

The logo consists of the letters 'GCAS' in a bold, black, sans-serif font, centered within a white square. This square is enclosed by a thick orange border. The entire logo is centered on a white background that is itself framed by a thick orange border.

**GCAS**

## 2016 annual report

*Presented at Annual Council 2017*



**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.

## our content:

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General Conference of Seventh-day Adventists | 12501 Old Columbia Pike, Silver Spring, MD 20904, USA  
Layout: Ludi Leito | Photos: Shutterstock.com



## DIRECTOR'S MESSAGE

GCAS is proud to present the 10th edition of its Annual Report to the General Conference Executive Committee. For the past ten years, our reports have summarized results of audit engagements performed around the world and shared emerging trends on denominational financial reporting and policy compliance. The data presented in these reports prompted positive reactions from Church leaders to enhance the overall system of financial oversight.

A seminal document entitled *Transparency and Accountability: A Global Commitment of Seventh-day Adventist Church Leaders* continues to be distributed worldwide and exemplifies a positive reaction from Church leaders to data we have reported. Training for Church leaders, boards and committees regularly features the subject matter addressed in the document with the expressed expectation for the information to be both appreciated and applied.

Providing data-driven insights to Church leaders match our service commitment to effectively communicate valuable information resulting from our work. There are data-driven insights we are developing from audit results to complement our annual reports. Included in these insights will be correlations and indicators regarding financial health; benchmarks for comparative measurements of financial performance; and risks to be considered that have an impact on financial reporting.

GCAS participates in the financial oversight system of the Church and we count as part of our organization approximately 275 professionals operating from 45 different countries. A special thank you is expressed to everyone and their families for the contribution that is made each day in service to God and His Church.



Paul H. Douglas, MBA CPA  
GCAS Director



Jack L. Krogstad, PhD CPA  
GCAS Board Chair

## 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!*

# OUR SHARED MISSION & VALUES

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



# OUR RESOURCES

The engine for *Delivering Excellence* is fueled by an appropriation received from the General Conference and revenue we receive from billing our clients to recover the cost of the services to them. The appropriation received from the General Conference represents 6.7% of its world budget and is used to provide subsidies for the costs of audit engagements outside of North America. The remaining costs that are not subsidized are passed to the respective world divisions where our work is being performed and represents their share of the cost for the audit of entities located in their territory.

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 in order to deliver excellence. Our team has responded to God's call to devote their talents to serving Him and His church.

## Human Resources

Female **27%**  
Male **73%**

## Professional Certification

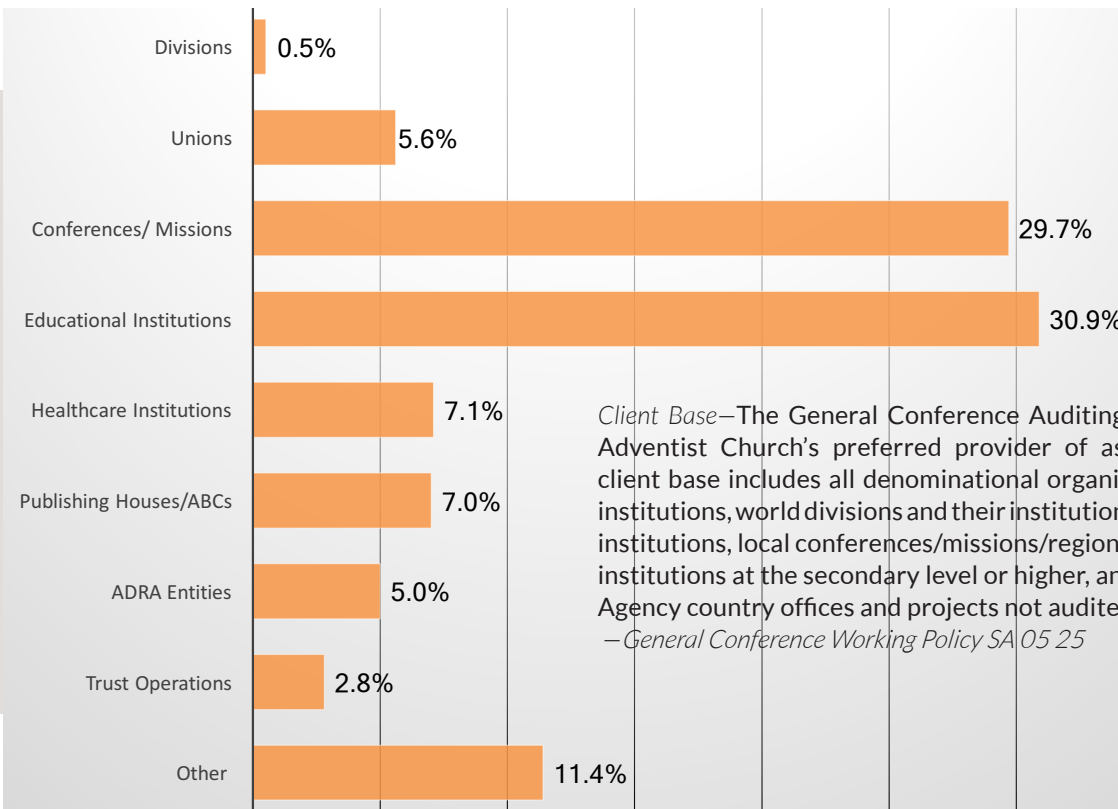
Certified **68%**  
Non-Certified **32%**

# OUR SERVICE AREA MAP

- North America
- Trans Euro Asia
- Trans America
- Trans Africa
- Trans Asia Pacific



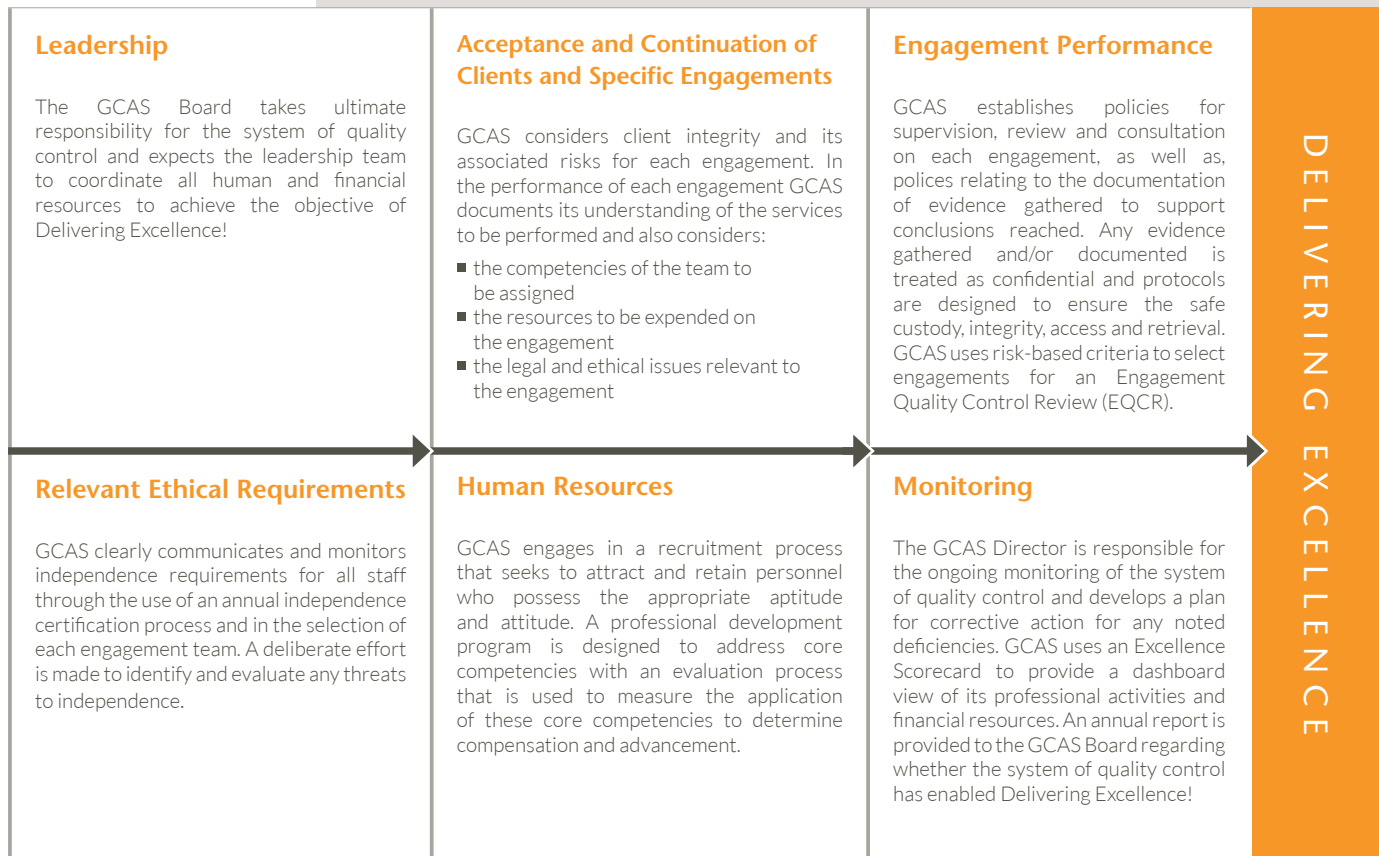
# OUR RESPONSIBILITY & CLIENT BASE



*Client Base*—The General Conference Auditing Service serves as the Seventh-day Adventist Church’s preferred provider of assurance and related services. The client base includes all denominational organizations such as General Conference institutions, world divisions and their institutions, unions/union of churches and their institutions, local conferences/missions/regions/field stations 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

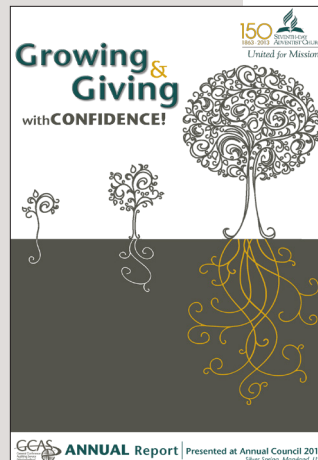
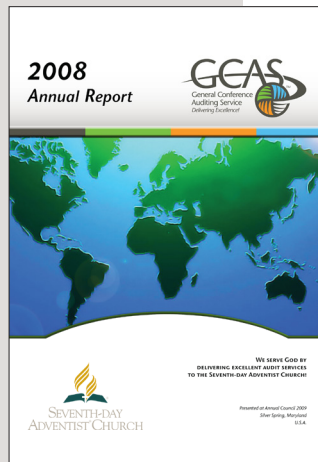
Total Clients: 2,407

# OUR QUALITY CONTROL FRAMEWORK



# OUR AUDIT PROCESS

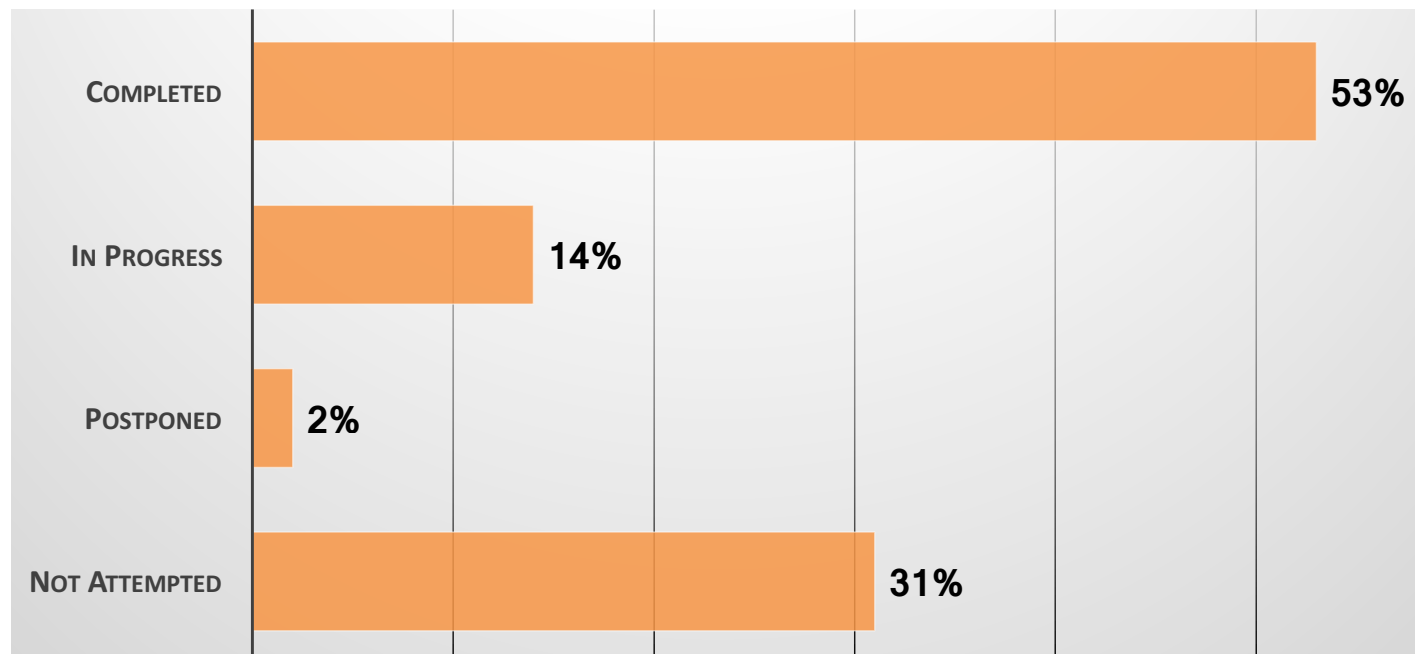




*Our ministry is an integral part of our corporate stewardship and we are committed to serving God by delivering excellent audit services to the Seventh-day Adventist Church.*

## TEN YEARS OF REPORTS

## WORK PLAN RESULTS

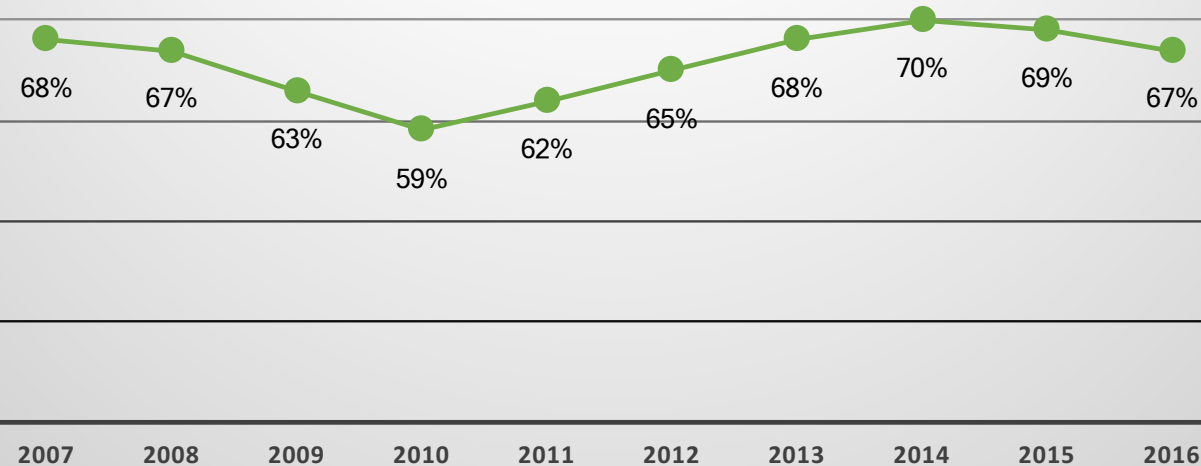


## ANALYSIS OF WORK PLAN RESULTS

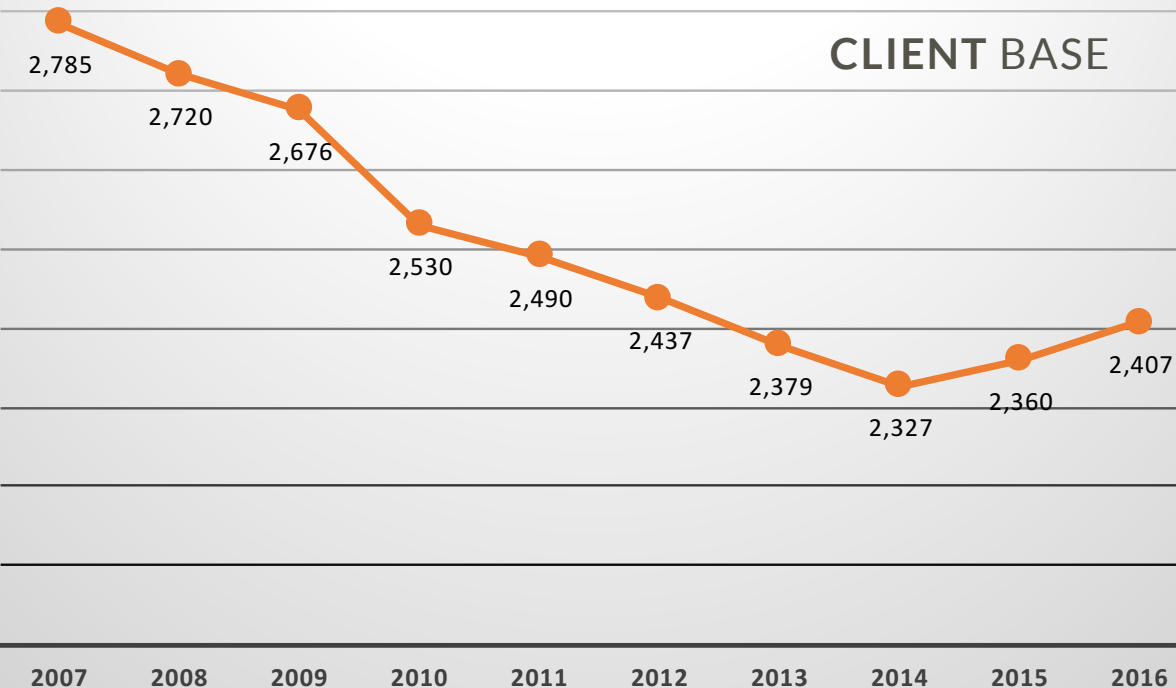
	Total Portfolio	Engagements Completed	Engagements In Progress	Engagements Postponed	Engagements Not Attempted
<b>Type of Entities</b>					
Divisions	13	13	0	0	0
Unions	135	100	23	3	9
Conferences/Missions	714	467	121	20	106
Educational Institutions	743	355	84	6	298
Healthcare Institutions	171	83	24	8	55
Publishing Houses/ABCs	169	76	26	3	64
ADRA	119	37	11	3	68
Trust	68	15	11	1	41
Other	275	146	25	5	100
<b>Totals</b>	<b>2,407</b>	<b>1,292</b>	<b>325</b>	<b>49</b>	<b>741</b>



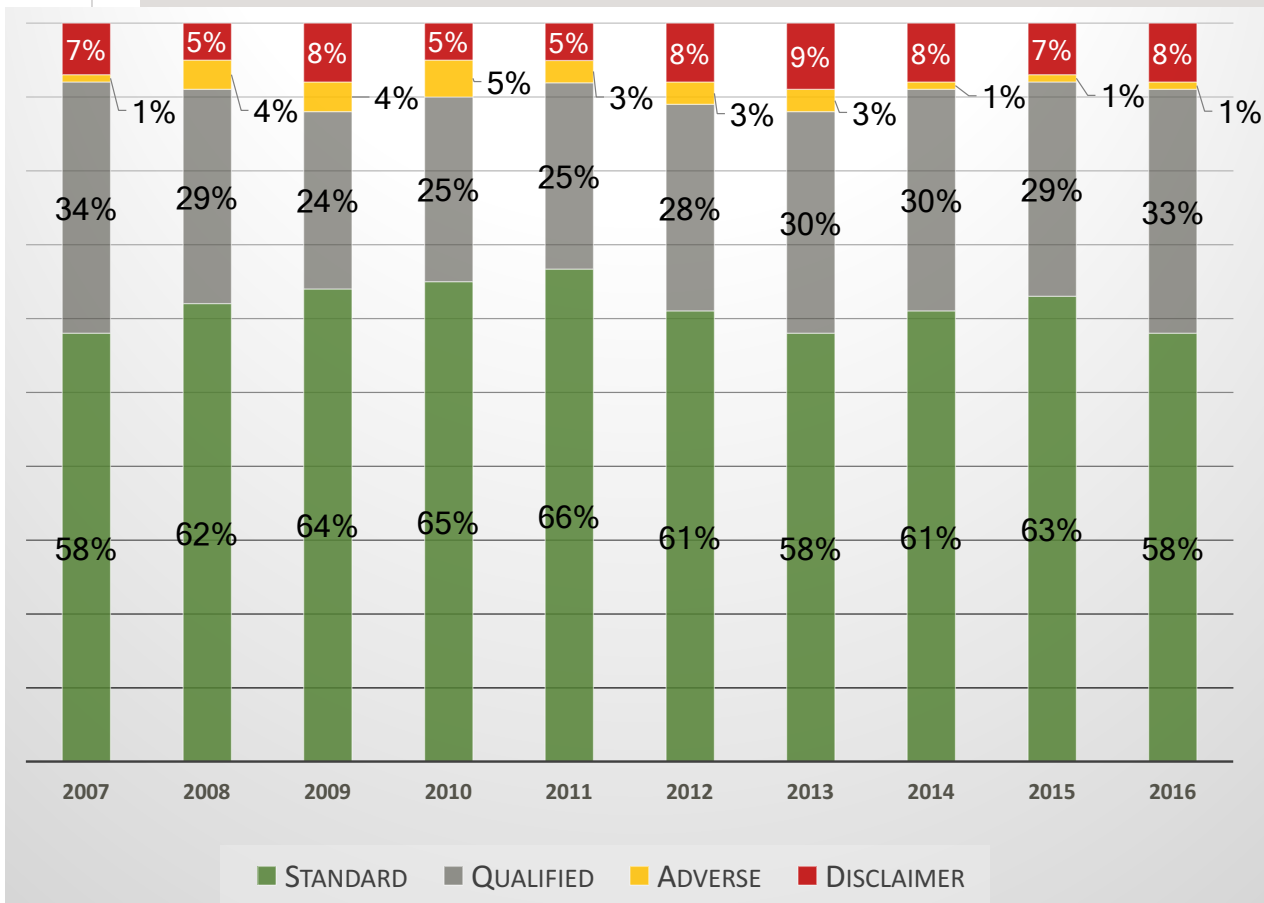
## TEN-YEAR TRENDS

ENGAGEMENTS COMPLETED  
& IN PROGRESS

## CLIENT BASE



# TEN-YEAR TREND ON FINANCIAL STATEMENTS



# 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 stated except:

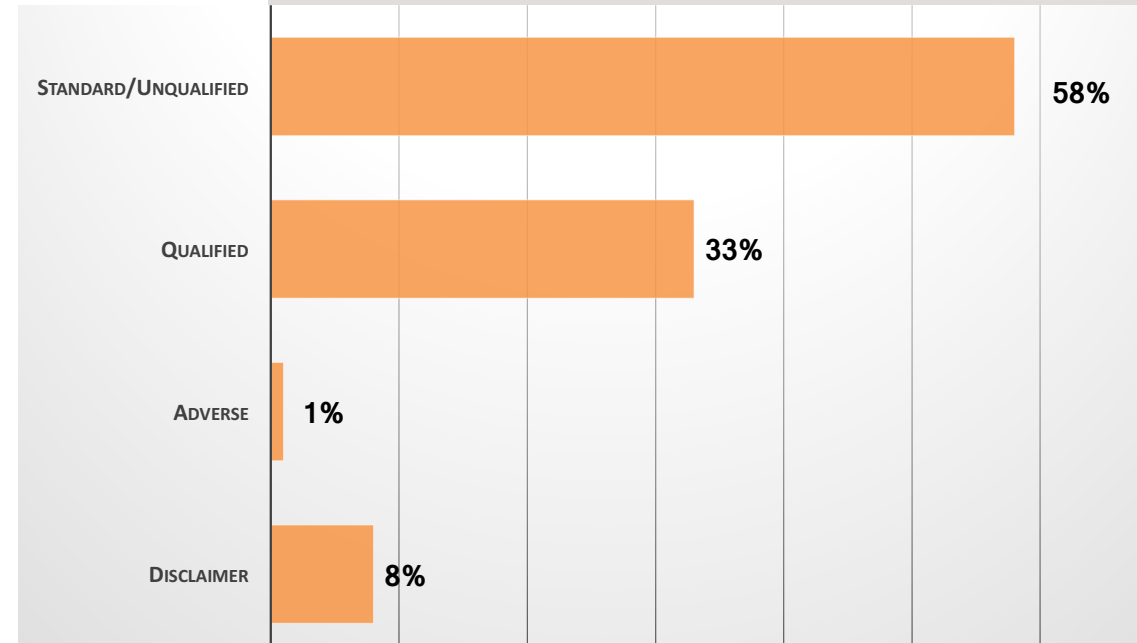
- they contain a misstatement that is not pervasive, or
- the auditor is unable to obtain sufficient audit evidence to determine whether there may be a material misstatement, but confident that any potential misstatement is not pervasive.

## Adverse

The auditor concludes that the financial statements are materially and pervasively misstated.

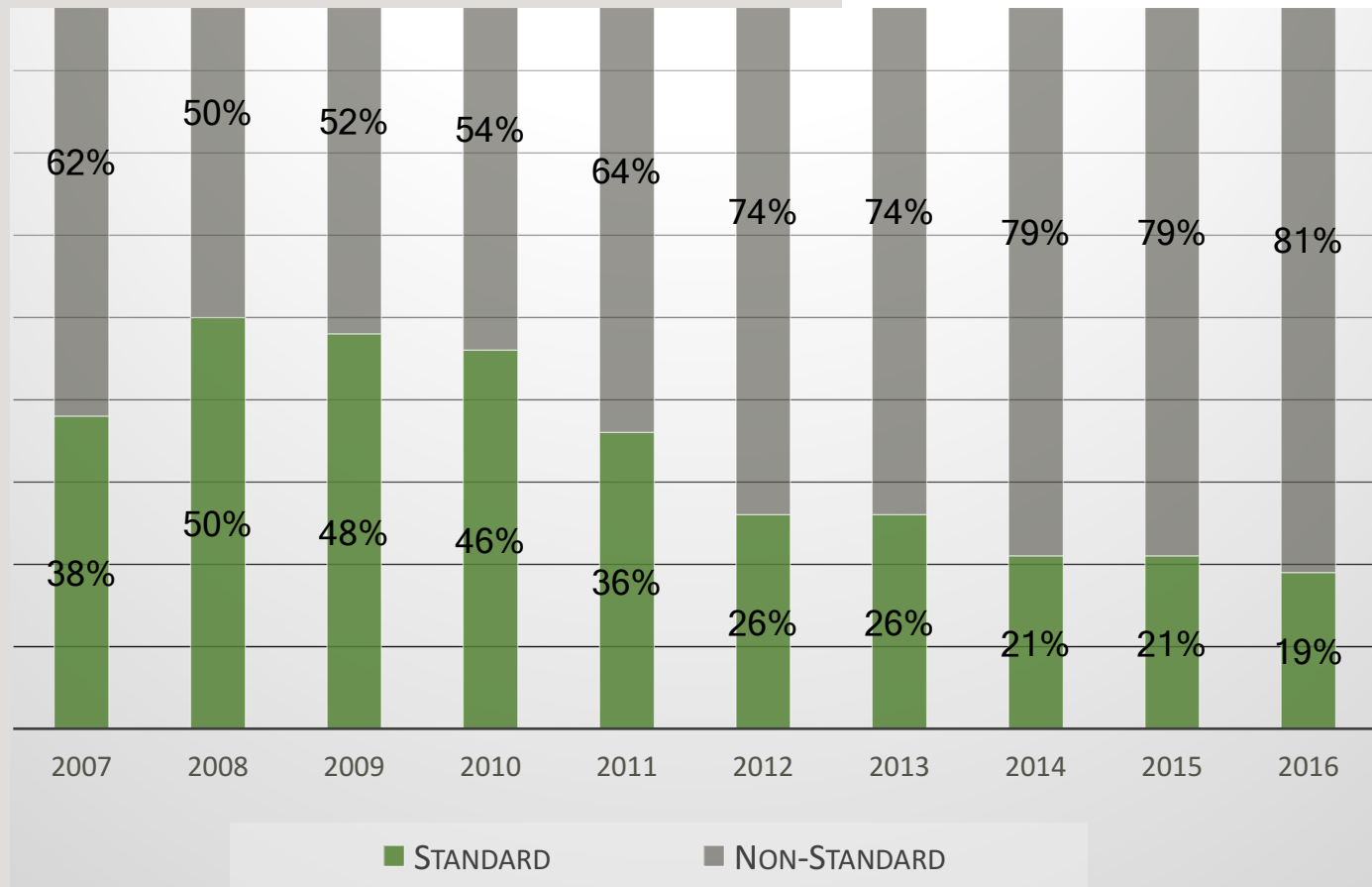
## Disclaimer

The auditor declines from rendering an opinion on the financial statements because auditor is unable to obtain sufficient audit evidence and potential misstatements could be both material and pervasive.

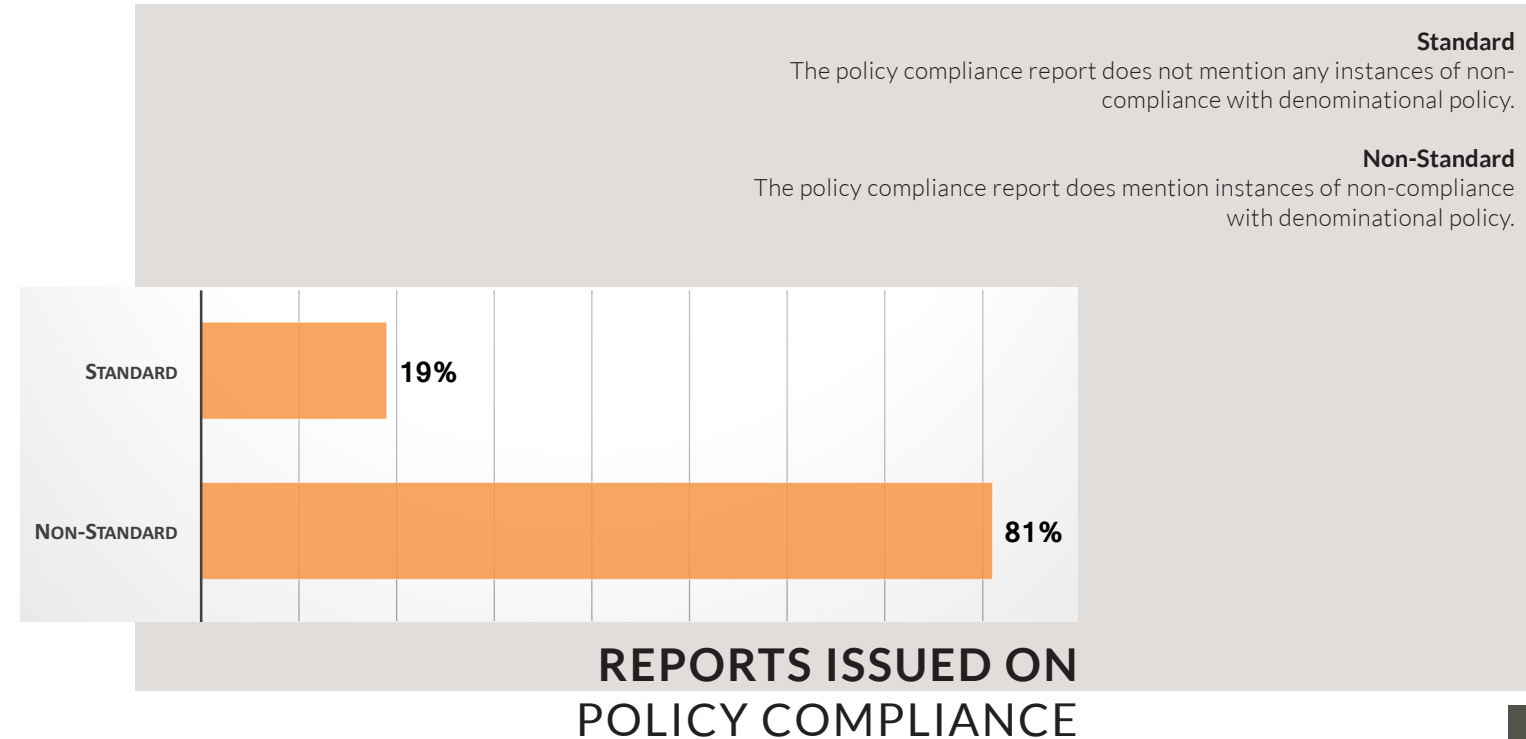


# OPINIONS RENDERED ON FINANCIAL STATEMENTS

# TEN-YEAR TREND ON POLICY COMPLIANCE



# TYPES OF POLICY COMPLIANCE REPORTS



# REPORTING HIGHLIGHTS

## Most frequent reasons for a non-standard Opinion on Financial Statements:

- Lack of evidence regarding accounts receivable
- Lack of evidence due to overall state of the accounting records
- Lack of evidence due to inadequacy of inventory records
- Lack of evidence regarding property, plant and equipment
- Misstatement due to inadequate provision for doubtful accounts receivable

## Most frequent reasons for a non-standard Policy Compliance Report:

- Insufficient monthly financial statements submitted to governing committee and administration
- Audit Committee improperly constituted or not implemented
- Required Conflict of Interest statements not signed or incomplete
- Insurance coverage not in harmony with working policy
- Asset allocation study not performed for investments

## Most frequent reasons for documenting internal control weaknesses:

- Lack of authorization for transactions
- Inadequate, incomplete, or missing reconciliation of inter-organizational accounts
- No evaluation of collectability of accounts receivable
- Segregation of duties minimal or inadequate
- Documentation inadequate or missing for accounting transactions



## Accounting

### Accounting for Leases

The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. This new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to the lease, the lessee and the lessor. This new standard is effective January 1, 2019. Under the pre-existing standard, a majority of leases have not been reported on a lessee's balance sheet. This new standard requires a lessee to recognize assets and liabilities for the rights and obligations created by leases of more than twelve months, thereby causing most leases to be reported on a lessee's balance sheet in the future.

### Revenue Recognition

In May 2014, the IASB established a single, comprehensive framework for revenue recognition to be applied consistently across all types of transactions, and industries. This framework will improve comparability of financial statements. The core principle of the framework is that an entity should recognize revenue when the transfer of goods or services to the customer occurs, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date has been deferred until January 1, 2018, so that additional clarification can be provided and organizations will have time to implement this standard.

### Conceptual Framework

IASB issued an exposure draft in 2015 as part of a project to provide a complete and updated conceptual framework to use when it develops or revises International Financial Reporting Standards (IFRSs) and to help others better understand and apply IFRS. The IASB plans to finalize the revision of the conceptual framework near the end of 2017.

## Auditing

### Auditor's Report

In January of 2015, the International Auditing and Assurance Standards Board (IAASB) issued new and revised standards, designed to significantly enhance confidence in the audit and the financial statements. These standards require certain additional information to be included in the auditor's report. The new standards require the opinion section of the auditor's report to be presented first, enhanced reporting on the appropriateness of management's use of the going concern basis of accounting, improved description of the responsibilities of the auditor, and for public entities, the auditor must report the most significant matters during the audit as "key audit matters," and must disclose the name of the engagement partner. The new and revised auditor reporting standards were implemented in 2017 because they were effective for audits of financial statements for periods ending on or after December 15, 2016.

## Denominational

### Financial Reporting Framework

The denomination established a Financial Reporting Framework Committee to determine and publish relevant international accounting standards for implementation by church organizations. The committee will focus first on redesigning the Seventh-Day Adventist Accounting Manual to be more dynamic in its response to changing accounting standards and publishing a multi-volume format tailored for user needs.

### Financial Oversight

The denomination is developing an additional level of financial oversight to supplement financial audits, financial reviews, and local church audits. This new level of financial oversight will be referred to as a financial "inspection" and is intended to be suitable for smaller and less complex organizations for which a higher level of service would be out of scale with the associated risks.



## EMERGING ISSUES

# LEADERSHIP | BOARD MEMBERS

*"Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results."*

—Andrew Carnegie

**Paul H Douglas, MBA CPA**

*Director*

**Daniel E Herzel, BA CPA**

*Professional Standards*

**Maurine Wahlen, MBA CPA**

*Professional Development*

**Paul J Edwards, MBA CPA FCCA**

*Process Improvement*

**Kimberly J Westfall, BBA CPA**

*Quality Control*

**Gary B Blood, BS MCP**

*Technology*

**Robyn W Kajiura, BBA CPA**

*North America Area*

**Furaha Mpozembizi, BCom CA ACCA**

*Trans Africa Area*

**Rogelio Cortez, BBA CPA**

*Trans America Area*

**Jeremy T Smith, BBA CPA**

*Trans Asia Pacific Area*

**Sandra C Grice, MBA CPA FCCA**

*Trans Euro Asia Area*

**Jack L Krogstad, PhD, CPA**

*Chair/NAD Lay Representative*

**Thomas Lemon, MDiv**

*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*

**Juan R Prestol-Puesán, PhD**

*GC Treasurer*

**Esther G Abayo, MBA, CPA**

*ECD Lay Representative*

**Lyudmyla V Chyzhevskya, D.Ec, CPA**

*ESD Lay Representative*

**Roberto Maggiolini, DIP**

*EUD Lay Representative*

**Hyden Gittens, M.Sc, CPA**

*IAD Lay Representative*

**Masao Yanaga, BA, LLB, CPA**

*NSD Lay Representative*

**Ailton Dorl, MBA**

*SAD Lay Representative*

**Philip Ndlovu, B.Sc, CA**

*SID Lay Representative*

**Margaret Dines, B.Ec, CPA**

*SPD Lay Representative*

**Elirie S Aranas, CPA**

*SSD Lay Representative*

**John Stanley, PhD, LLB**

*SUD Lay Representative*

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*WAD Lay Representative*

*Delivering Excellence!*



**General Conference  
Auditing Service**

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