

# Growing & Giving

with **CONFIDENCE!**





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



**Paul H. Douglas, MBA CPA**  
GCAS Director



**Jack L. Krogstad, PhD CPA**  
GCAS Board Chair

## Director's MESSAGE

In 2013, the General Conference celebrated the 150th Anniversary of being organized. From a membership of 3,500 and a total tithe of USD8,000, the Seventh-day Adventist Church has grown to a membership of more than 18 million and a total tithe in excess of USD2.3 billion! From the very first day of its organization, General Conference leaders recognized the importance of financial oversight and established an audit committee. This intentional approach to safeguard resources so they could be available and appropriately applied to mission was instrumental in laying the platform for the Seventh-day Adventist Church membership to grow and give with confidence.

After fifty years of an audit committee, the first chief auditor of the General Conference, JJ Ireland, was elected on June 4, 1913. In one of his first speeches, JJ Ireland articulated the expectations of his position as being "...to constantly be the representative of the constituent body...and keep in mind the interests of the people." There were four central themes consistent to the tenure of JJ Ireland as chief auditor: performing careful examinations, providing constructive recommendations, practicing constant learning, and promoting constituent confidence. These themes continue to inform how GCAS fulfills its role in financial oversight 100 years later and is proud to be part of this legacy of financial oversight.

Church members desire to have confidence in their leaders at all levels of the organization. In response to this desire, GCAS had the privilege of participating with Church leaders to develop a seminal document on *Transparency and*

*Accountability* that identified the basic premise for sustaining confidence; the broad principles for shaping a code of conduct; and the best practices for supporting organizational stewardship. As Church leaders personally pledge to be transparent and accountable it creates an environment for effective financial oversight and contributes to the Church membership being able to continue growing and giving with confidence.

Our 2013 Annual Report provides an insight on our professional activities related to financial oversight by presenting the summarized results of audit engagements performed from office locations around the world. These results were shared 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 275 professionals operating from offices in 45 different countries who make Delivering Excellence our signature everyday!

### 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!*

BEING ACCOUNTABLE TO OUR CONSTITUENTS DOES NOT COME FIRST. FOREMOST IS OUR ACCOUNTABILITY TO GOD.

—Ted N. C. Wilson, General Conference President

## 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.

*Our qualified global team consists of **26% females** and **74% males**. Within this group, **64% are professionally certified**, and 36% are working towards certification.*

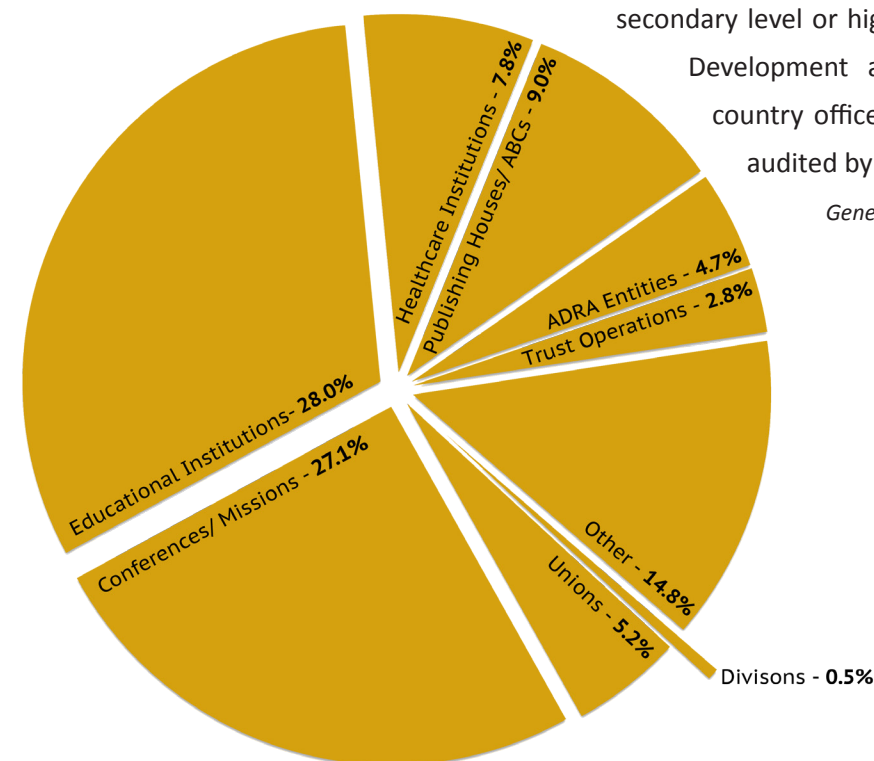


## Our RESPONSIBILITY

**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*

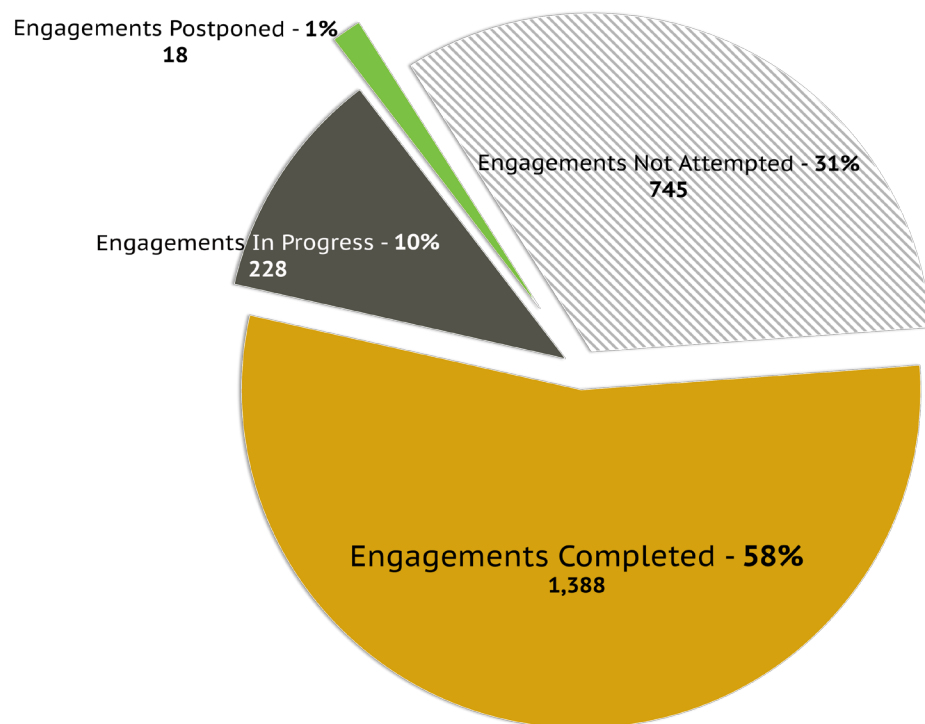


THE CHURCH MEMBERS WHO GIVE A MITE OR WHO GIVE A MILLION ARE EQUALLY ENTITLED TO PROPER ORGANIZATIONAL STEWARDSHIP FROM THEIR LEADERS.

— Robert E. Lemon, General Conference Treasurer



# Work Plan RESULTS



Analysis of Work Plan Results

Type of Entities	Total Portfolio	Engagements Completed	Engagements In Progress	Engagements Postponed	Engagements Not Attempted	Assets Audited	Revenues Audited
Divisions	13	12	1	0	0	789,000,000	342,000,000
Unions	124	105	7	1	14	1,240,000,000	431,000,000
Conferences/Missions	645	442	46	7	153	2,767,000,000	1,485,000,000
Educational Institutions	667	343	97	4	216	1,756,000,000	1,291,000,000
Healthcare Institutions	185	86	12	2	86	976,000,000	1,076,000,000
Publishing Houses/ABCs	214	132	11	1	69	372,000,000	162,000,000
ADRA	113	51	9	0	56	59,000,000	43,000,000
Trust	67	18	21	0	29		
Other	351	199	24	3	122	5,645,000,000	1,065,000,000
	2379	1388	228	18	745	13,606,000,000	5,895,000,000



# 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



AS A CHRISTIAN ORGANIZATION, THERE IS A GREATER EXPECTATION FOR EACH PERSON, BUT PARTICULARLY LEADERS, TO ENSURE THAT BEHAVIORS IN TRANSACTING FINANCIAL MATTERS CONFORM TO BIBLICAL PRINCIPLES, LEGAL PARAMETERS, PROFESSIONAL STANDARDS AND DENOMINATIONAL POLICIES.

—Paul H Douglas, GCAS Director

# Analysis of **REPORTS**

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

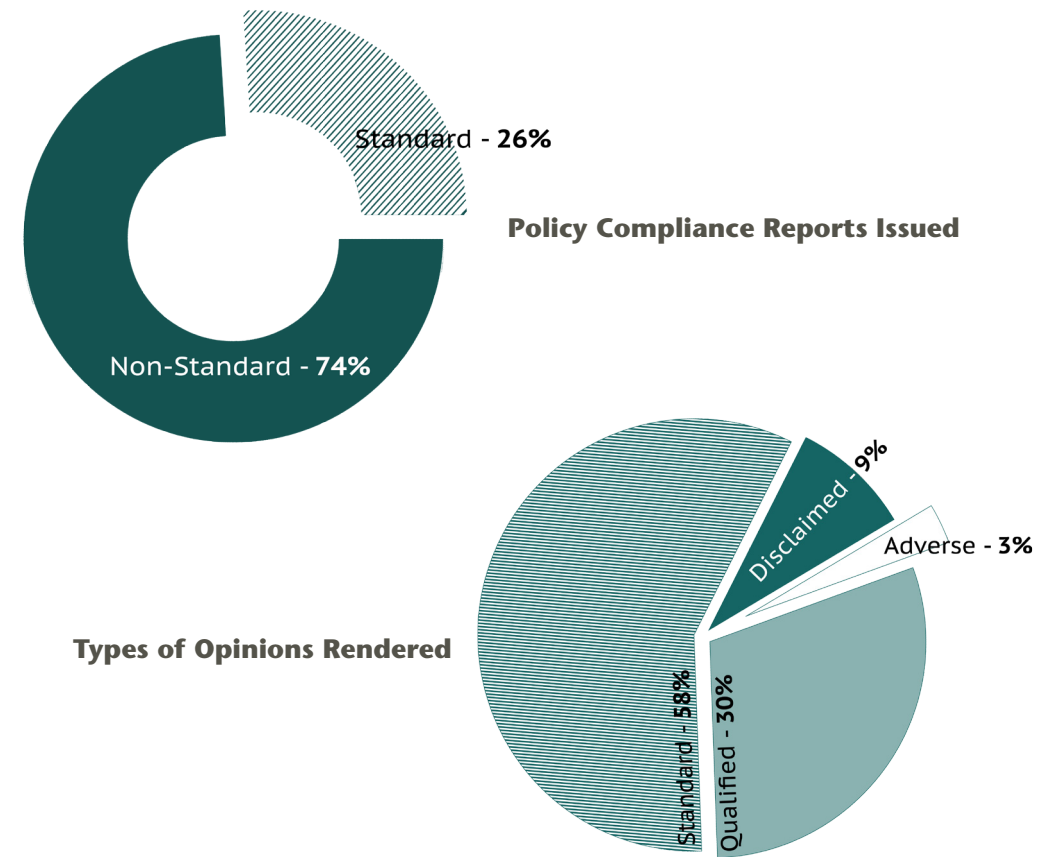
- Not recording real property by proper organization
- Assets not recorded on financial statement
- State of the accounting records
- Lack of evidence to support inventory balances
- Unable to verify outstanding items on account reconciliations
- Inadequate provision for uncollectible receivables
- Unable to obtain sufficient audit evidence

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

- Budget plan not approved by committee
- Not providing financial statement as required
- Missing Conflict of Interest Statements
- Employee service records not updated and signed
- Missing or improperly constituted Audit Committee
- No budgeted recovery for prior year operating losses
- Lack of insurance coverage on denominational properties

## Most frequent reasons for documenting internal control weaknesses:

- Inadequate segregation of duties
- Lack of authorization for transactions
- No evaluation of receivables collectability
- Bank and/or inter-organizational accounts not reconciled
- No physical inventory count
- Management override of internal controls
- Inadequate supporting documentation for transactions



\$10,395,000,000

STANDARD

\$3,678,000,000

\$2,642,000,000

QUALIFIED

\$1,612,000,000

\$25,000,000

ADVERSE

\$121,000,000

\$443,000,000

DISCLAIMED

\$485,000,000

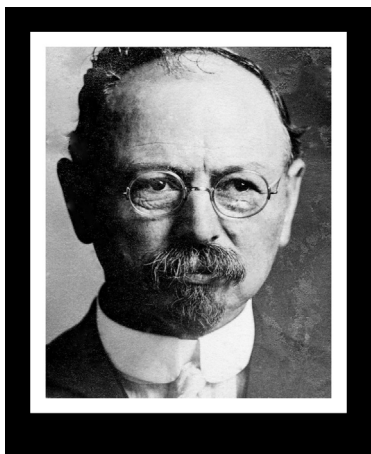
Total Assets Audited:  
\$13,605,000,000

Total Revenue Audited:  
\$5,896,000,000



WHATEVER YOU DO IN WORD OR DEED, DO ALL IN THE NAME OF THE LORD JESUS, GIVING THANKS TO GOD THE FATHER THROUGH HIM.

—Colossians 3:17



John Jefferson (JJ) Ireland | 1866 – 1953

## Celebrating 100 YEARS

**John Jefferson (JJ) Ireland** was born in Pacheco, California on March 23, 1866. At the young age of ten, he had the unique responsibility of taking care of his family when his father passed away. After his mother became a Seventh-day Adventist, she moved to Oakland, California, where she helped JJ attend business college. When Healdsburg College (now *Pacific Union College*) opened, the family moved to Healdsburg so JJ could complete his education there.

In 1883, the opportunity to enter denominational work arose—cutting short his attendance at Healdsburg College—and he became a billing and shipping clerk at Pacific Press in Oakland, California. After almost seven years with Pacific Press, he accepted a position with the California Conference Book and Bible House. He served there for over 11 years, before being called to Pacific Union Conference as a secretary and auditor. After seven years in that capacity, he also assumed the work of the treasury department.

On June 4, 1913, he was elected as the first auditor for the General Conference. For more than 17 years he traveled globally helping to establish organizations and institutions on a solid financial basis. In 1931, he was elected assistant treasurer of the General Conference, a position which he held until his retirement in 1943.

JJ Ireland married Mary Jane Loughborough in 1887, their union producing one daughter, Nellie. He quietly passed away on February 9, 1953.

“THE AUDITOR, TO BE SUCCESSFUL,

MUST BE ABLE TO CARRY

*the*  
**Confidence**  
OF THE PEOPLE

WITH WHOM HE ASSOCIATES.”

—JJ IRELAND, ADDRESS TO AUDITORS CONVENTION OCTOBER 21, 1914

## Chief Auditors of the SEVENTH-DAY ADVENTIST CHURCH



**1913 – 1932**

**John J. Ireland**

1932 – 1942

Claude Conard

1942 – 1955

W. E. Phillips

1956 – 1958

H. W. Barrows

1958 – 1964

E. L. Becker

1964 – 1968

R. J. Radcliffe

1968 – 1970

R. M. Reinhard – *acting*

1970 – 1976

R. M. Davidson

1976 – 1994

David D. Dennis

1994 – 2007

Eric A. Korff

**2007 – Present**

**Paul H. Douglas**

# Types of **REPORTS**

## **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 was 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 the potential misstatement is both material and pervasive.

## **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.



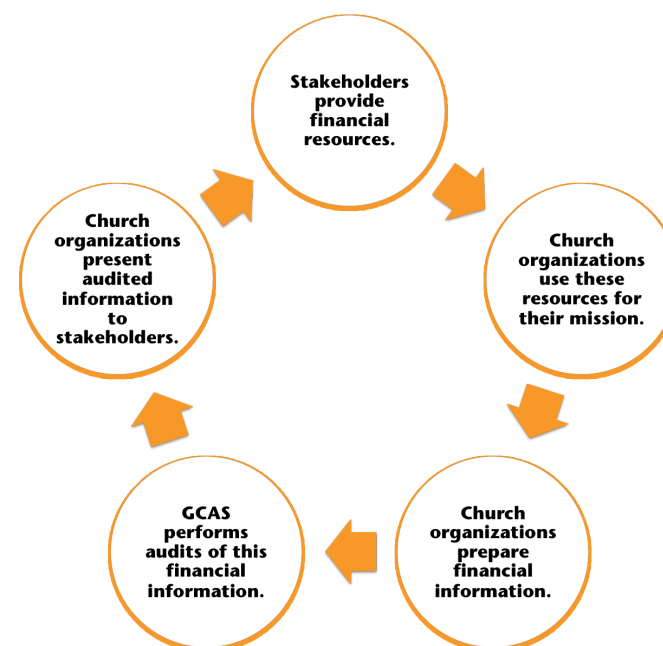
"THERE IS NO POSITION OF TRUST WITHIN THE GIFT OF THIS DENOMINATION THAT IS OF MORE IMPORTANCE, OR SHOULD BE MORE CAREFULLY ADMINISTERED THAN THAT OF

# *The Auditor*

THE CONSTANT OPERATION OF THE INSTITUTIONS MUST BE CAREFULLY OBSERVED IN ORDER TO SEE THAT NO CONFIDENCE HAS BEEN MISPLACED."

—J J IRELAND, ADDRESS TO AUDITORS CONVENTION OCTOBER 26, 1914

## **The Credibility CYCLE**



FINALLY, BROTHERS AND SISTERS, WHATEVER IS TRUE, WHATEVER IS NOBLE, WHATEVER IS RIGHT, WHATEVER IS PURE, WHATEVER IS LOVELY, WHATEVER IS ADMIRABLE—IF ANYTHING IS EXCELLENT OR PRAISEWORTHY—THINK ABOUT SUCH THINGS.

- Philippians 4:8 NIV





# Emerging Issues 2013

## PROFESSIONAL STANDARDS

### Accounting for Leases

Under existing standards, a majority of leases are not reported on a lessee's balance sheet. In 2013, the International Accounting Standards Board (IASB) issued an exposure draft outlining proposed changes to the accounting for leases. The proposal required 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. This proposal also provided two methods to recognize the expense, depending on whether the underlying asset was equipment or real estate. In response to the feedback about the complexity of the dual approach to expense recognition, the IASB is re-deliberating and expected to propose a single model for recognition of expense.

### Conceptual Framework

IASB issued a discussion paper in 2013, 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). In 2014, the IASB has been reviewing feedback to the discussion paper and re-deliberating and is expected to issue an exposure draft in early 2015.

### Auditor's Report

In 2013, the International Auditing and Assurance Standards Board (IAASB) 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. During 2014, the IAASB has considered feedback and refined the proposed standards, and expects to issue the final standard later this year.

## DENOMINATIONAL REQUIREMENTS

### Use of Tithe

The 2012 Annual Council of the Executive Committee of the General Conference of Seventh-day Adventist amended the denomination's working policies related to tithe funds. Part of these policy amendments require monitoring the use of tithe funds. The denomination is finalizing tools to more effectively monitor various organizations' use of tithe to assure that tithe funds are used according to Biblical counsel.

### 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 known 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.



GOD DOES NOT DESIRE WOODEN MEN TO GUARD THE INTERESTS OF HIS INSTITUTIONS AND THE CHURCH, BUT HE WANTS LIVING, WORKING MEN—MEN WHO HAVE ABILITY AND QUICK PERCEPTION, MEN WHO HAVE EYES, AND OPEN THEM THAT THEY MAY SEE, AND HEARTS THAT ARE SUSCEPTIBLE TO THE INFLUENCES OF HIS SPIRIT. HE HOLDS MEN TO A STRICT ACCOUNTABILITY IN GUARDING THE INTERESTS OF HIS CAUSE.

—Ellen G. White

YEAR	Number of Conferences	Number of Unions	Number of Divisions	Total Tithe Income (USD)	Total Membership
1863	6	-	1	\$8,000	3,500
1888	34	-	1	\$200,000	26,112
1913	210	26	3	\$2,000,000	122,386
1938	310	73	10	\$7,000,000	438,139
1963	356	77	10	\$69,000,000	1,428,352
1988	420	85	10	\$578,000,000	5,748,735
2013	601	124	13	\$2,315,000,000	18,143,745

THE FUNDS THAT ARE CONTRIBUTED BY THE PEOPLE MUST BE CAREFULLY HANDLED AND INVESTED OR EXPENDED ACCORDING TO THEIR WISHES.

—JJ Ireland, 1914 Address to Auditors' Convention October 21, 1914

*\*Source: Office of Archives, Statistics, and Research (ASTR)*



# GCAS Legacy AND TIMELINE

GC appoints an audit committee to provide financial oversight.

**1863**

GC establishes GCAS as a structurally independent function to provide audit services primarily in North America and counsel to Divisions operating an audit program.

**1977**

- GCAS commences operations as a global organization.
- GCAS Board elected—comprised of a majority of lay-persons representing each Division.
- GCAS receives mandate to provide and/or monitor an overall audit program for the Seventh-day Adventist Church.

**2000**

GCAS is *restructured* to enable the best global response to the demands of the accounting profession by:

- *Refocusing* on a global brand of service and not denominational borders
- *Reorganizing* the leadership team to provide global strategic support and oversight
- *Rebalancing* ratio of senior leadership positions to engagement team positions.

**2010**

**1913**

GC elects its *first chief auditor, John J. Ireland.*

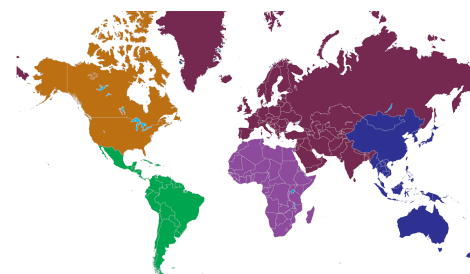
**1993**

GC decides to consolidate audit programs operated by Divisions into one program administered from the GC World Headquarters in Silver Spring, Maryland, USA.

GCAS publishes *first Annual Report* summarizing the results of its professional work

**2008**

**2013**



## Current Profile

**FIVE** Area Territories

*North America, Trans Africa, Trans America, Trans Asia Pacific, Trans Euro Asia*

**45** Regional Offices

**Professionals**—Female - 26% | Male - 74%

**64%** Professionally Certified (CPA, ACCA, CA)

GCAS TRACES ITS LEGACY TO THE YEAR 1863 WHEN THE GENERAL CONFERENCE WAS ORGANIZED AND AN AUDIT COMMITTEE TO PROVIDE FINANCIAL OVERSIGHT WAS APPOINTED!

# Only through **TEAMWORK**

## 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 | G.T. Ng, PhD  
GC Treasurer | Robert E. Lemon, MBA

ECD Lay Representative | Vincent Zirimwabagabo, B.Com  
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 | Philip Ndlovu, B.Sc, CA  
SPD Lay Representative | Evelyn Will, B.Bus  
SSD Lay Representative | Lotie Blando, MPA, CPA  
SUD Lay Representative | John Stanley, Ph.D  
TED Lay Representative | Frenslly Panneflek, MBA, M.Sc  
WAD Lay Representative | Philip Maitanmi, CA

## LEADERSHIP TEAM

Paul H Douglas, MBA CPA | Director  
Daniel E Herzel, BA CPA | Professional Standards  
Maurine Wahlen, MBA CPA | Professional Development  
Jeremy T Smith, BA CPA | 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  
Paul J Edwards, BBA CPA FCCA | Trans Asia Pacific Area  
Sandra C Grice, MBA CPA FCCA | Trans Euro Asia Area  
Linda E Fredlund, GPHR | Human Resources & Budget  
Ludmila G Leito, BA BS | Communication & Meetings







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