



ANNUAL Report

We each share a personal commitment to Christian Service!



Our attitude and actions incorporate **integrity, respect, professionalism, & efficiency.**



Presented at Annual Council 2013
Silver Spring, Maryland, USA



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!

TABLE OF CONTENTS

I AM EXCELLENCE!	4
EXCELLENCE IN LEARNING	6
EXCELLENCE IN LIVING	10
OUR RESPONSIBILITY	12
WORK PLAN RESULTS	13
OUR RESOURCES	14
OUR AUDIT PROCESS	16
TYPES OF REPORTS	17
ANALYSIS OF REPORTS	18
EMERGING ISSUES	20

*By Bbending excellence
in learning
with excellence in
living
we become
People of Excellence*

*Daily demonstrating
Christ in our professional
and personal service*

*Excellence is what we
do!*

*Excellence is who we
are!*

Excellence is everything!

*All because of Whom
we serve!*



Paul H. Douglas (Director) and **Jack Krogstad** (Board Chair) presenting their respective Keynote and Welcome addresses during **CONNECT2013** in Riviera Maya, Mexico

I AM EXCELLENCE!

With this simple statement we have crystallized how we learn and how we live. We believe that in our service to God He demands our excellence; and in service to our clients they deserve our excellence!

GCAS has made significant investments in providing learning opportunities for every job level. Our learning program is centered on developing a set of core competencies with a view of realizing expected outcomes. These competencies are a set of skills that create value in our colleagues and for our clients. Enhancing these competencies is key to our delivering excellent service.

Beyond serving the Church in a professional capacity, we encourage our colleagues to engage in personal ministry with their local church and community. Being the hands and feet of Christ is a rewarding aspect of living! In connection with our learning seminars we set aside time to be involved in community activities.

As we learn and live, GCAS is proud to participate in the financial reporting process by providing excellent audit services to the Seventh-day Adventist Church. Now that a new GCAS Funding Arrangement has been finalized with the General Conference and World Divisions, we will be in a better position to address the complete portfolio of our responsibility.

Our 2012 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 constituent stakeholders as part of administering their respective organizations.

A special thank you is extended to our approximately 250 professionals operating from offices in 45 different countries who make Delivering Excellence our signature every day!



OUR LOGO was created as a reflection of both the mission and core values of 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**.

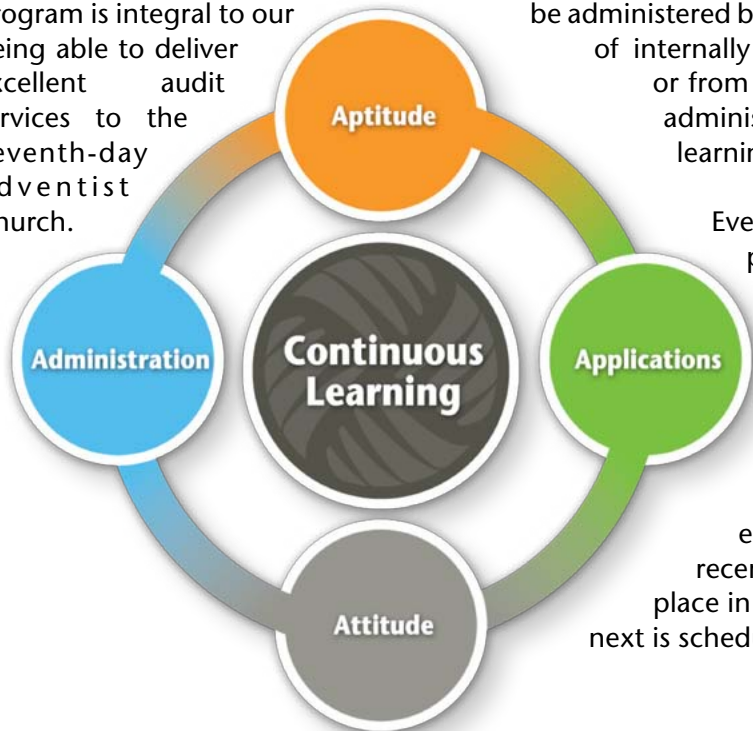
The circular shape is also a representation of the fact that these values converge in the context of global service. The curving line that originates at the GCAS initials and transitions to the circular shape in the foreground represents the GCAS mission of **delivering excellence to the world church**.



EXCELLENCE IN LEARNING

Our Learning Model

GCAS values each of its professionals and is committed to providing a robust professional development program during their tenure. Our shared values guide us to respect our colleagues by valuing their contributions, understanding their needs, and supporting their professional growth. Further, our shared values guide us to develop the core competencies** of our colleagues by providing opportunities for continuous learning and supporting the attainment of the highest professional qualifications. We believe that our professional development program is integral to our being able to deliver excellent audit services to the Seventh-day Adventist Church.



The learning components of our professional development program are designed to ensure that all of our colleagues possess competencies that make them well rounded professionals and promote continuous learning.

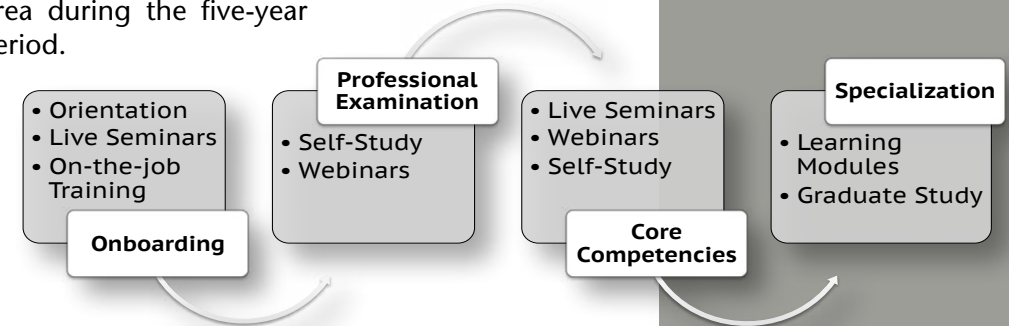
Our Learning Modes

GCAS delivers learning opportunities using different modes such as live seminars, webinars, self-study, and on-the-job training. These modes can either be administered by GCAS from its library of internally developed programs or from enrollment in courses administered by accredited learning organizations.

Every five years all GCAS professionals gather for a global CONNECT conference which provides opportunity for capstone learning, strategic focus, and collaborative engagement. The most recent CONNECT took place in January 2013 and the next is scheduled for January 2018.

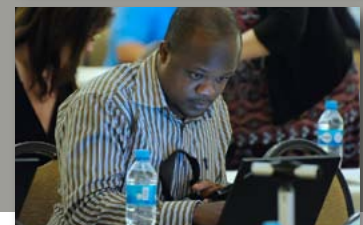
*By blending
excellence in Learning...*

Between these quinquennial events, scheduled learning opportunities are designed to build and enhance the five GCAS core competencies. Key components of these learning opportunities are the seminars scheduled by each GCAS geographic Area during the five-year period.



The learning plan for each GCAS professional follows a timeline that matches our learning expectations with their length of experience. Individual professional development plans are tailored to build individual job competencies at each professional level. The timeline focuses on four key areas for which learning is delivered using the appropriate mode.

GCAS has been a NASBA CPE Sponsor since 2005. NASBA is the National Association of State Boards of Accountancy and together with the AICPA establishes CPE Standards for CPAs.





** Core Competencies

Expected Outcomes

Communication & Leadership

Able to give and exchange meaningful information with appropriate delivery and interpersonal skills. Able to influence and inspire others to achieve results.

Client Satisfaction

Able to anticipate and meet the changing and competing needs of our clients.

Strategic & Critical Thinking

Able to link data, knowledge, and insight together to provide quality advice for strategic decision-making.

Accounting & Auditing

Able to understand and apply relevant accounting standards. Able to design and implement responsive audit strategies.

Technology

Able to utilize and leverage available technologies to complement audit strategies, communicate with clients, and collaborate with colleagues

Qualifying organizations may apply to NASBA to become sponsors and are required to go through a rigorous evaluation process to achieve sponsorship status. This NASBA CPE sponsor designation allows the organization to issue CPE certificates for continuing education programs. GCAS has been authorized to provide CPE via the live seminar delivery method, and moving forward GCAS is applying for authorization to add two additional delivery methods, group internet-based (GIB) and self-study (SS). These additional delivery methods will facilitate wider distribution and participation of the global GCAS community.

As a global community, GCAS professionals hold various professional accounting certifications including Certified Public Accountant (CPA), Chartered Accountant (CA), or ACCA (Association of Certified and Chartered Accountants) designations. GCAS as an employer is currently working toward securing the designation of an ACCA Approved Employer, which will facilitate and streamline the ACCA certification process.

each year. For those who are studying for a professional examination or enrolled in a graduate study course, they are considered to have met their CPE requirement for the year.

In addition, each professional is expected to meet the CPE requirements in the jurisdiction of their specific certification and/or licensure, as well as any CPE requirements for specializations such as Certified Fraud Examiner (CFE) or Trust Auditor.

GCAS learning expectations include CPE topic selection of relevance to the auditors' work location and client base. Learning expectations are communicated as part of the onboarding process and are an integral part of the personal professional development plan collaboratively developed between the employee and regional manager. These plans are then reviewed as part of the annual employee performance evaluation.

GCAS' CPE requirement matches the highest standards of the accounting profession and is consistent with what is needed to maintain licensure and remain on the leading edge of what the profession demands.

Our Learning Metric

GCAS requires all of its professionals to complete at least 120 hours of continuing professional education (CPE) every three years, and to complete a minimum of at least 20 hours of CPE

Delivering excellent audit services to the Seventh-day Adventist Church is dependent on each GCAS professional possessing the requisite competencies to perform at the highest professional standards.

SERVICE | INTEGRITY | RESPECT | PROFESSIONALISM | EFFICIENCY



CONNECT2013
Riviera Maya, Mexico



North America Area
Tennessee, USA



Trans Africa Area
Bloemfontein, South Africa



Trans America Area
Florida, USA



Trans Asia Pacific Area
Yu Chih, Taiwan



Trans Euro Area
Hosur, India

EXCELLENCE IN LIVING

GCAS understands the importance of excellence in every aspect of life. We encourage our family to exemplify excellence in their living. How do we corporately model this behavior? Through **EXCELLENCECONNECTS**, a corporate initiative to nourish the spirit through devotion and prayer. The top of each week begins with a devotional and allows time for each member to stop, meditate, and pray. It is our hope that this inspires, through the power of the Holy Spirit, continual practice each and every day.



Want to receive these devotionals?
Let us know at www.gcasconnect.org

As each embraces the power of the Holy Spirit, they are empowered to exemplify excellence in their living through service. **EXCELLENCESERVES** is demonstrated through our members serving their local congregations as elders, treasurers, deacons, deaconesses, and teachers. You may find them helping their local church by working on a lamb shelter and church buildings,

mowing the grass, or participating as a guest speaker for the children's program at campmeeting. EXCELLENCESERVES! also goes beyond the local congregation, many individuals have participated in various mission projects such as building a church and installing water pumps in Panama, evangelistic series presented in the Philippines, church renovations plus VBS for the village children in Catanduanes, and providing supplies for orphan children and poor families at Nakivale refugee camp in Uganda.

Corporately we also want to model how EXCELLENCESERVES! In January 2011, while attending the Trans Euro Asia Area meetings held in Bangalore, India, a group went to visit the **Sunshine Children's Home and School**, an orphanage (today cares for over 100 children) founded by Dorothy Watts in 1979, and actually began out of the Watt's home.

During our visit, we enjoyed music performed by the children, fresh coconut water and wonderful conversation. A tour of the grounds provided a look into their daily activities and as such, many were touched by the wonderful

guidance that Beulah Fernandez, the Sunshine Director, and other staff effortlessly provide. As a result, an offering was collected and the gift was presented to the orphanage.

However, this is not the end of the story. During the following years, many of the attendees continued to support the orphanage through donations and sharing their experience with those, they came in contact. In January, during **CONNECT2013**, GCAS corporately adopted the Sunshine Children's Home and School as its mission project.

Through the Sabbath offering and pledges the total amount collected and sent was USD9,625 (Rs 584,943). With the funds, the Sunshine Children's Home and School will be able to benefit from the purchase of solar water heaters for the children and a tiller with a trailer to cultivate the land. In addition, they will be able to purchase enough paint to cover all the residential buildings, and enough supplies to repair all the leaky roofs. Come January 2014, we will select a new mission project in a different division and continue to minister and serve with excellence.



The children at Sunshine consider each other as brother and sister!

ExcellenceServes through Missions:

Annie Machamire | Audit Staff
Trans Africa Area

Mission Trip to Zimbabwe with family.
"There is no greater joy then to share Christ with children and see them eager to learn and remember Bible verses."

Sung Hyo, Kim | Audit Senior
Trans Asia Pacific Area

Mission Trip to Elido, Philippine with the Saman Church in Korea.
"Along with my daughter, I had the opportunity to remember our mission and service to others while we helped build the church and hold evangelistic meetings."

Diane Baier | Administrative Assistant
North America Area

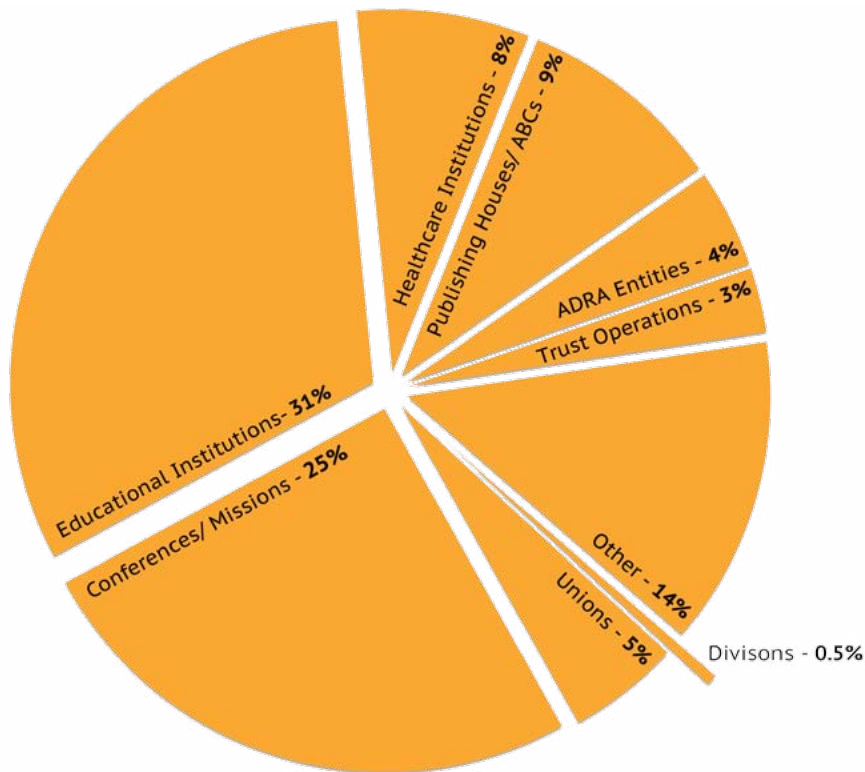
Mission Trip to Panamá with Chesapeake Conference
"One of the important things I learned was that even when we go out to do God's work, we sometimes bring our own agendas and we have to let go of them and see God work."

...with excellence in Living...

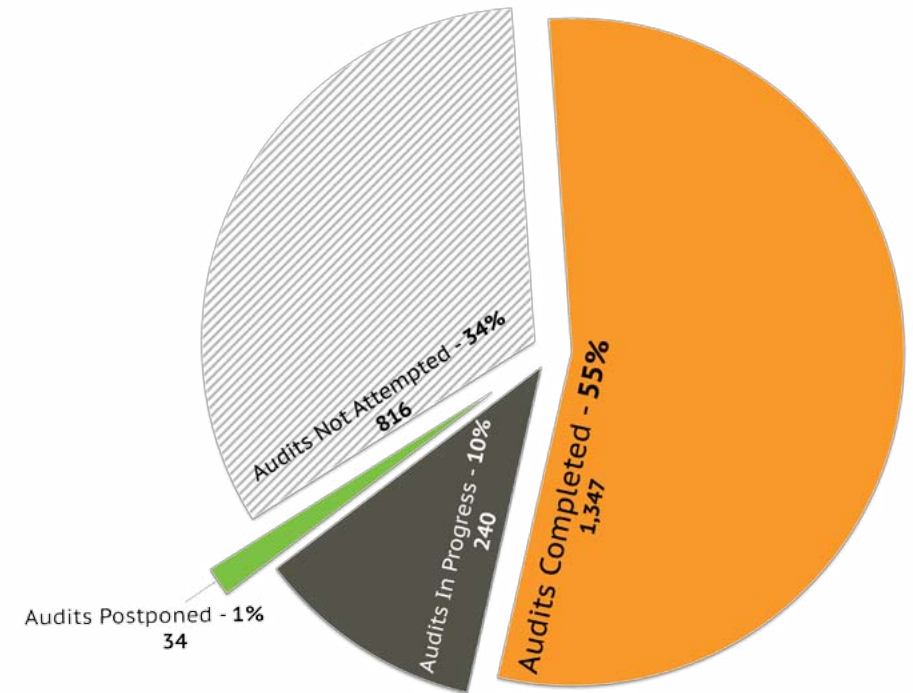
OUR RESPONSIBILITY

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 General Conference institutions, world divisions and their institutions, unions/unions of churches and their institutions, local conferences/missions and their educational institutions at the secondary level or higher, and Adventist Development and Relief Agency country offices and projects not audited by external auditors.

General Conference Working Policy SA 05 25



WORK PLAN RESULTS



Type of Entities	Total Portfolio	Audits Completed	Audits In Progress	Audits Postponed	Assets Not Attempted	Assets Audited	Revenues Audited
Divisions	13	13				758,000,000	315,000,000
Unions	121	94	9		18	1,287,000,000	416,000,000
Conferences/Missions	613	401	74	8	130	4,308,000,000	1,804,000,000
Educational Institutions	764	370	46	7	341	3,175,000,000	2,314,000,000
Healthcare Institutions	187	77	25	2	83	620,000,000	581,000,000
Publishing Houses/ABCs	225	123	27	2	73	370,000,000	170,000,000
ADRA	108	45	11	9	43	60,000,000	65,000,000
Trust	70	18	15		37		
Other	336	206	33	6	91	3,740,000,000	1,117,000,000
Total	2437	1347	240	34	816	14,318,000,000	6,782,000,000

Daily demonstrating Christ...

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.

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.

...we become People of Excellence!

Our qualified team consists of **26% females** and **74% males**.



Pinky Joy Jago-on
Philippines



Kirsten Dunlop
Australia



Mo Leal
United States



Paul Klugan
Ghana

Within this group **62%** are professionally certified, and **38%** are working towards certification.

GCAS Funding Arrangement BY THE NUMBERS

2000

Year GCAS organized as a global organization with funding based on a one-time reduction in appropriation to Divisions and GC assumes all audit costs.

62%

Average number of audits completed based on a staffing level.

\$6.6 Million

Amount by which GCAS was underfunded and is now addressed by cost sharing plan.

2014

Year Cost Sharing plan between GC and Divisions for audit costs will begin.

63

Number of new auditors needed worldwide based on a new financial agreement.

Subsidy for audit costs of conference type of entities.

80%

20%

GC subsidy of audit costs of owned and operated type entities.

6.78%

Annual World budget allocated to GCAS.

3

The initial Memorandum Of Understanding (MOU) signed between GC and Divisions will be for the period of three years.



Develop and agree on written terms of engagement with the client

Obtain information about client's accounting and financial reporting system

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

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

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

Prepare and issue audit opinion and other communications to prescribed recipients



AGREE

OBTAIN

PERFORM

ASSESS

CONCLUDE

REPORT

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 accounting reporting standards 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.

*...in our Professional
and Personal service!*

Policy Compliance

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.

ANALYSIS OF REPORTS

MOST FREQUENT REASONS FOR A QUALIFIED OPINION:

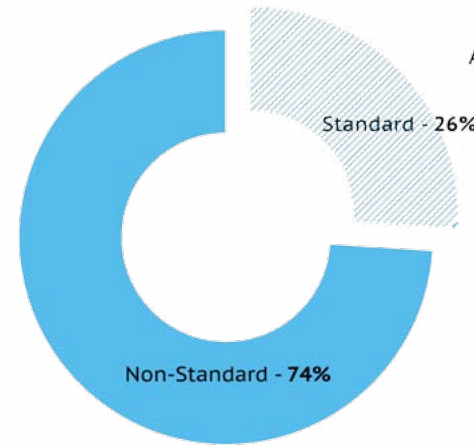
- Not recording real property by proper organization
- Improper valuation of investments
- State of the accounting records
- Lack of evidence to support inventory balances
- Unable to verify outstanding items on account reconciliations
- Not discounting interest-free accounts receivable from related entities
- Unable to obtain sufficient audit evidence

MOST FREQUENT WORKING POLICY VIOLATIONS:

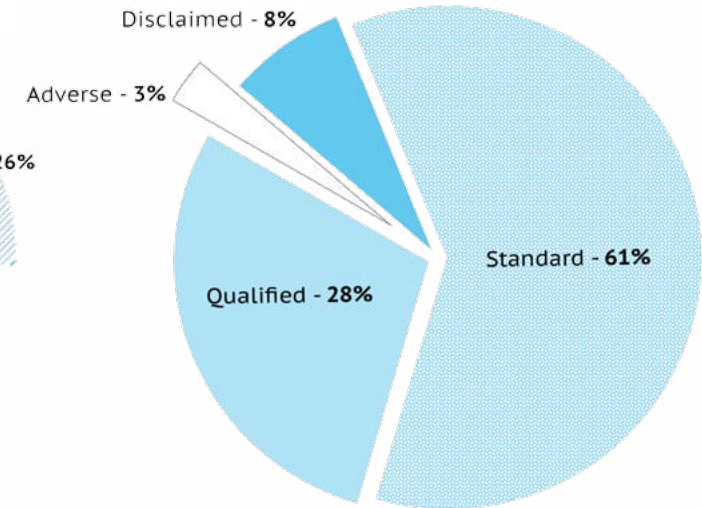
- Failure to classify investment assets based on a time horizon
- Not providing monthly FS to governing board
- Missing Conflict of Interest Statements
- Employee service records not updated and signed
- Missing or improperly constituted Audit Committee
- Not performing asset allocation study of investments
- Not taking insurance coverage on denominational properties

Excellence is everything...

Policy Compliance Reports Issued



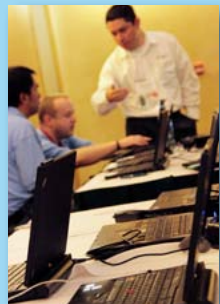
Types of Opinions Rendered



\$11,580,000,000	Standard	\$5,034,000,000
\$2,367,000,000	Qualified	\$1,479,000,000
\$153,000,000	Adverse	\$150,000,000
\$218,000,000	Disclaimed	\$119,000,000
Total Assets Audited: \$14,318,000,000		Total Revenue Audited: \$6,782,000,000

Most Frequent Internal Control Deficiencies:

- Inadequate segregation of duties
- Lack of authorization for transactions
- Lack of evaluation of allowance of uncollectible accounts receivable
- Inadequate backup documentation on expense report
- Bank and/or inter-organizational accounts not reconciled
- Improper computation of fair value of investments
- Lack of Board authorization for opening bank accounts
- No physical inventory count
- Management override of internal controls
- Lack of approval of journal vouchers by responsible official



Professional Standards

Accounting for Leases

The International Accounting Standards Board (IASB) has issued an exposure draft outlining proposed changes to the accounting for leases. Under existing standards, a majority of leases are not reported on a lessee's balance sheet. The new proposal would require a lessee to recognize assets and liabilities for the rights and obligations created by leases of more than 12 months, thereby causing most leases to be reported on a lessee's balance sheet.



GCAS Board Meeting during Annual Council 2011

Excellence is what we do!

Auditor's Report

The International Auditing and Assurance Standards Board (IAASB) has issued an exposure draft of proposed changes in the content of the auditor's report on financial statements, in an effort to improve that report. The proposal would require certain additional information to be included in the auditor's report. This includes the reporting of the most significant matters during the audit to

be reported as "key audit matters," the appropriateness of management's use of the going concern basis of accounting, improved description of the responsibilities of the auditor, and the name of the engagement partner. It is anticipated that these changes will positively benefit the quality of financial statement audits and users' perception of the audits.

Disclosures about Risks

Benefit Plans

International Financial Reporting Standards (IFRS) has expanded disclosures requirements for employee benefit plans to include management's conclusions about risks associated with participation in multi-employer benefit plans, including the risk of liability for contributions to cover benefits for employees of other participating employers in the group.



GCAS Board members; Svetlana Kara (Euro-Asia Division), Evelyn Will (South Pacific Division), Phillip Ndlovu (Southern Africa-Indian Ocean Division)

Denominational Requirements

Investments

At the end of 2012, the Executive Committee of the General Conference of Seventh-day Adventist amended the denomination's investment policy to require all affiliated organizations to engage the services of an independent certified management consultant to assist in the development and monitoring of the investment strategies. An additional amendment to this investment policy was to require all investment managers to meet high professional criteria, including an absence of a conflict of interest. These new requirements are still being implemented.

Financial Reporting

The General Conference revised its policies to 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 made to policy is intended to develop a common expectation of transparency and accountability for all denominational organizations. Included in the revised policies are expectations for each organization to have its financial records completed no later than 90 days after the close of its fiscal year-end; have the auditor issue a final report no later than 60 days after the close of audit engagement; and have each organization establish an audit committee that is comprised of members not in its employment.

Excellence is who we are!

All because of Whom we serve!

BOARD MEMBERS 2010 - 2015

NAD Lay Representative, **Chair** | **Jack L Krogstad**, PhD CPA
GC Vice President, **Vice Chair** | **Lowell C Cooper**, MDiv MPH
GCAS Director, **Secretary** | **Paul H Douglas**, MBA CPA
GC President | **Ted N C Wilson**, PhD
GC Secretary | **GT Ng**, PhD
GC Treasurer | **Robert E Lemon**, MBA
ECD Lay Representative | **Vincent Zirimwabagabo**, BCom
ESD Lay Representative | **Svetlana Kara**, CCIM
EUD Lay Representative | **Elvira Grosu**, ACCA
IAD Lay Representative | **Hyden Gittens**, M.Sc CPA
NSD Lay Representative | **Yungsang Oh**, M.Sc CPA
SAD Lay Representative | **Ailton Dorl**, MBA
SID Lay Representative | **Phillip Ndlovu**, B.Sc CA
SPD Lay Representative | **Evelyn Will**, BA
SSD Lay Representative | **Lotie Ragas**, MPA CPA
SUD Lay Representative | **John Stanley**, PhD
TED Lay Representative | **Frenslly Panneflek**, MBA M. Sc
WAD Lay Representative | **Philip Maitanmi**, CA



CONNECT2013

LEADERSHIP TEAM

Director | **Paul H Douglas**, MBA CPA
HQ Engagements | **John H Adu**, MBA CPA CA
Employment & Budget | **Linda E Fredlund**, CAP-OM GPHR
Communication & Scorecard | **Ludmila G Leito**, BA BS
Process Improvement | **Jeremy T Smith**, BA CPA
Professional Development | **Maurine Wahlen**, MBA CPA
Professional Standards | **Daniel E Herzel**, BA CPA
Audit Methodology | **James E Trude**, BS CPA
Quality Control | **Kimberly Westfall**, BBA CPA
Opinions | **Paul W Johnson**, BS CPA CFE
Technology | **Gary B Blood**, BS MCP

Area Offices

North America | **Robyn W Kajiura**, BBA CPA
Trans Africa | **Furaha Mpozebizi**, BCom CA ACCA
Trans America | **Rogelio Cortez**, BBA CPA
Trans Asia Pacific | **Paul J Edwards**, BBA CPA ACCA
Trans Euro Asia | **Sandra C Grice**, MBA CPA FCCA