

Daniel E. Herzel, BA CPA
Professional Standards

James E. Trude, BS CPA
Audit Methodology

Chris S. Garrity, MBA CPA CFE
Quality Control

Paul W. Johnson, BS CPA CFE
Opinions

Jeremy T. Smith, BA CPA
Process Improvement

Mark S. Hyder, JD MBA CPA CFE
Professional Development

Gary B. Blood, BS MCP
Technology

Robyn W. Kajiura, BBA CPA
North America

Furaha Mpozembizi, BCom CA ACCA
Trans Africa

Rogelio Cortez, BBA CPA
Trans America

Paul J. Edwards, BBA CPA ACCA
Trans Asia-Pacific

Sandra C. Grice, BS CPA FCCA
Trans Euro-Asia
Our Shared Values

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

We each embrace these values enabling us to deliver excellence!

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

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

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**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.