

2022
Annual Report

TRANSPARENCY and ACCOUNTABILITY

Presented to the 2023 General Conference Annual Council

CONNECT2023

Transparency & Accountability



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General Conference of Seventh-day Adventists | 12501 Old Columbia Pike, Silver Spring, MD 20904, USA



Audience enjoying the first CONNECT Parade of Nations.
Photo by Miguel Serrant



Participants of the first CONNECT Parade of Nations.
Photo by Jon Dean Adap

Transparency and Accountability

Executive Director's Message

Transparency and Accountability have been an integral part of the Seventh-day Adventist Church's organizational culture since the General Conference of Seventh-day Adventists (GC) was organized in 1863. On the same day it was organized, the Church founders established an audit committee. J.J. Ireland, the first GC auditor, was appointed in 1913. By that time, according to the 1913 Statistical Report, the Church had a membership of just over 120,000, made up of 25 union conferences, 126 local conferences, and 101 organized mission fields.¹

In the 160 years since it was organized, the Church has grown to a membership of over 22.2 million, made up of 137 union conferences/missions, 422 local conferences, and 320 local missions.² The Church operates education institutions, food industries, health care ministries, media centers, publishing organizations, and a development and relief agency. With that growth and a continued commitment to transparency and accountability, the General Conference Auditing Service (GCAS) was formally established in 1977 as a service of the General Conference for North America. In 1993, GCAS was charged with the responsibility of the auditing function for the Church worldwide. GCAS now has approximately 330 employees globally who are committed to continuing the legacy of transparency and accountability of our church founders. The GCAS Board, whose members are mostly laypersons with professional accounting and business expertise, reviews the summary of GCAS reports and provides an annual report to the GC Executive Committee.

In 2010, after the GCAS Board expressed concern over the lack of improvement reflected in audit reports during the prior years, the GC created a task force to examine the expectations and needs for church finances and reporting. After a yearlong study, the "Transparency and Accountability" report was presented to the GC Annual Council in October 2011. The taskforce report included the statement "In a Christian organization, there is a greater expectation that leaders demonstrate exemplary behavior in transacting financial matters to ensure compliance to biblical principles, legal parameters, and professional standards." The report stressed the expectations of members and the importance of "tone at the top," good internal controls, and accurate and timely financial reporting. As a part of the project, the financial policies in the General Conference Working Policy were reviewed, reorganized, and updated to bring the Church in line with best business practices.

Although the taskforce was initially created because of concerns in finances and reporting, the report recognized transparency and accountability is the responsibility of an organization's entire leadership; it is not just a treasurer's responsibility. The "Transparency and Accountability" book was made available to church organizations. All church officers were encouraged to make a personal pledge to incorporate these principles into their organization's operations and practices.

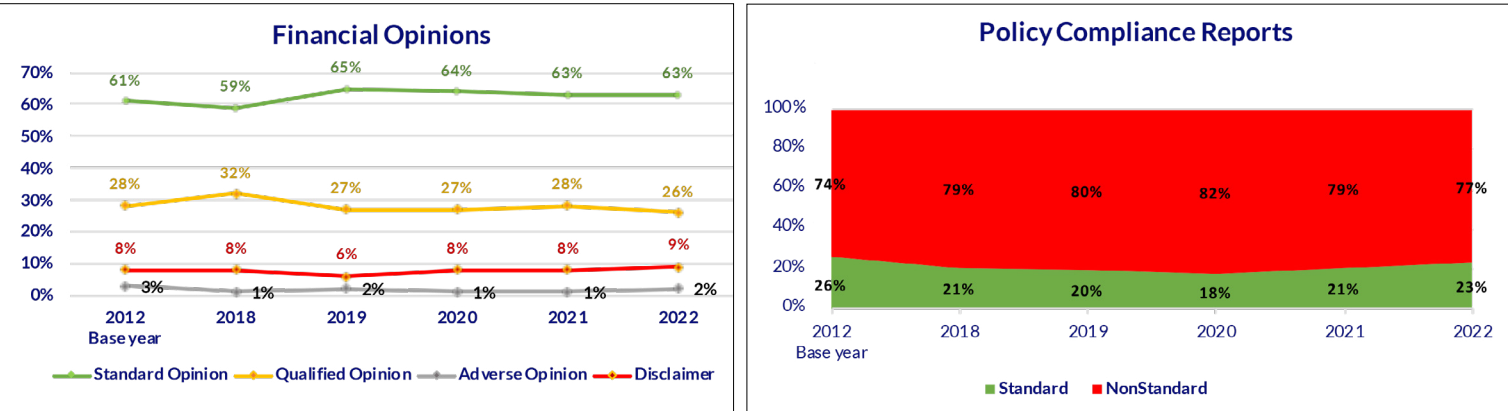
Has the Church embraced transparency and accountability? Audit reports are just one metric by which progress can be measured



Robyn W. Kajiura
Robyn W Kajiura, BBA CPA
GCAS Executive Director

Executive Director’s Message (cont.)

but it is helpful to examine what has happened in church financial reporting since 2012. The summary of audit reports issued in 2012 (the year in which the document was adopted) was compared with the reports issued in the most recent five years (2018 – 2022).



Since 2012, overall financial reporting has improved slightly but compliance with the core financial policies has declined slightly. Five of the six policy violations in this report were cited in the 2012 report. Recent years have seen financial losses due to lawsuits and settlements which result in higher insurance premiums. Allegations of conflicts of interest, mismanagement, and fraud have damaged the reputation of too many church organizations.

The framework for transparency in finances and reporting was put in place in 2012. Core financial working policies were selected to protect the Church’s finances, resources, and reputation, and GCAS auditors were required to report on compliance with these policies.

The audit reports were provided to administration, governance, and higher organizations. However, transparency is only part of the solution. Church organizational leadership, management, and governance must be willing to take action to ensure financial accountability, so losses and distractions are minimized, and the Church can focus on mission.

GCAS is refocusing on transparency and accountability in our service to the Church. We recognize accountability should “start at home.” Therefore this was the theme chosen for GCAS quinquennial professional development conference, CONNECT2023. We are reviewing processes to improve quality and efficiency; we are preparing our staff to serve the Church as the industry changes; and we are evaluating how services should be expanded to better meet the needs of church organizations.

“In a Christian organization, there is a greater expectation that leaders demonstrate exemplary behavior in transacting financial matters to ensure compliance to biblical principles, legal parameters, and professional standards.”

Transparency and accountability are vital to building and maintaining confidence and we invite Adventist leaders and members of governance to join us in refocusing on and embracing these principles.

We believe the Seventh-day Adventist Church has a message for the world and we support the Church in sharing that message by ensuring the confidence of the church members and church administrators. On behalf of the approximately 330 professionals operating from 45 regional offices around the world, we are here to serve you and are committed to making excellence our signature every day.

Thank you for your prayers and support.

1. Seventh-day Adventist Conferences, Missions and Institutions fifty-first Annual Statistical Report, Year ending December 31, 1913, Issued by the General Conference of Seventh-day Adventists

2. Seventh-day Adventist World Church Statistics as of December 31, 2022. Prepared by the Office of Archives, Statistics, and Research General Conference of Seventh-day Adventists® Updated April 3, 2023

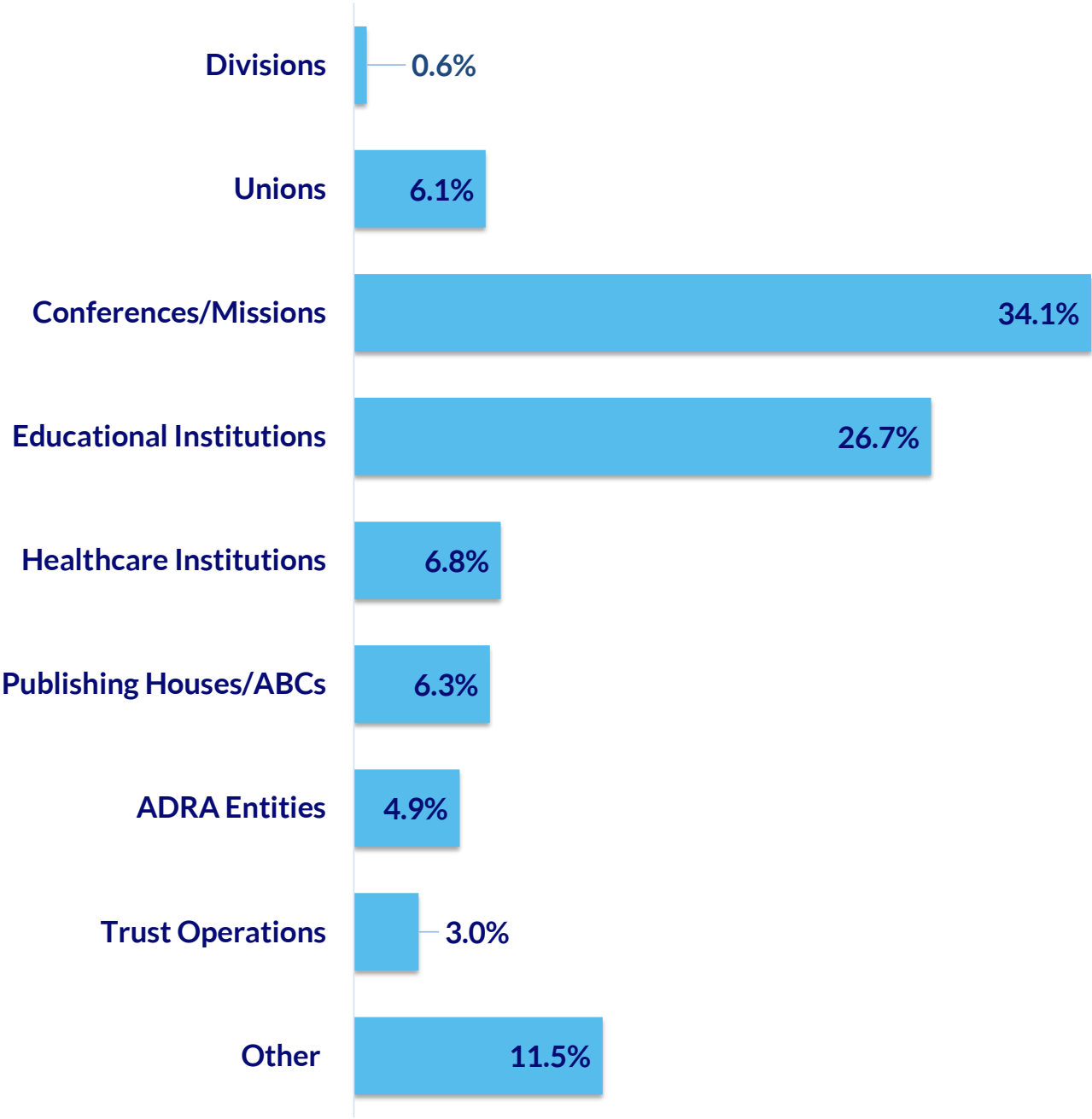
Our Responsibility

(Portfolio)

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: 2,268



Speaker Tom Hood during his presentation on The Future Ready Organization.
Photo by Miguel Serrant



Pastor Thomas Müller, President of the Danish Union of Churches Conference, welcomes the attendees to CONNECT2023.
Photo by Ludmila Leito

Our Shared Mission Values

Shared Mission:

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

Values:

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



Francis Tion (TAP) and his family share smiles at the completion of the 5K Fun Run/Walk.
Photo by Jon Dean Adap



Attendees enjoying the Closing Festival.
Photo by Jon Dean Adap



Tatiana Koltuk, Trans Euro Asia Area (TEA), pausing for a smile. | Photo by Jon Dean Adap

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.



Some participants of the CONNECT2023 Parade of Nations.
Photo by Miguel Serrant



Haries Guillermo (TAP), LaHarlia Noval (GSS), Carla Liwanagan (TAP), and AL Halasan (GSS) share smiles during the Sabbath program.
Photo by Jon Dean Adap

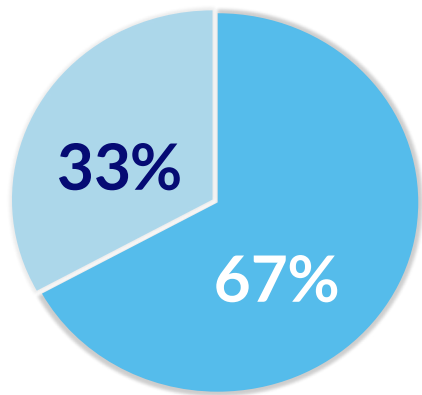
Our GCAS Family

The funding for *Delivering Excellence* is derived from an appropriation granted by the General Conference and the revenue generated from billing clients for the services rendered.

Our team of highly qualified professionals is diverse in composition and committed to obtaining the highest

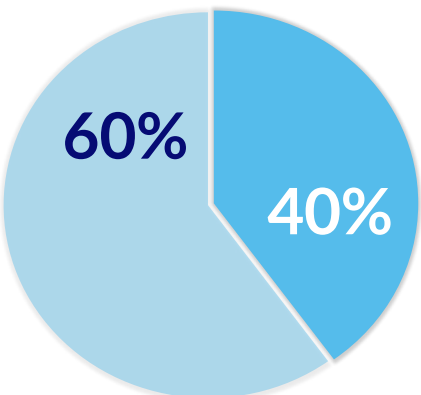
professional qualifications to deliver excellence. Our business professionals include auditors, office managers, administrative support personnel, information technology support personnel, and our management team.

Each member has responded to God’s calling by devoting their talents to serving Him and His church.



Auditor Demographics

Our qualified audit team consists of **33% women** and **67% men**.



Professional Certification

Within this team, **60%** hold globally recognized professional accounting or auditing certification, and **40%** are working towards certification.

CONNECT2023: *Preparing for the Future*

CONNECT2023 launched GCAS’ next quinquennium in Copenhagen, Denmark in July 2023 with the theme **Transparency and Accountability**. CONNECT events are forward-looking conferences, taking into consideration the industry, future trends, and what skills will be necessary to serve our clients in the next five years.

Changes in the industry include:

- Knowledge and skills needed
- How learning is delivered and absorbed
- Evolving accounting, audit, and quality standards

There is also a shift from learning curricula based on **competencies** to a focus on developing **capabilities**. This moves the goal from reaching a fixed competency level to acknowledging the need for ongoing nimbleness to adapt to ongoing change.

Bookending CONNECT2023 content were two world-renowned individuals who shared the big-picture view for the conference:

- Opening keynote by Tom Hood from the AICPA-CIMA – *The Future Ready Organization*
- Closing keynote by Daniel Burrus, strategic futurist, and author – *The Anticipatory Organization*

The closing keynote was immediately followed by a hands-on workshop to apply the concepts in the GCAS environment.



Recipients of the 15-year Service Recognition.
Photo by Jon Dean Adap



Associate Director, Boris Cardenas, presented to the Administrative Professionals and Shared Services teams.
Photo by Jon Dean Adap



Welcome marquee at the Bella Center Copenhagen
Photo by Ludmila Leito



CONNECT2023 Group Photo
Photo by Jon Dean Adap



Plenary hall at the Bella Center Copenhagen.
Photo by Ludmila Leito



Attendees stretch during the daily Health Focus by Dr. Katia Reinert. | Photo by Jon Dean Adap



Part of the Trans Africa Area team (TAF).
Photo by Jon Dean Adap

CONNECT2023: Preparing for the Future (cont.)

Between the keynote bookends, the conference offered a curated menu of sessions for both auditors and key client guests to unpack what the concepts mean in practice. These included:

- Church Structure
- Transparent Leadership
- Best Practices for Organizational Governance
- Code of Conduct for SDA Leaders
- Best Practices for Financial Administration
- Confidence Matters
- Money Matters for Non-Profits

You may ask – what do some of these topics have to do with financial statement audits? I'm glad you asked. With the increasing reliance on technology, professionals can leverage their time to combine their knowledge of client industries with data-driven analysis to provide higher-level strategic advisor services. This also requires the auditor to have an enhanced understanding of what is important to client stakeholders – both management and governance. Accordingly, the sessions offered at CONNECT2023 provided insight into financial administration and governance.

In addition to plenary sessions focused on the Transparency and Accountability theme, CONNECT2023 offered three learning tracks to provide a deeper dive into critical skill sets.

- The **technical skills track** included an introduction to MindBridge, an artificial intelligence (AI) tool developed for the financial statement audit environment to improve efficiency and effectiveness. By ingesting the entire client database and permitting the software to analyze the data using pre-determined and customized risk factors, the auditor can focus his/her time most appropriately for that specific client. The data provided will also yield more transparent insights for client stakeholders.
- The **human resources track** provided four sessions on the key elements of managing personnel.



North America Area (NAA) auditor, Tania Schmitt, and her parents joined the 5K Fun Run/Walk. Photo by Jon Dean Adap



Attendees during Plenary sessions. Photo by Jon Dean Adap



Team members from TAP who participated in the CONNECT2023 Parade of Nations. Photo by Miguel Serrant



TAF team members participate in the GCAS Family Concert. Photo by Miguel Serrant



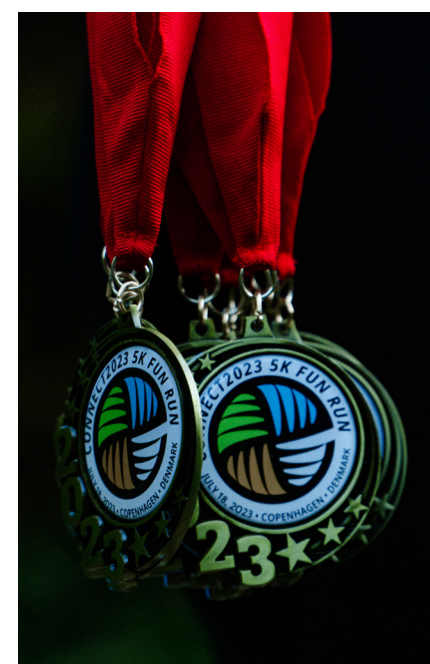
The Divine Worship Hour sermon was presented by Elder Erton Köhler, General Conference Secretary. Photo by Miguel Serrant



Daily Devotionals were presented by Pastor Chad Stuart, Senior Pastor of the Spencerville SDA Church (Maryland, USA). Photo by Miguel Serrant



Daily Health Focus segments were presented by Dr. Katia Reinert, Associate Director of the General Conference Health Ministries. Photo by Miguel Serrant



5K Fun Run/Walk participant medals. Photo by Jon Dean Adap

- The **governance and management track** provided four sessions focused on senior management and governance skills.

Beyond the Continuing Professional Education (CPE) sessions offered, CONNECT2023 was a multi-disciplinary event including a spiritual, physical, and social focus.

- Daily morning worships were provided by **Chad Stuart**, Senior Pastor of the Spencerville SDA Church in Maryland, USA.
- GCAS introduced a Mission Refocus project for GCAS employees to collectively work on over the next five years.
- Daily morning walk/runs, stretching exercises at each break, 5K on Tuesday, July 18, and daily Health Focus tips were coordinated by **Dr. Katia Reinert**, GC Associate Health Ministries Director.
- Networking opportunities at breaks, over lunch, after the meetings, Sunday excursions, and farewell festival.
- GCAS enjoyed its first CONNECT Parade of Nations and Family Concert, Sabbath afternoon.

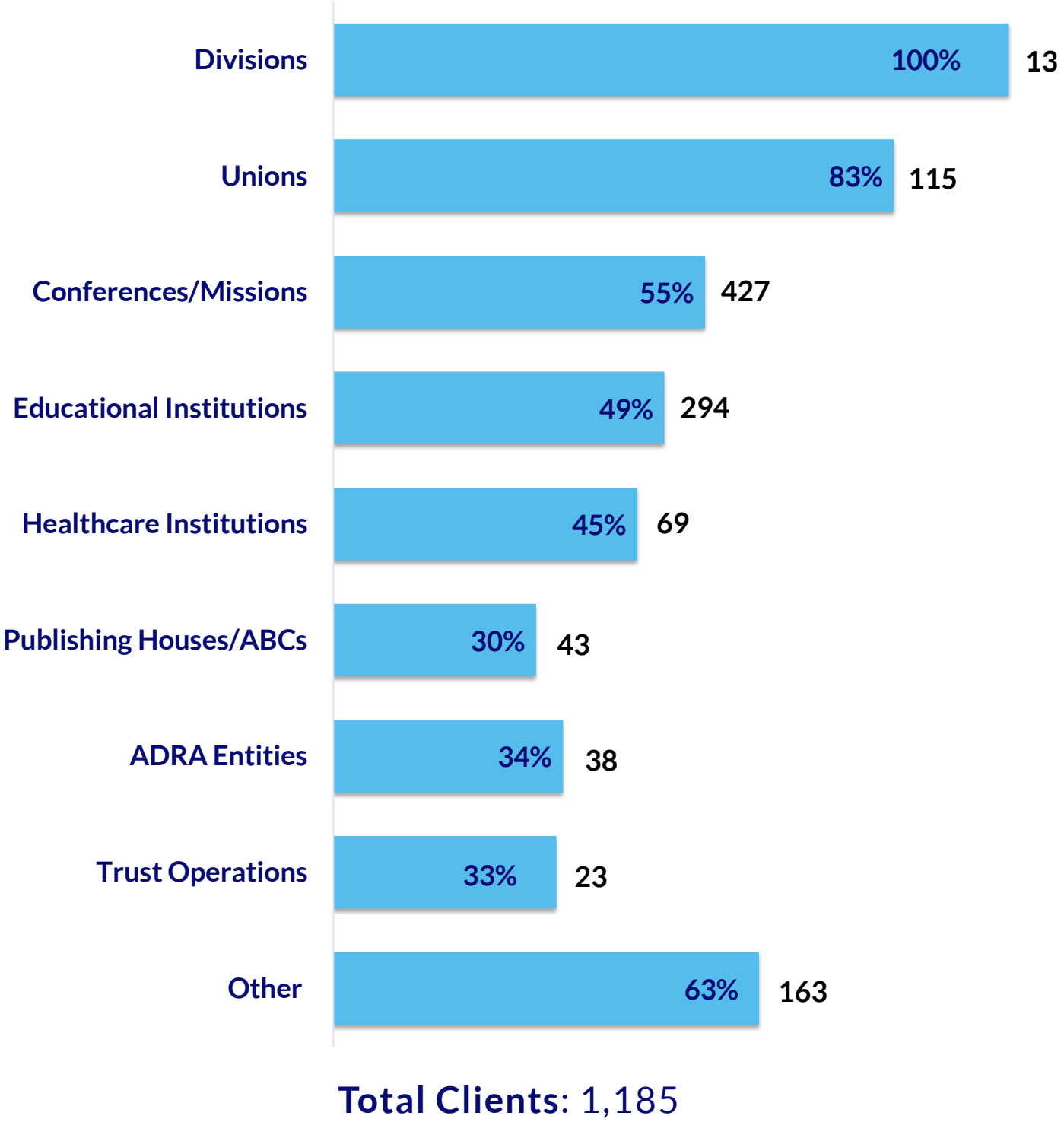
We look forward to elevating our skills in this new quinquennium to provide enhanced strategic insights and services to our clients.



M Wahlen
Maurine Wahlen, MBA CPA
Associate Director, Professional Development

Our Commitment

Annual Work Plan



Pinky Jago-on and Alef Sabuin (TAP), were excited to participate in the CONNECT2023 Parade of Nations. | Photo by Miguel Serrant

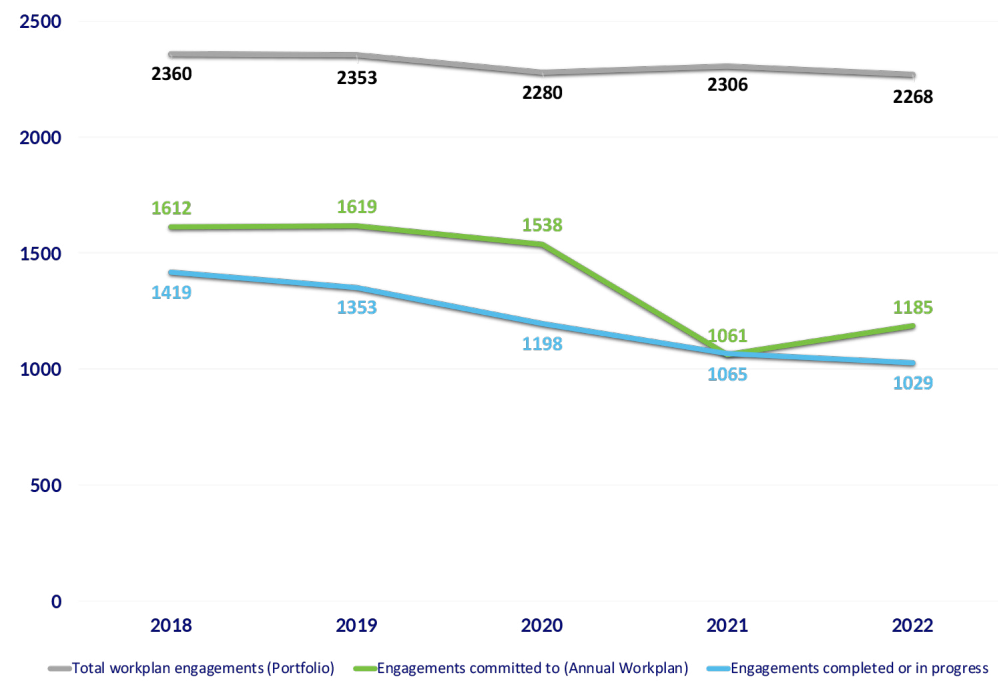


A representation of the Global GCAS family during the CONNECT2023 Parade of Nations. | Photo by Miguel Serrant



Auditors, and family members, representing Jamaica, Trans America Area (TAM), during the CONNECT2023 Parade of Nations. Photo by Miguel Serrant

Workplan Results



The GCAS portfolio of clients includes the client base of all denominational organizations such as GC institutions, world divisions and their institutions, unions/unions of churches/conferences/missions/ fields/ regions/mission stations and their institutions, education institutions at the secondary level or higher, and Adventist Development and Relief Agency country offices and projects not audited by external auditors.

The GCAS annual workplan is a subset of the GCAS portfolio. The annual workplan are those engagements for which GCAS has the staffing and commits to complete within a given year. This group of engagements is determined each year by GCAS Leadership in consultation with division officers and in accordance with the priorities set by GC Working Policy.

GCAS Portfolio Summary

Type of Entities	Total Portfolio	AWP	Engagements				*PY Engagements Completed
			Completed	In Progress	Postponed	Not Attempted	
Divisions	13	13	9	3	0	1	2
Unions	139	115	88	16	1	36	11
Conferences/Missions	773	427	316	67	1	390	29
Educational Institutions	606	294	202	45	1	355	28
Healthcare Institutions	154	69	40	17	1	96	4
Publishing Houses/ABCs	142	43	34	3	0	105	2
ADRA Entities	111	38	28	7	0	76	6
Trust Operations	69	23	11	10	0	48	0
Other	261	163	107	26	1	127	13
Total	2,268	1,185	835	194	5	1,234	95

*PY Engagements = Additional engagements completed in 2022 for the same organization relating to prior years



Lowell Cooper, General Conference Vice President (retired), delivers a presentation titled, Best Practices for Organizational Governance." Photo by Miguel Serrant



Associate Director, Guillermo Leal, presents a session on the "Global Quality Assessment Report and Response." | Photo by Miguel Serrant

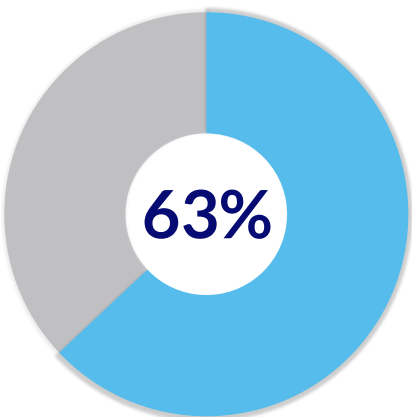


Pavel Astakhov (TEA), Oksana Bortnyk (HQ), and Vitalii Kryvoi, Ukraine Treasurer, paid close attention during a plenary session. Photo by Miguel Serrant



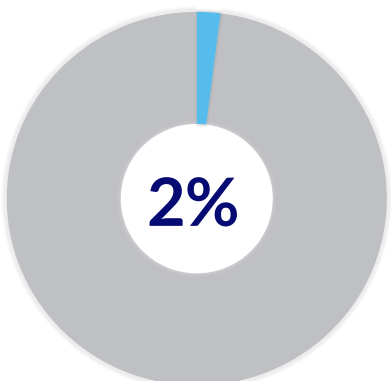
Austin Chatman (NAA), Dorleen Brofas (GSS), and David Akombwa (TAF) during the Five-year Service Recognition. Photo by Miguel Serrant

Types of Auditor's Reports



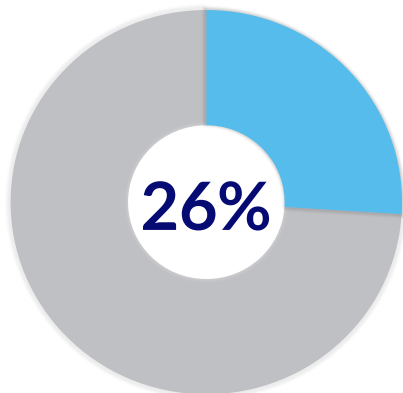
Standard

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



Adverse

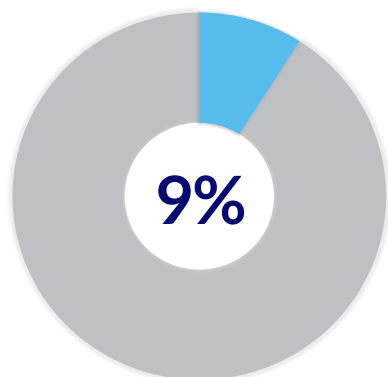
The auditor concludes that the financial statements are materially and pervasively misstated.



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.



Disclaimed

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.

Reporting Highlights

Most frequent reasons for providing a modified report on financial statements:

- Significant lack of evidence resulting in a disclaimer
- Misstatement of accounts receivable
- Lack of evidence for revenue
- Lack of evidence for property, plant and equipment
- Lack of evidence for inventory

Most frequent reasons for documenting internal control weaknesses:

- Inadequate review/approval of journal vouchers and/or financial statements
- Inadequate monitoring of operating effectiveness of controls
- Uncollectable accounts receivable, evaluation of allowance not completed
- No fraud risk assessment performed
- Reconciliation of accounts not consistently performed



Attendees, and family members, pause for photos during the daily lunch period. | Photo by Jon Dean Adap

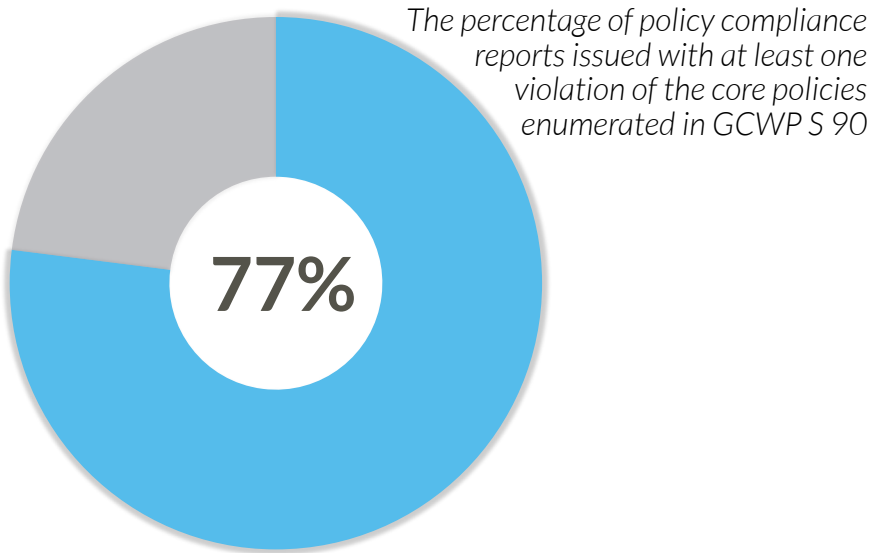


Richard Ndhlovu (TAF) and Wiston Iglesias (TAM) participated in small group discussions. | Photo by Jon Dean Adap

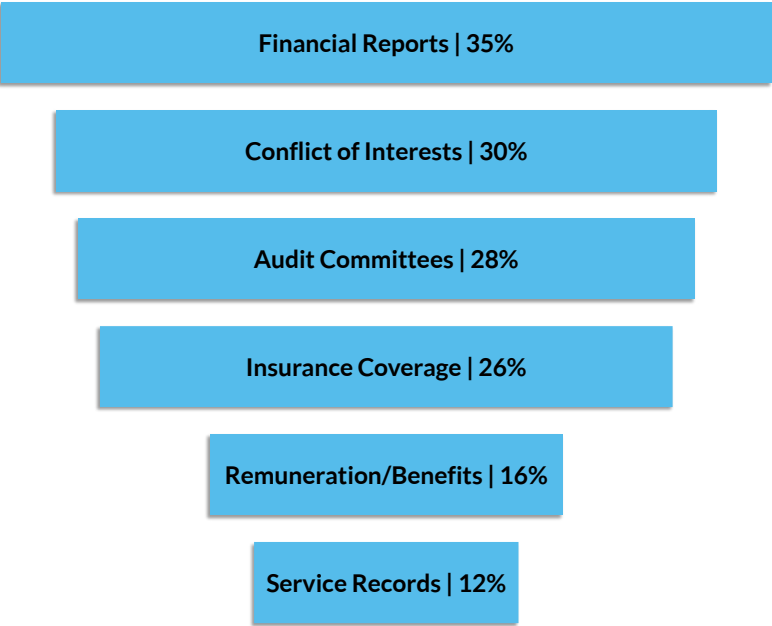


Paul H Douglas, General Conference Treasurer, presented a tribute to former GCAS Board founding members. | Photo by Miguel Serrant

Core Financial Policies



Percent of reports which contain these Policy Violations
Most commonly reported policy compliance violations

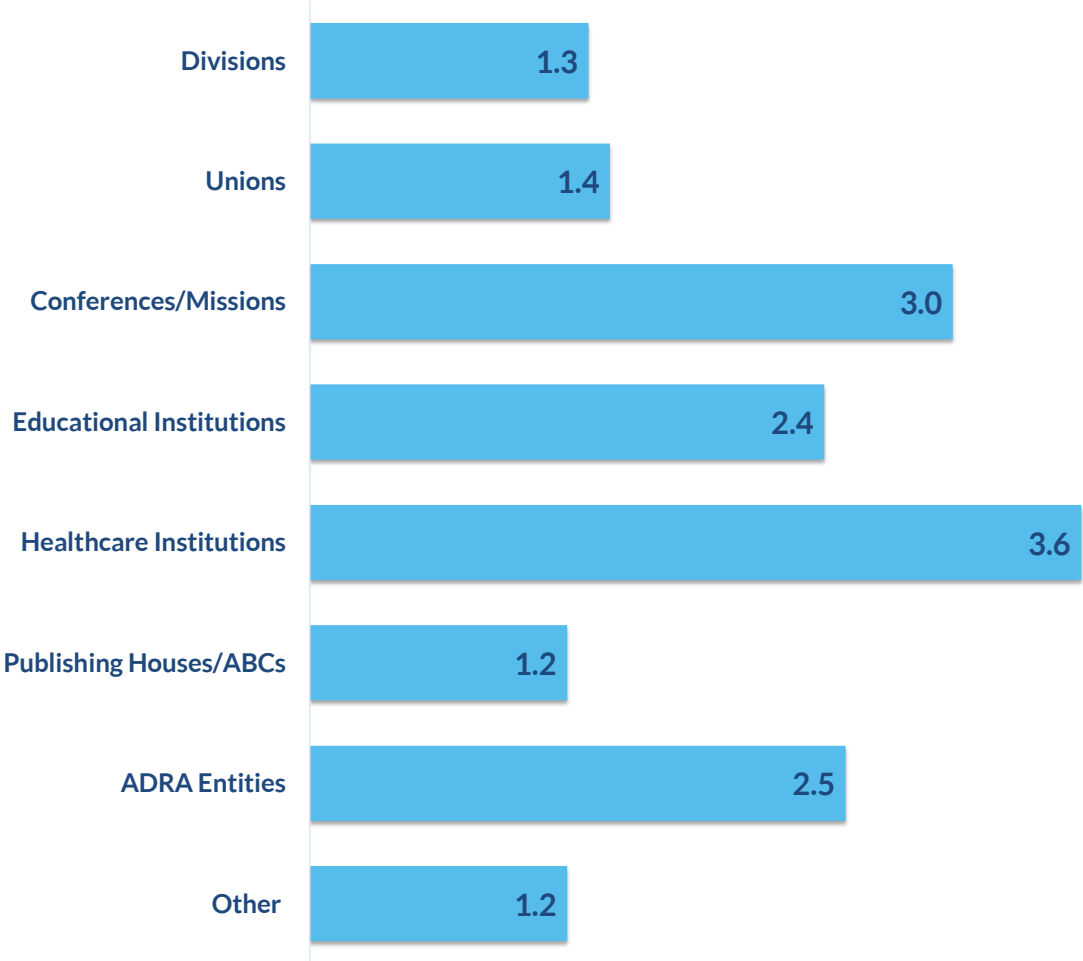


A combination of area personnel lead out in Praise and Worship during the Divine Worship Hour. | Photo by Jon Dean Adap



Moderated by Maurine Wahlen, Associate Director, participants share their "I Will Go" stories for Sabbath School. Photo by Jon Dean Adap

Average Number of Policy Violations
The average number of policy compliance violations reported by type of entity



Most frequent reasons for reporting a violation of core policies:

- Monthly financial statements not prepared and/or presented
- Conflict of interest statements missing/incomplete
- Audit committee missing or improperly constituted
- Insurance coverage not in harmony with working policy
- Remuneration and/or benefits not in harmony with policy
- Service Records not updated and/or signed

Reporting Highlights

Current Auditing & Accounting Matters

Auditing

Quality Management

In December of 2020, the International Auditing and Assurance Standards Board (IAASB) issued new standards related to quality management for organizations that perform audits or other assurance related services. International Standard on Quality Management (ISQM) 1 sets the standard for organization’s internal system that provides reasonable assurance that the entity and its personnel fulfill their responsibilities in accordance with professional standards, and applicable legal and regulatory requirements. The eight components of quality management are: the entity’s risk assessment process, governance and leadership, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, engagement performance, resources, information and communication, and the monitoring and remediation process. ISQM 2 sets the standard for organization’s own engagement quality reviews. Both ISQM 1 and ISQM 2 were effective for audits beginning on or after December 15, 2022.



The Administrative Professionals and Shared Services team enjoyed invigorating group discussions. | Photo by Jon Dean Adap



Cradle Roll Sabbath School class, led by Trenton and Kelley Schwartz, and JoJean Birth | Photo by Miguel Serrant

Denominational

Financial Reporting Framework

The denomination’s Financial Reporting Framework Committee (FRFC) has been meeting to update the supplemental guidance to international accounting standards for implementation by church related organizations. The committee is focusing 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.

Working Capital and Liquidity

The FRFC suggested amendments to the General Conference Working Policy which were adopted by the Annual Council of the Executive Committee that created a new formula for determining the recommended minimum amounts of working capital and liquidity. The previous policy focused mainly on sufficient working capital and liquidity for operations, and had multiple different calculations for different types of entities. The new policy while considering operations, focuses more on preparedness for unforeseen emergencies, and a single simple calculation that is easy to understand and apply. Yielding a number of months of available working capital and the number of months of liquidity. This new policy was implemented for fiscal years beginning on or after January 1, 2022.

Financial Oversight

The denomination is developing an additional level of financial oversight to supplement financial audits, financial reviews, and local church reviews.



Dan Herzel

Daniel Herzel, BA CPA
Associate Director, Professional Standards

GCAS Team

Leadership Team

Robyn W Kajiura, BBA CPA | Executive Director
Daniel E Herzel, BA CPA | Professional Standards
Maurine Wahlen, MBA CPA | Professional Development
Boris R Cardenas, BBA CPA | Workflow and Innovation
Guillermo Leal, BA CPA | Quality Management
Gary B Blood, BS MCP | Technology

JoJean Birth, BBA CPA | North America Area
Furaha Mpozembizi, BCom CA FCCA | 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

Board Members

Thomas Lemon, MDiv | Vice Chair/GC Vice President
Robyn W Kajiura, BBA CPA | Secretary/GCAS Executive Director
Ted N C Wilson, PhD | GC President
Erton C Köhler, MTh | GC Secretary
Paul H Douglas, MBA, CPA | GC Treasurer
John Satelmajer, CPA | Board Chairman & NAD Lay Representative
Patrick Bob Ojera, CPA, PhD, MBA | ECD Lay Representative
Aurel Duca, PhD | ESD Lay Representative
Dennis Brown, FCCA, FCA, MBA | IAD Lay Representative

Ventsislav Bosev, M.Sc. | EUD Lay Representative
Masao Yanaga, BA, LLB, CPA | NSD Lay Representative
Ailton Dorl, MBA | SAD Lay Representative
Philip Ndlovu, B.Sc, CA | SID Lay Representative
Annette Barlow, B.Com, CA | SPD Lay Representative
Jeffrey Eman, BA | SSD Lay Representative
Victor Singh, CA, CMA | SUD Lay Representative
Frensly Panneflek, MBA, M.Sc | TED Lay Representative
Kwaku Danso-Abeam, FCCA, CA, MCIT | WAD Lay Representative



Robyn W Kajiura, Executive Director, shared a quick message during the Sabbath program. | Photo by Miguel Serrant



Sandra Grice, (TEA) Associate Director and Alen Redfern (TEA) Assistant Director being aided by Dwayne Adap (GSS). Photo by Jon Dean Adap



Board Members Frensly Panneflek (TED) and Annette Barlow (SPD) helped in the five-year Service Recognition. Photo by Jon Dean Adap



Thomas Lemon, General Conference Vice President, offered prayer during the Sabbath program. | Photo by Jon Dean Adap



General Conference of Seventh-day Adventists
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Silver Spring, MD 20904, USA