

# North American Division Treasurer's Report

2023 Year End Meeting

**TOGETHER** |  
IN MISSION



# Blessings from God

Through September, the tithe gain year over year 9.65% with every Union territory reporting gains and only 1 out of 59 conferences reporting a small loss.

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# Looking Forward

God has blessed the North American Division significantly and placed it in a very positive financial position. We have been able to set funds aside for

- Media, Mentoring, and Multiply
- Antioch Project

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# Financial Presentation Segments

- Audited Financial Statements (2022 Highlights)
- Audit Review Committee Report (2022 Audit Opinion)
- Unaudited Financial Statements (August 2023 YTD)
- Compensation Review Committee Report (2022 Compensation)
- Investment Report
- General Conference Auditing Service Report
- NAD Retirement Plan Report
- 2024 Budget Assumptions

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IN MISSION



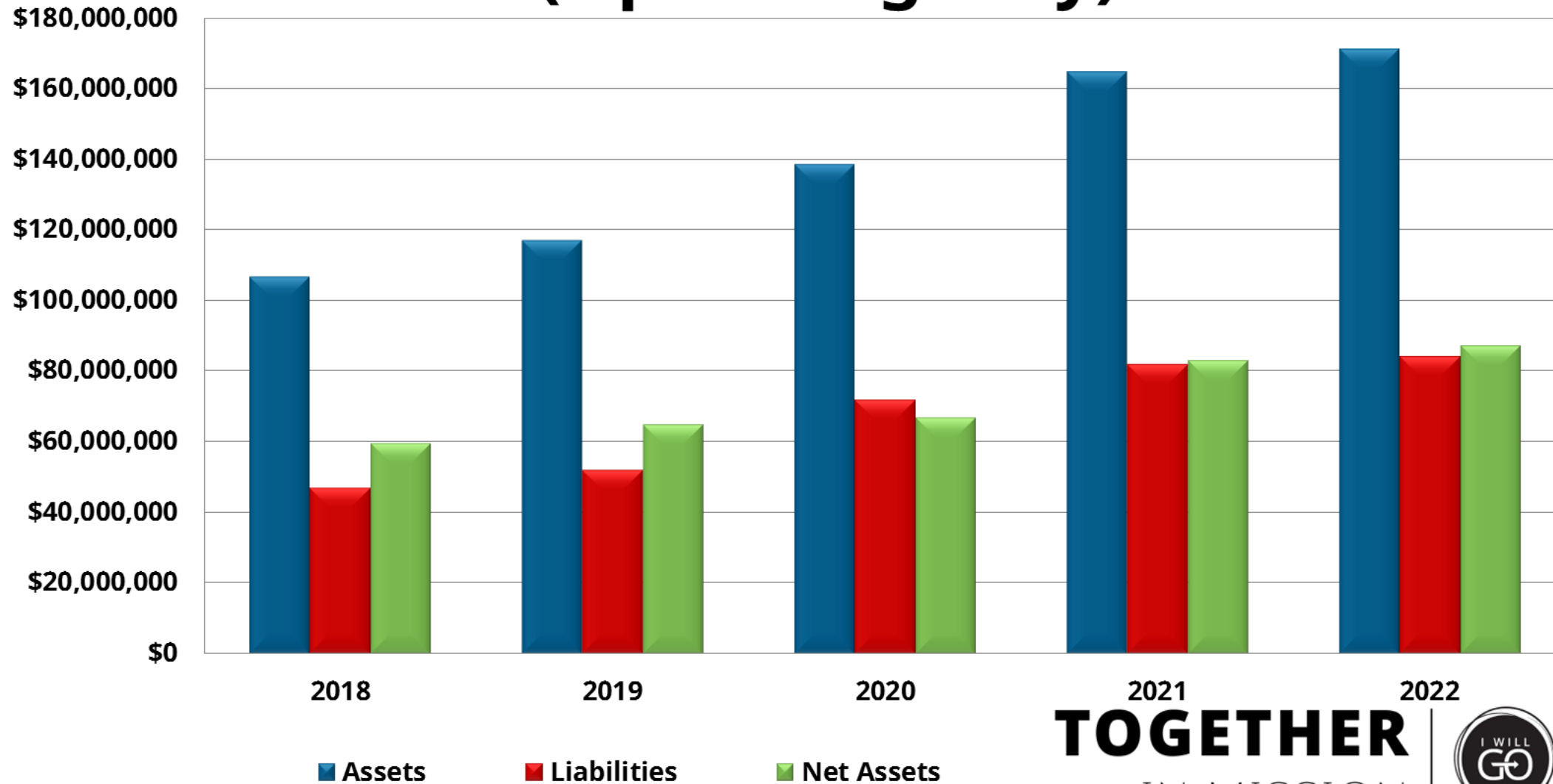
# 2022 Audited Financial Statement Highlights

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# Statement of Financial Position

## (Operating only)

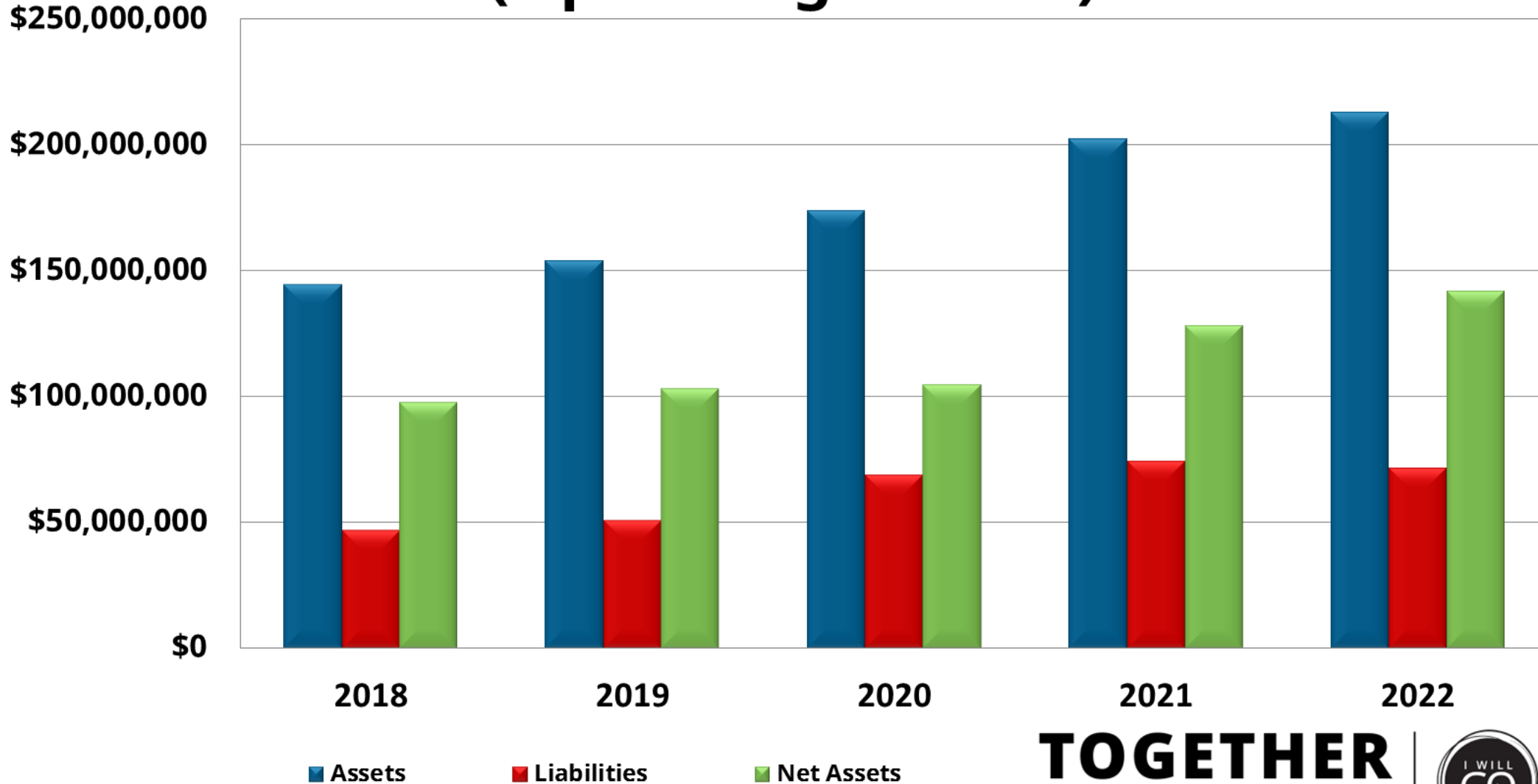


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# Statement of Financial Position

## (Operating & Plant)



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# Recommended Working Capital



2020

2021

2022

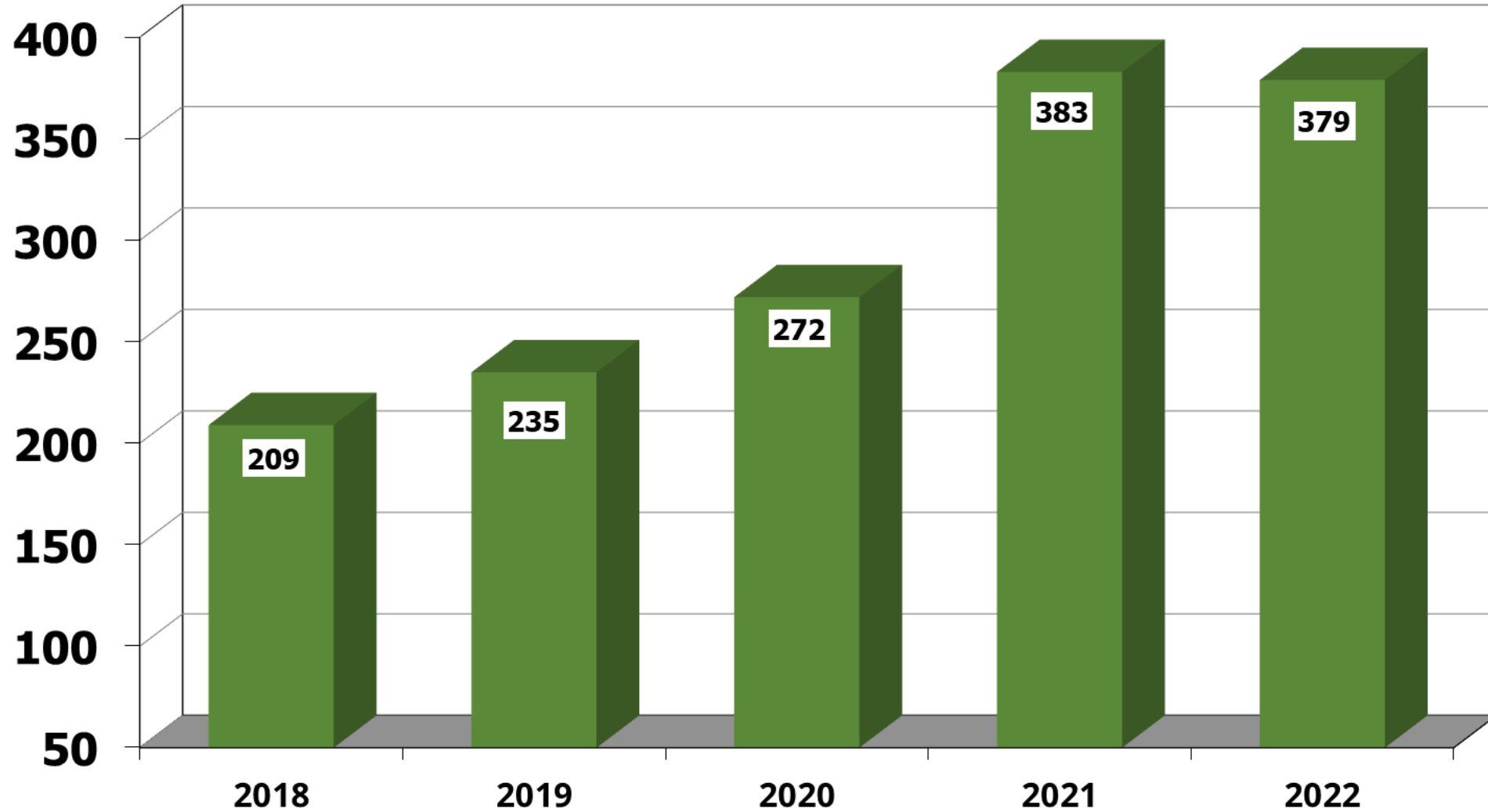
In Months

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# Days Cash Available

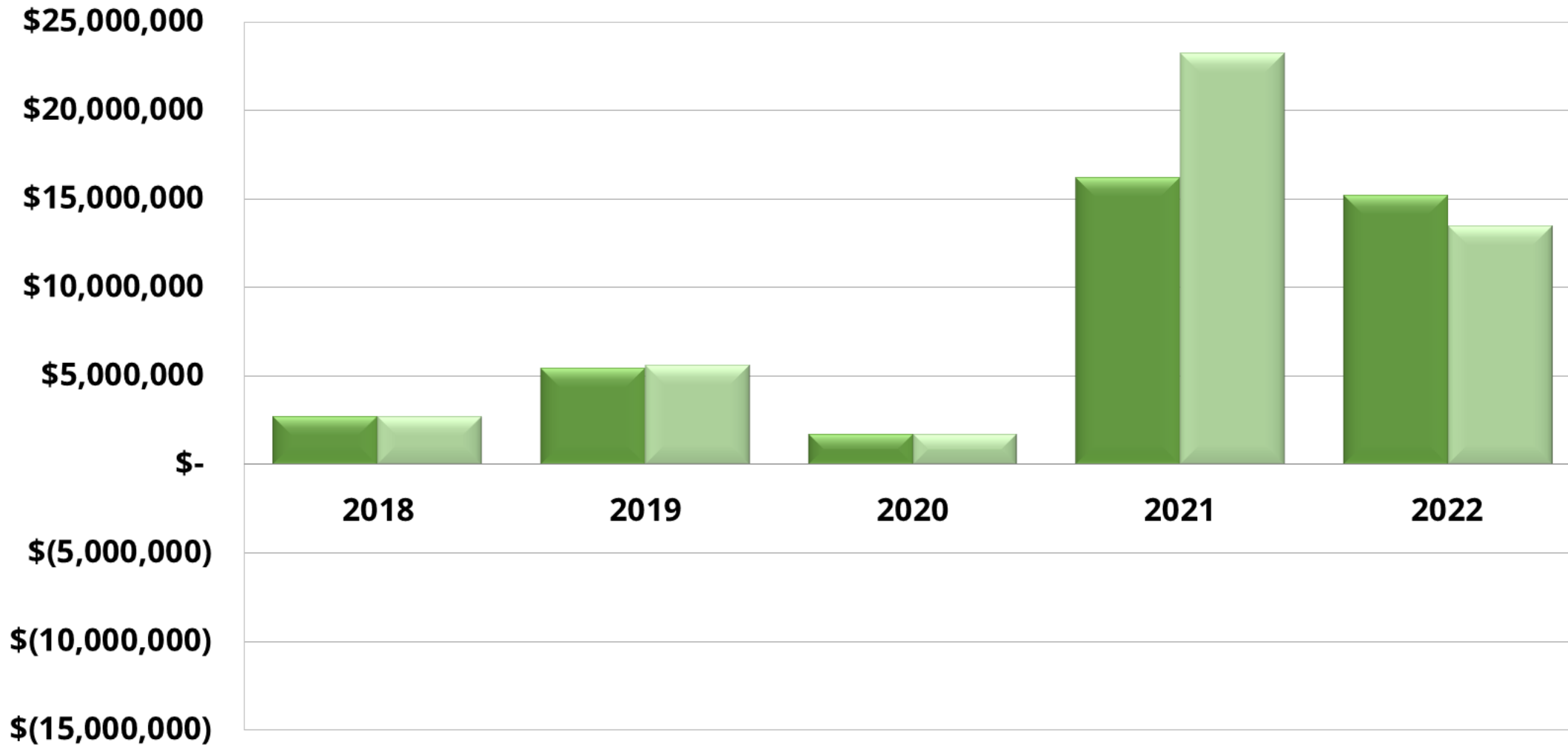


Note: This uses pure Balance Sheet figures. Our internal calculations are more conservative.

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# Year-End Gain/Loss



■ Operating ■ Combined

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# Audit Review Committee Report

## 2022 Audited Financial Statements

Ken Denslow, Chair

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# NAD Audit Review Committee – October 18, 2023

## Committee Action:

### Recommendation to NAD Year-End Meeting:

**Voted: To recommend approval of the audited 2022 and 2021 North American Division unconsolidated financial statements to the North American Division Executive Committee.**

**Note – Management was excused so the committee could meet with the auditor in executive session.**

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# 2022 Audited Financial Statements

**Recommended Action:** To accept the recommendation from the Audit Review Committee to approve the 2022 and 2021 Audited Financial Statements.

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# 2023 YTD Unaudited Financial Statement Report Through August

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# Quick Summary – August

**Tithe** YTD comparative tithe shows a gain of **8.36%**. 9 of 9 Unions had a gain. Lake Union led the way with **11.67%**. Year to date we have had (34) Sabbaths compared to (35) last year.

**Income** from all sources is more than budget by **\$9,876,177** while net tithe income is more than budget by **\$10,035,803**.

**Expenses** are under budget by **\$5,288,868**.

**Bottom Line (From Operation):** is a positive **\$7,240,808** which is **\$15,165,045** better than budget.

**Bottom Line (Overall):** is a positive **\$8,116,365** which is **\$16,543,935** better than budget.

(This includes non-operating activity.)

**Total Cash & Investments:** Our Cash and Investments total is **\$123,445,456**. That is ahead of last year at the same time by **\$3,955,464**.

**Net Days Cash: 172 Days.** Our target is 185 days. This is equivalent to ½ the 2022 budgeted expenses. (Cash = (Total Cash + Investments + Remittance Receivable) - (Restricted Net Assets + Current Liabilities))

**Recommended Working Capital (6 month minimum): 7.67** Months

  
Good

  
Caution

  
Improvement Needed

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# August: Statement of Changes in Net Assets

	<u>2023</u>	<u>Budget</u>	<u>Variance</u>	<u>2022</u>
<b>Income</b>				
Net Tithe	\$81,639,371	\$71,603,568	\$10,035,803	\$75,445,243
Other Income	\$8,457,293	\$8,782,009	(\$324,716)	\$8,481,391
Released from Restriction	\$2,542,022	\$2,376,931	\$165,091	\$1,299,084
<b>Total Funds Available</b>	<b>\$92,638,686</b>	<b>\$82,762,508</b>	<b>\$9,876,178</b>	<b>\$85,225,718</b>
<b>Expenses</b>				
<b>Total Expenses</b>	<b>\$85,397,878</b>	<b>\$90,686,745</b>	<b>(\$5,288,867)</b>	<b>\$77,784,398</b>
<b>Net Income From Operations</b>	<b>\$7,240,808</b>	<b>(\$7,924,237)</b>	<b>\$15,165,045</b>	<b>\$7,441,320</b>
<b>Non-Operating Activity</b>				
Change in Restricted Net Assets	\$357,021	\$30,000	\$327,021	\$1,014,001
Transfers/Non-operating Activity	\$518,535	(\$533,333)	\$1,051,868	(\$2,319,268)
<b>Increase/(Decrease) in Net Assets</b>	<b>\$8,116,364</b>	<b>(\$8,427,570)</b>	<b>\$16,543,934</b>	<b>\$6,136,053</b>

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# August: YTD Expense Summary

	2023	Budget	Dollar Variance	% Var	2022
<b>Departmental Expenses</b>					
			<b>(Red is Good)</b>		
Church Ministries	\$12,161,278	\$13,458,471	(\$1,297,193)	-9.64%	\$12,652,485
Educational	\$24,672,172	\$25,265,307	(\$593,135)	-2.35%	\$21,690,265
Publishing	\$501,289	\$472,767	\$28,522	6.03%	\$443,648
Health and Humanitarian	\$1,287,082	\$1,708,785	(\$421,703)	-24.68%	\$1,112,174
Administration	\$9,975,788	\$10,249,098	(\$273,310)	-2.67%	\$8,942,362
Retirement Contribution	\$2,288,294	\$2,140,263	\$148,031	6.92%	\$2,108,159
Conventions and Meetings	\$12,161	\$60,000	(\$47,839)	-79.73%	\$175,599
Office Operations/Maint	(\$665,789)	\$433,320	(\$1,099,109)	-253.65%	(\$574,414)
Other *	\$35,165,603	\$36,898,735	(\$1,733,132)	-4.70%	\$31,234,121
<b>Total Expenses</b>	<b>\$85,397,878</b>	<b>\$90,686,746</b>	<b>(\$5,288,868)</b>	<b>-5.83%</b>	<b>\$77,784,399</b>

\* Includes: PSI, Chaplaincy Ministry, Religious Liberty, Communication/Media, ALC, Special Assistance Appropriations, NADEI, ASI.

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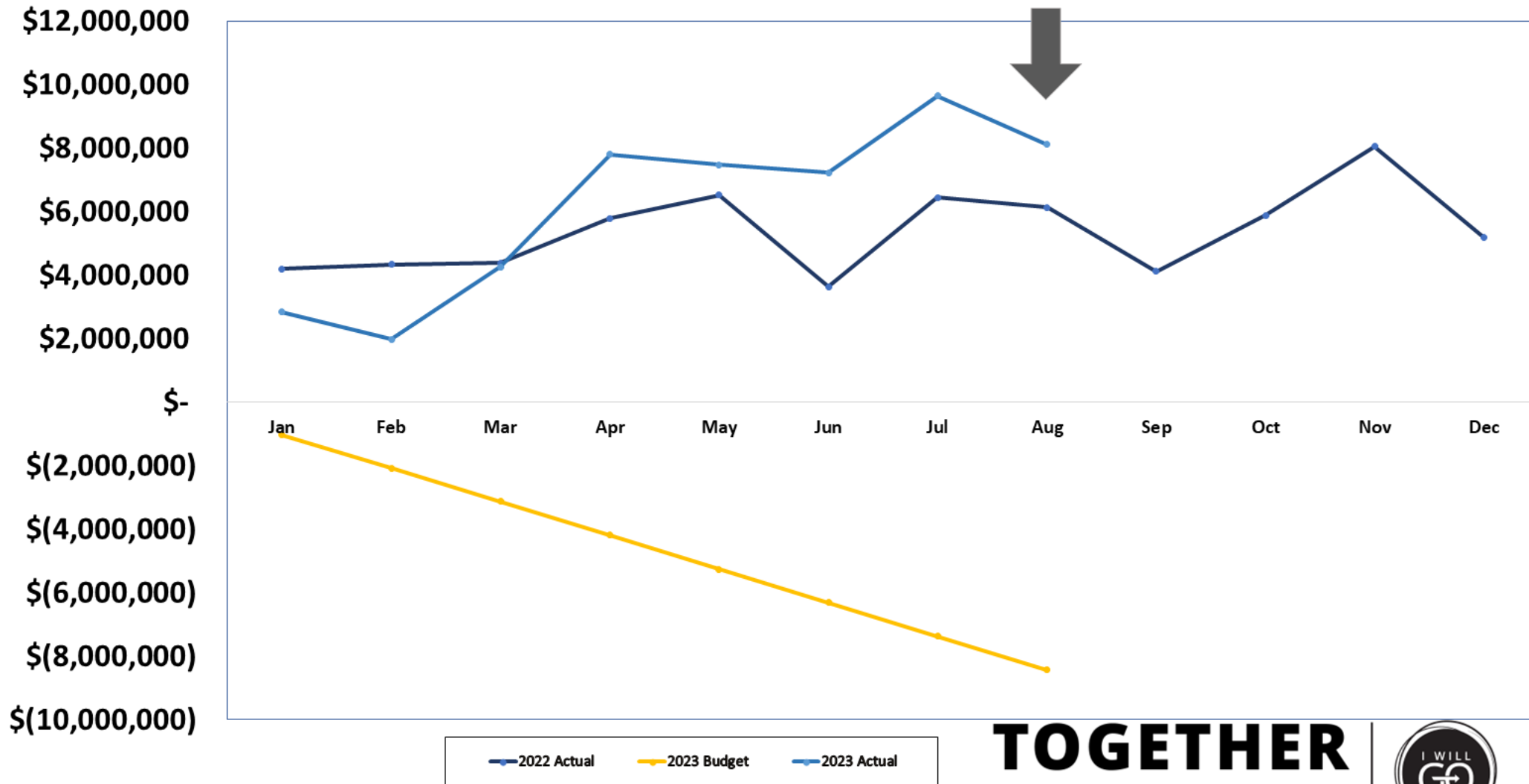


# Financial Indicators

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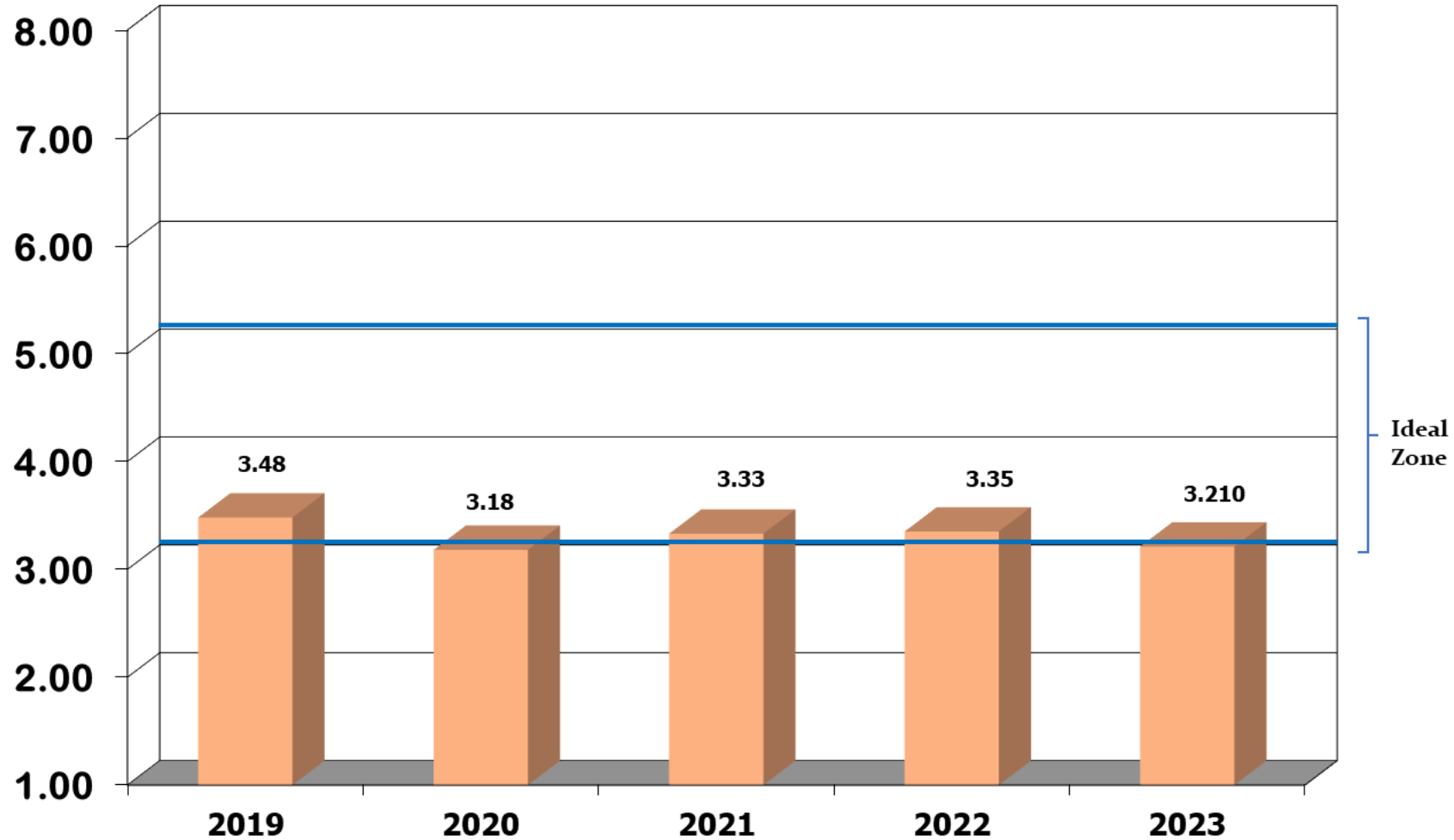
# YTD Bottom Line: August



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# Current Ratio: August

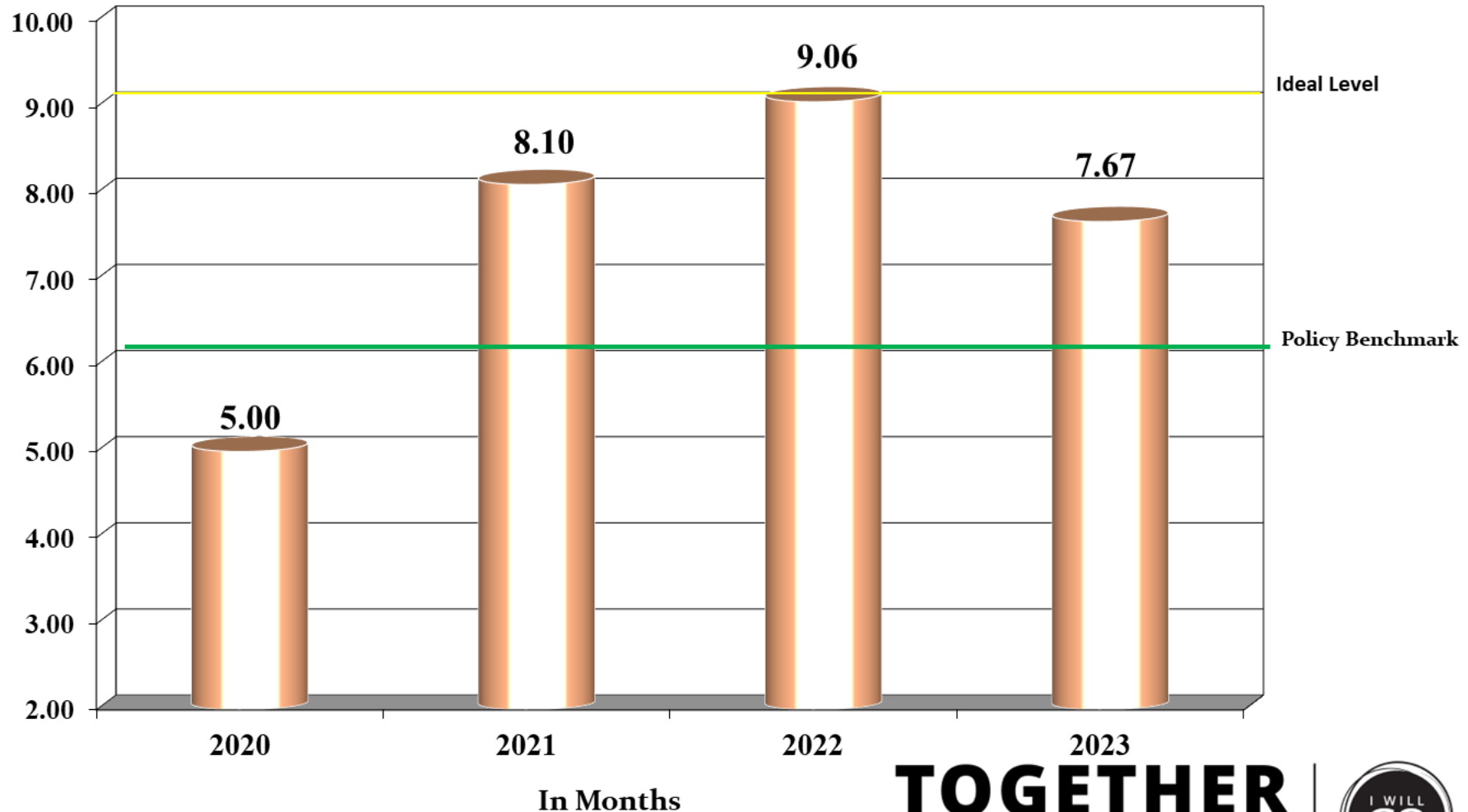


This indicates how much in liquid assets we have for every \$1 we owe. Sustaining between a 3:1 and 5:1 ratio is our goal.

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# RECOMMENDED WORKING CAPITAL: AUGUST

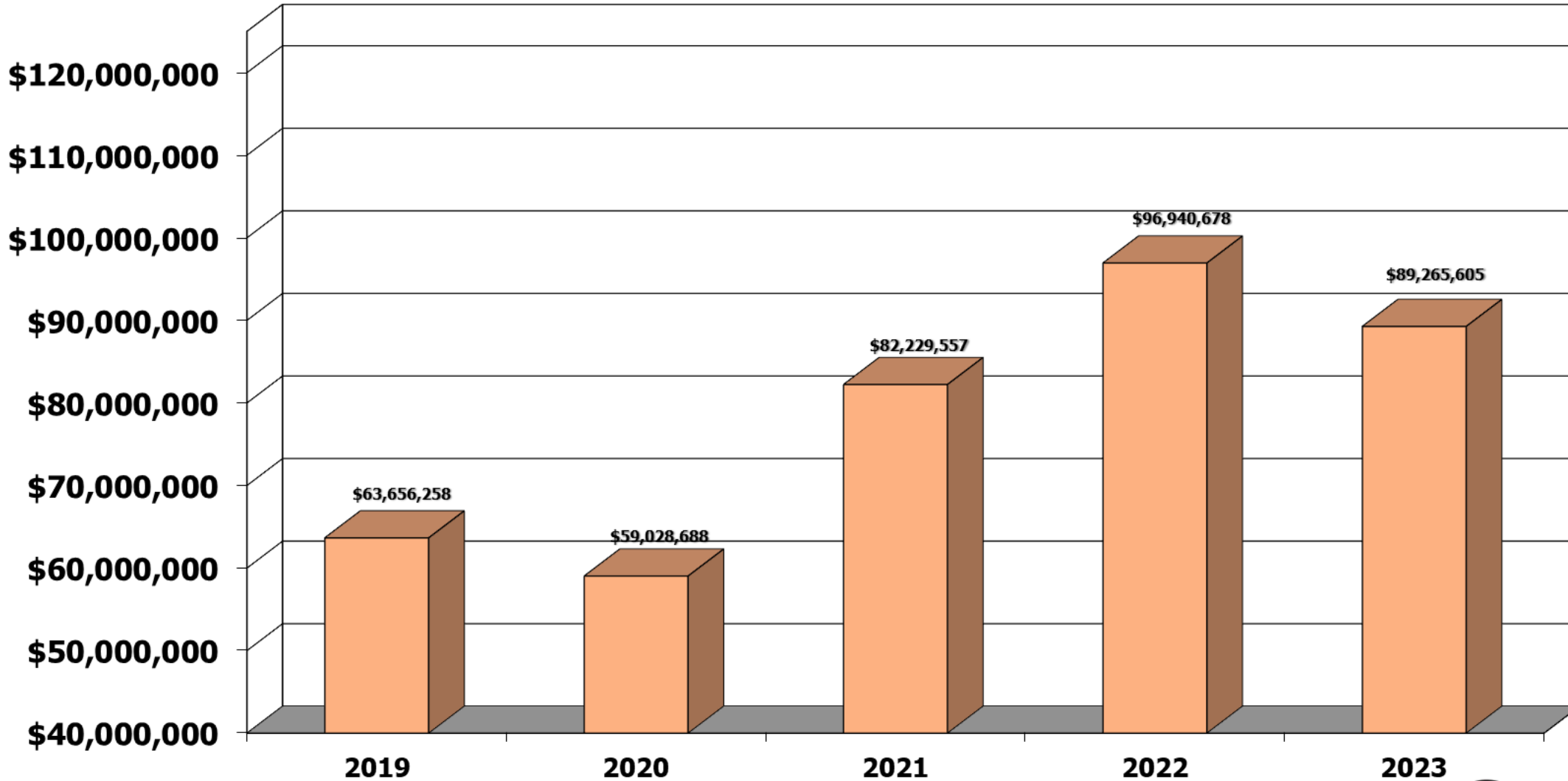


Minimum Working Capital Recommendation = 6 months of core expenses.

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# YTD Actual Working Capital: August

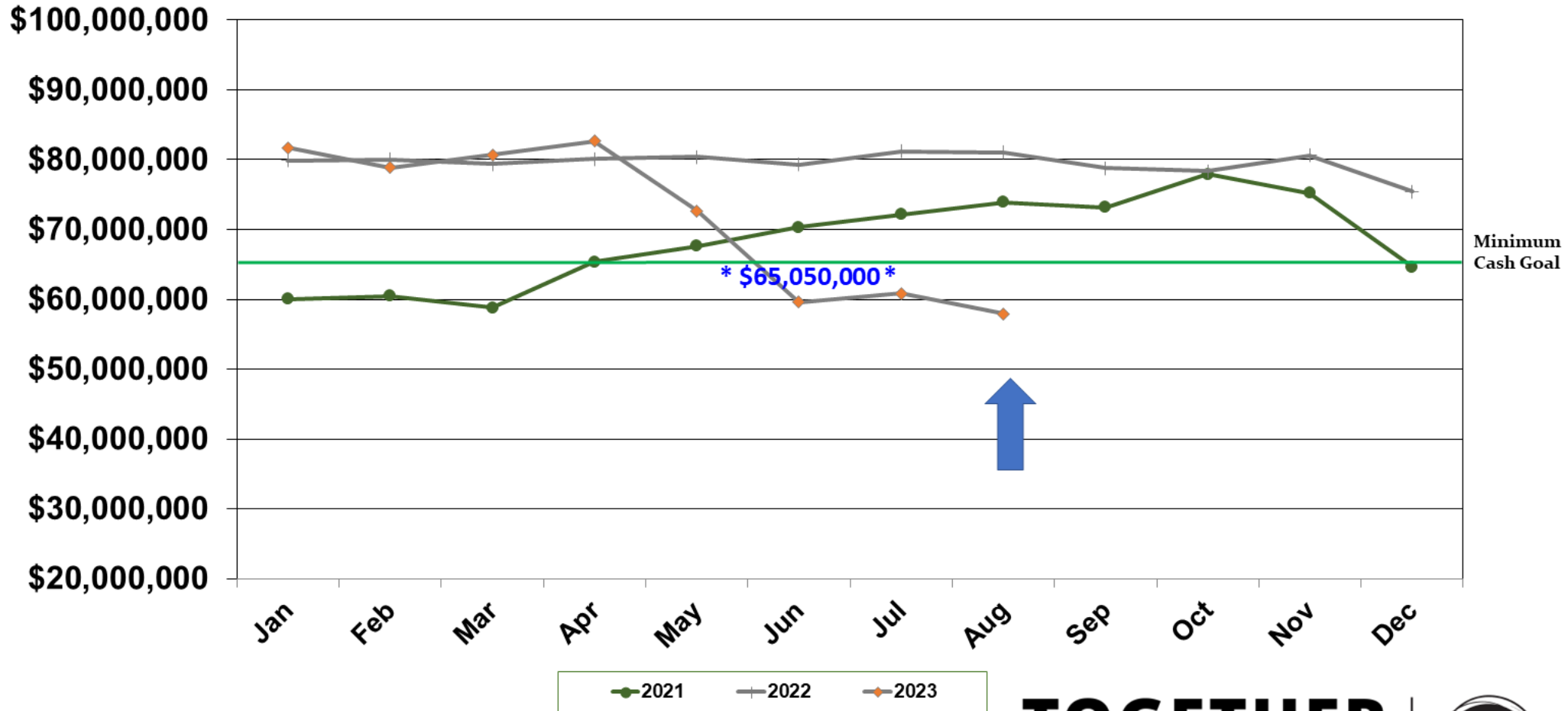


Current Assets – Current Liabilities = Working Capital

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# YTD Cash Comparison: August



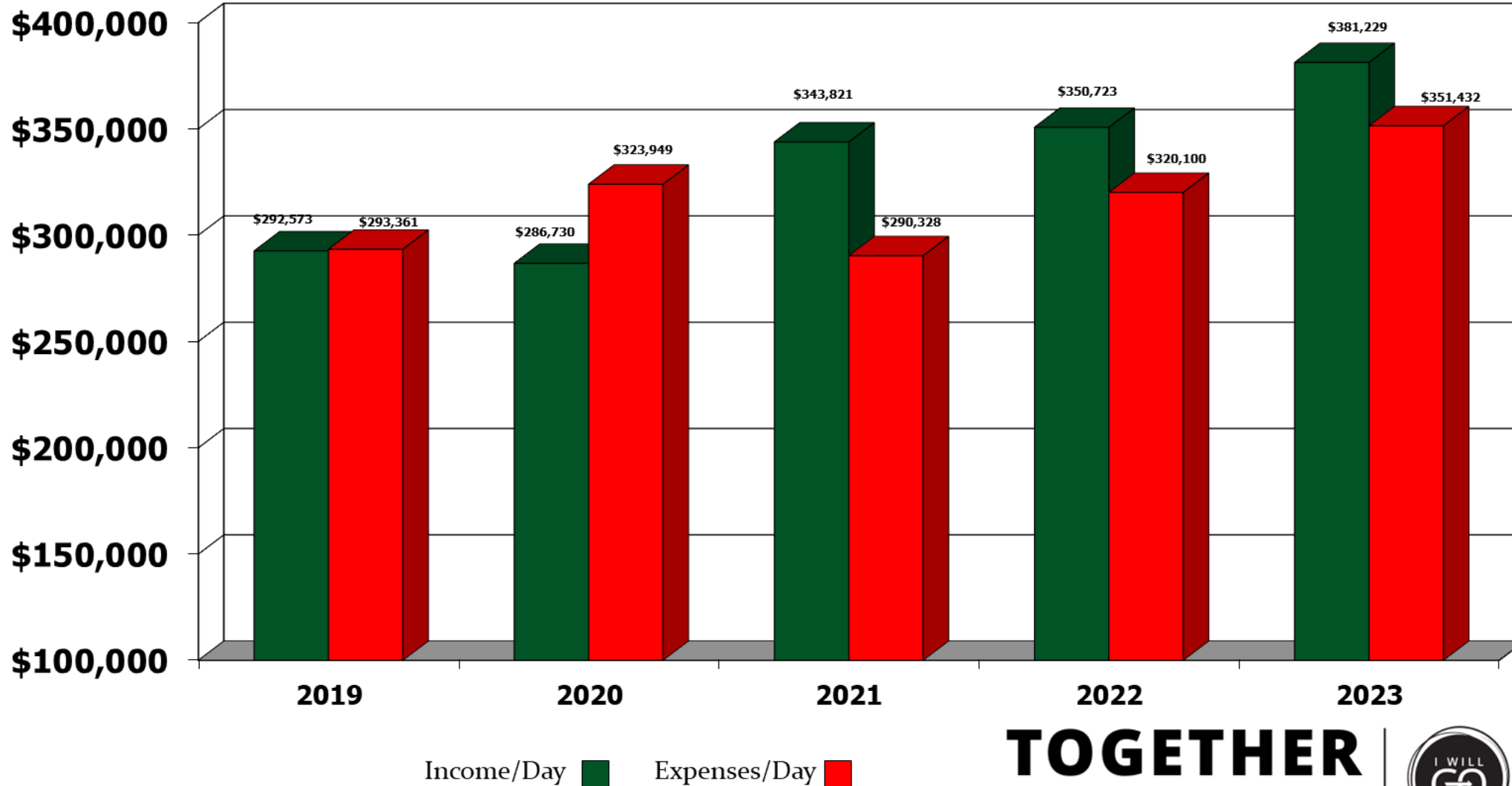
Minimum Cash Goal = ½ of 2023 Budgeted Operating Expenses.

Cash = ((Cash + Investments + Remittance Receivable) - (Restricted Net Assets + Current Liabilities))

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# YTD Income/Exp Per Day: August

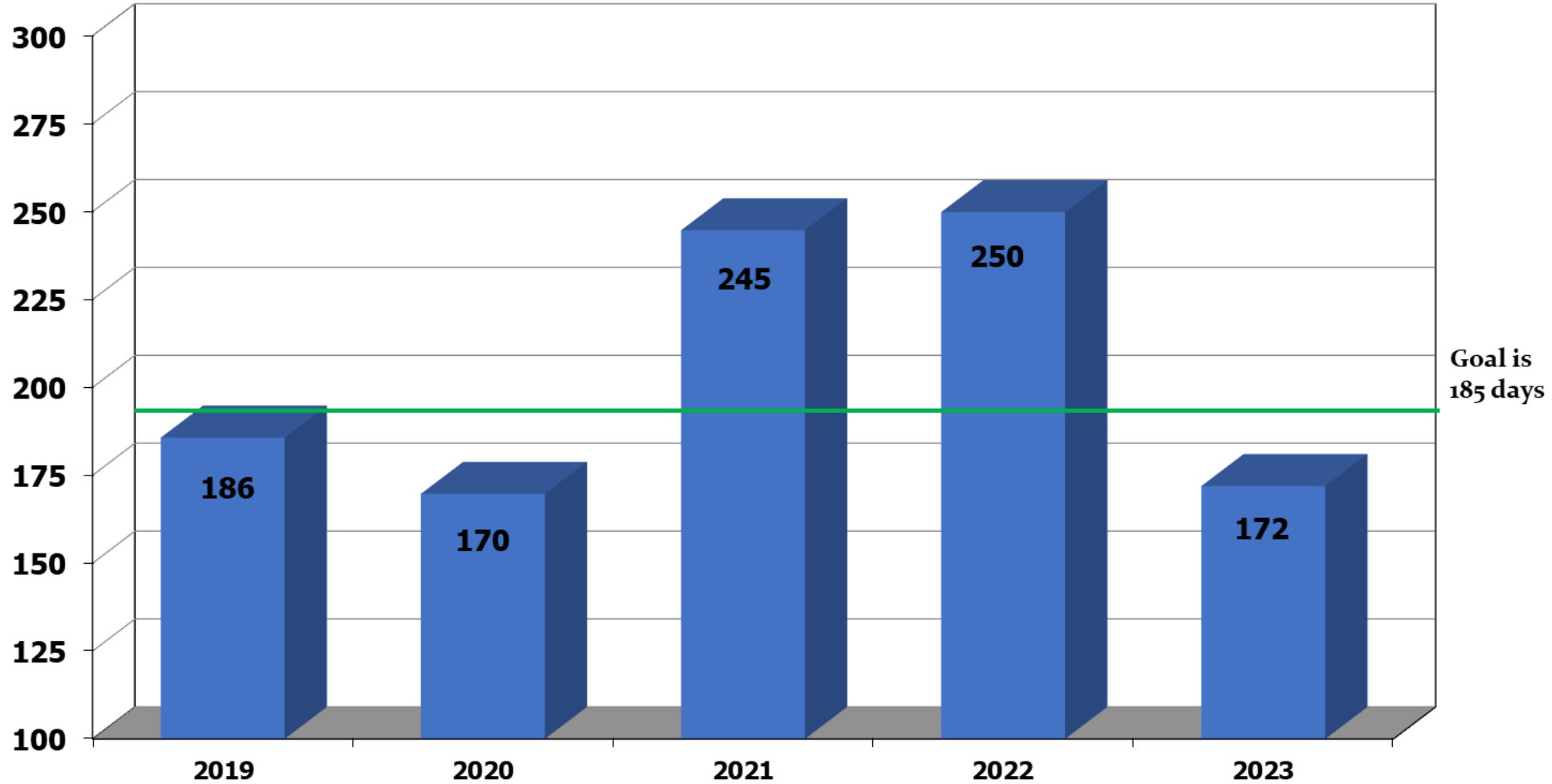


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# YTD Days Cash Available: August



1 day of cash = \$346,710 Total cash goal is \$65,050,000

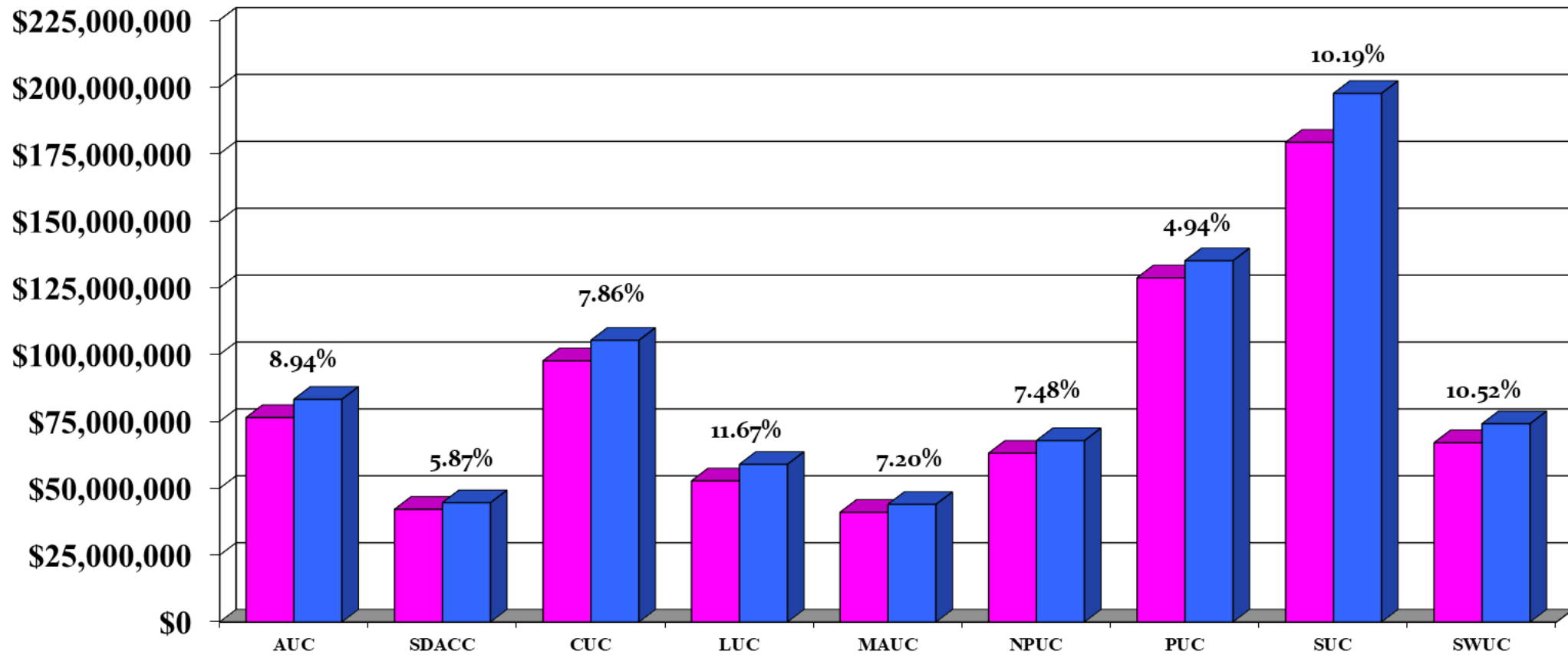
Actual Available YTD Cash is \$57,947,999

Note: 2023 went down due to the setting aside of \$8,333,000 for special appropriations

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# Union YTD Comparative Tithe: August



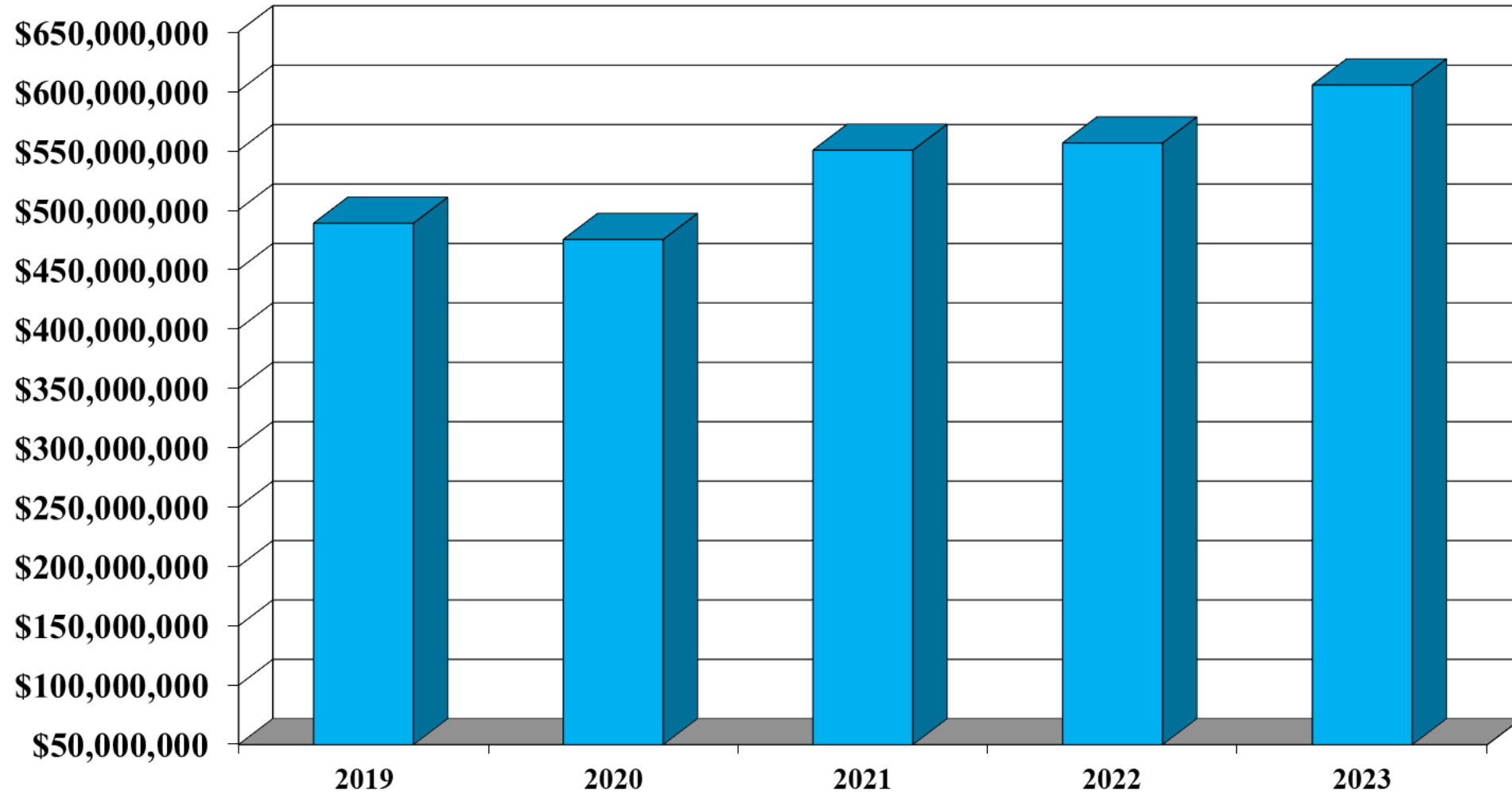
■ Aug '22    ■ Aug '23

Combined **8.36%**

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# YTD Total Division Tithe: August



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# Looking to the Future

- After looking at this report, we can all conclude that the NAD is in a strong financial position.
- The NAD is well positioned to weather challenges that we see coming and that are already here:
  - Contribution uncertainty
  - Significant Inflation
  - Adventist Eschatology
    - Pressures against Christian Values (marriage, gender, etc)
    - Use of Federal Funding by Christian Organizations (non-profit status)
- God is faithful to sustain His Church!

**TOGETHER**  
IN MISSION



# August 2023 Financial Report

**Recommended Action:** To accept the August 31, 2023 financial report, subject to audit.

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# Compensation Review Committee Report

Gary Thurber, Chair

**TOGETHER**  
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# Compensation Review Committee Actions

**Voted:** To accept the compensation report as presented for the year ended December 31, 2022.

**Voted:** To accept the travel report as presented for the year ended December 31, 2022.

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# Compensation Review Committee Report

**Recommended Action:** To receive the Compensation Review Committee Report as presented for compensation and travel paid during the year ended December 31, 2022.

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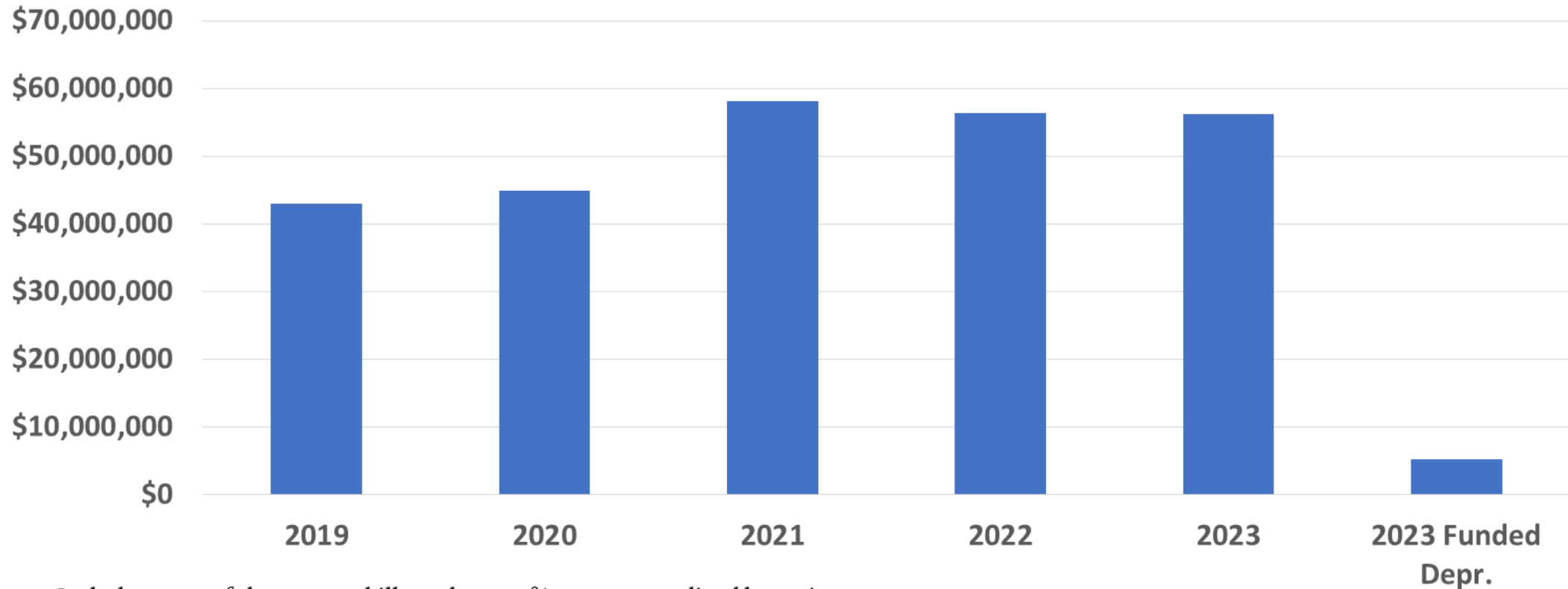


# NAD Investment Report

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# Invested Funds - Operation



Includes \$15 m of short term t bills at about 5.5% , some unrealized losses in August because of the bond market, but overall, experiencing modest gains and improving because of the t-bills. Also allocated non-operating dollars to long term funded depreciation account at a 70/30 mix. Up about 5% since inception of end of last year.

**Asset Allocation: Approximately 10% Equity and 90% Fixed Income**

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# Short Term Adjustments

- Utilizing Short Term Treasurys while in rising interest rate environment (about 5.5%)**
- Started Long Term Depreciation Funding Account in lieu of annual allocations**
- Continuing to evaluate asset allocations**

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# August 2023 Investment Report

**Recommended Action:** To receive the 2023 YTD Investment Report as presented.

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IN MISSION



# General Conference Auditing Service Report

**JoJean Birth, Associate Director: North American Division**

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General Conference  
Auditing Service  
*Delivering Excellence!*



# TRANSPARENCY and ACCOUNTABILITY

North American Division Summary

# 2022

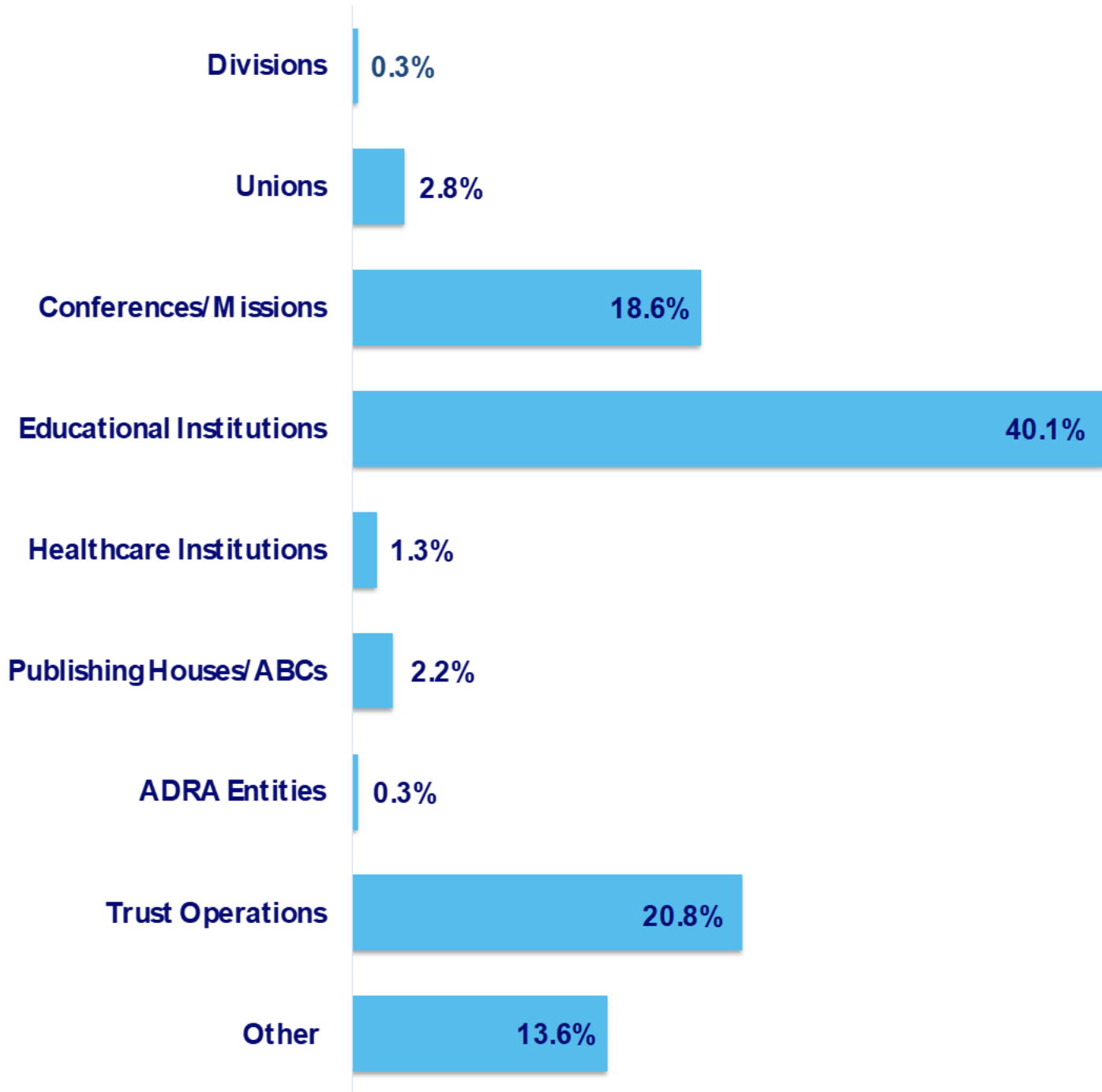
Annual Report





# Our Responsibility





# Our Responsibility

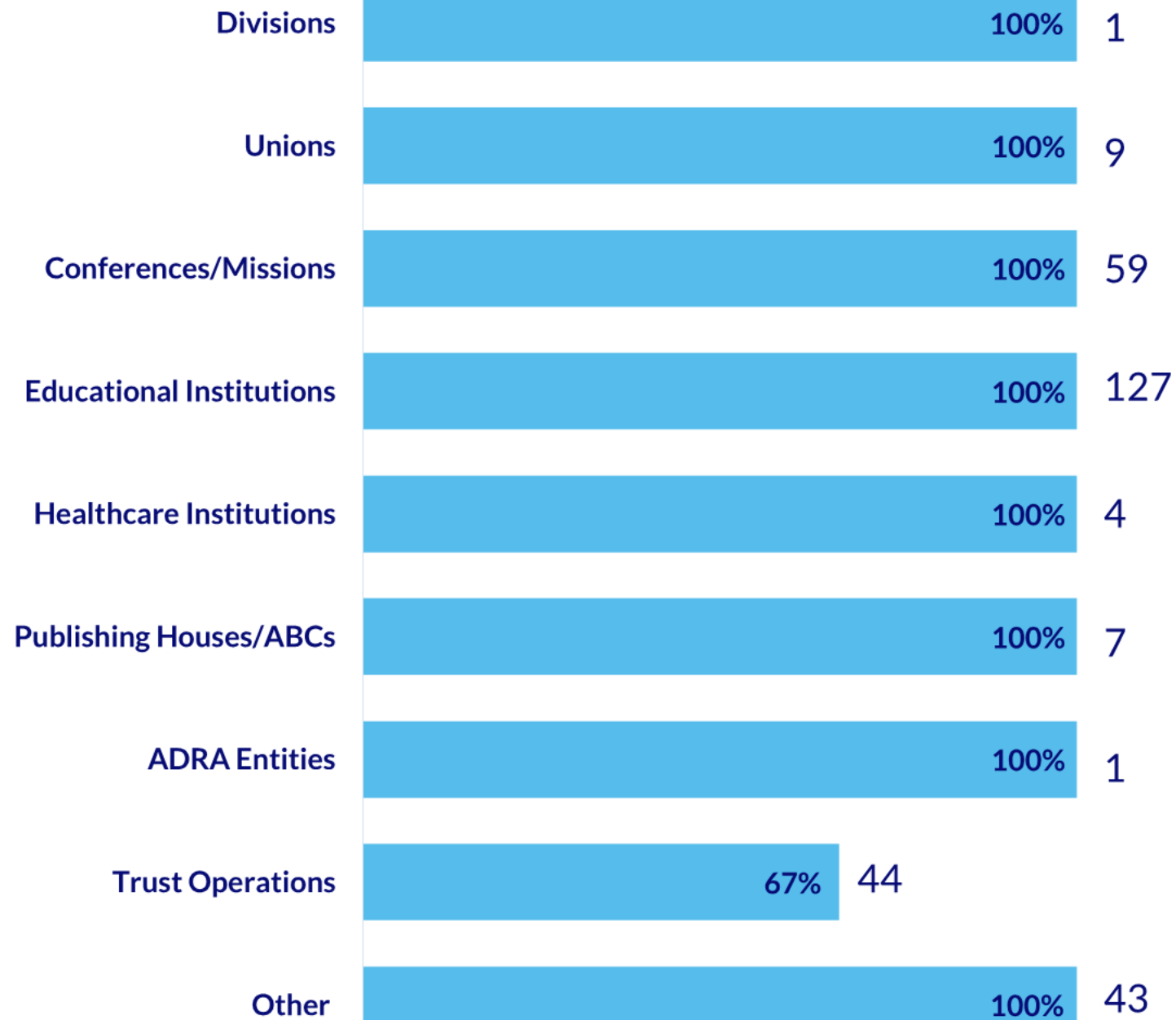
(Portfolio)

Total Clients: 317

# Our Commitment

(Annual Workplan)

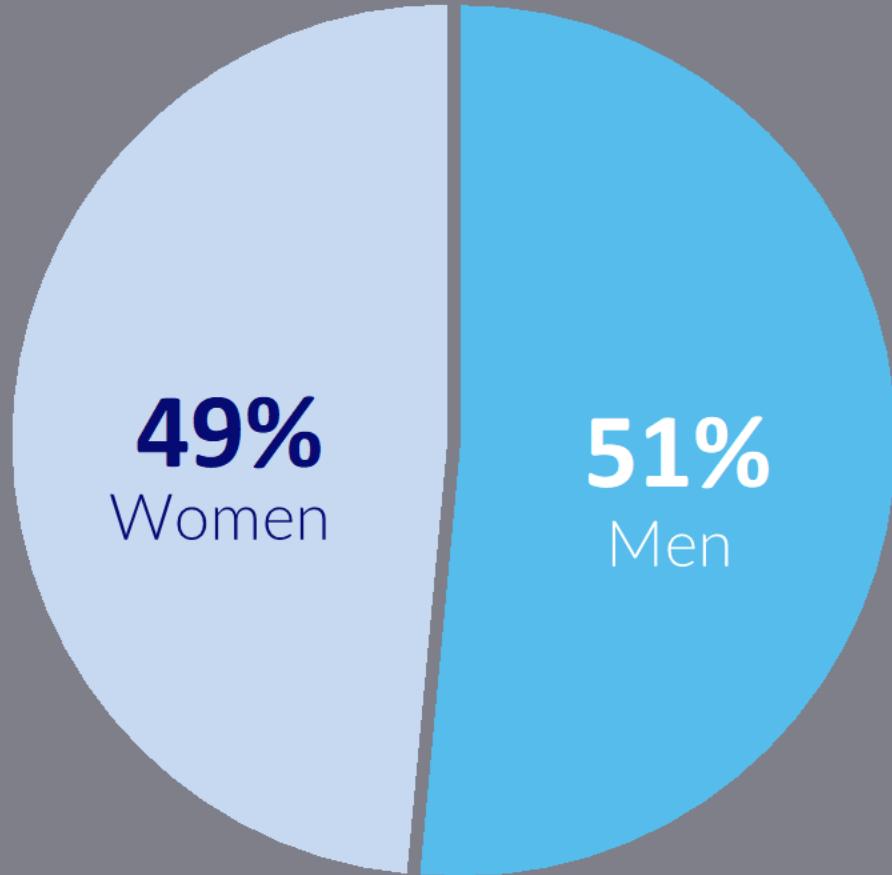
Total Clients: 295





# Our GCAS Family

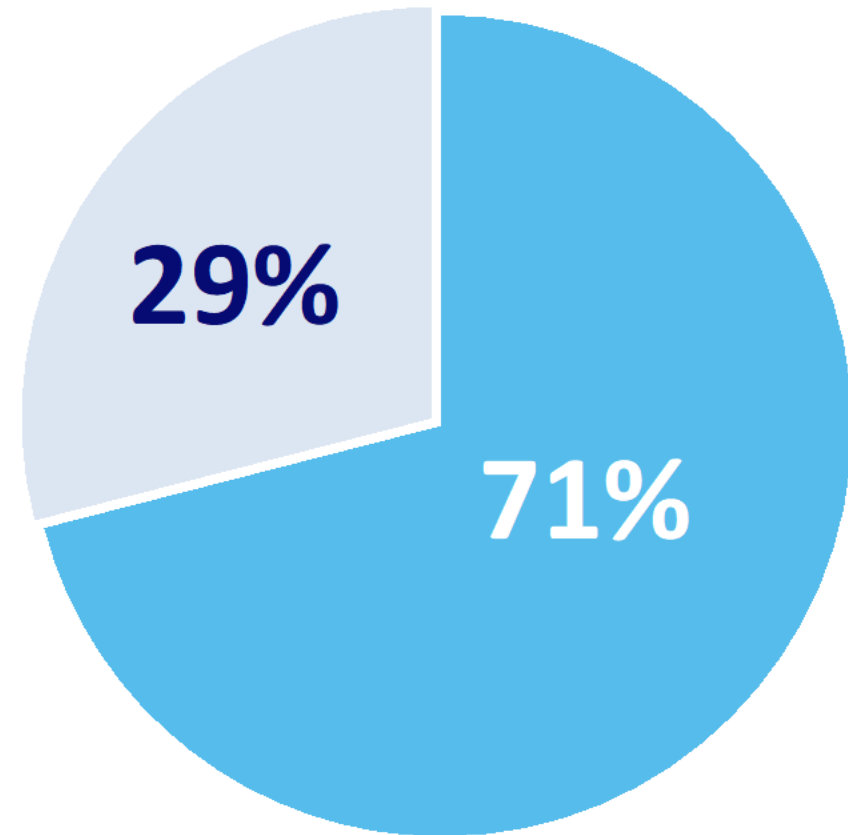
# Auditor Demographics



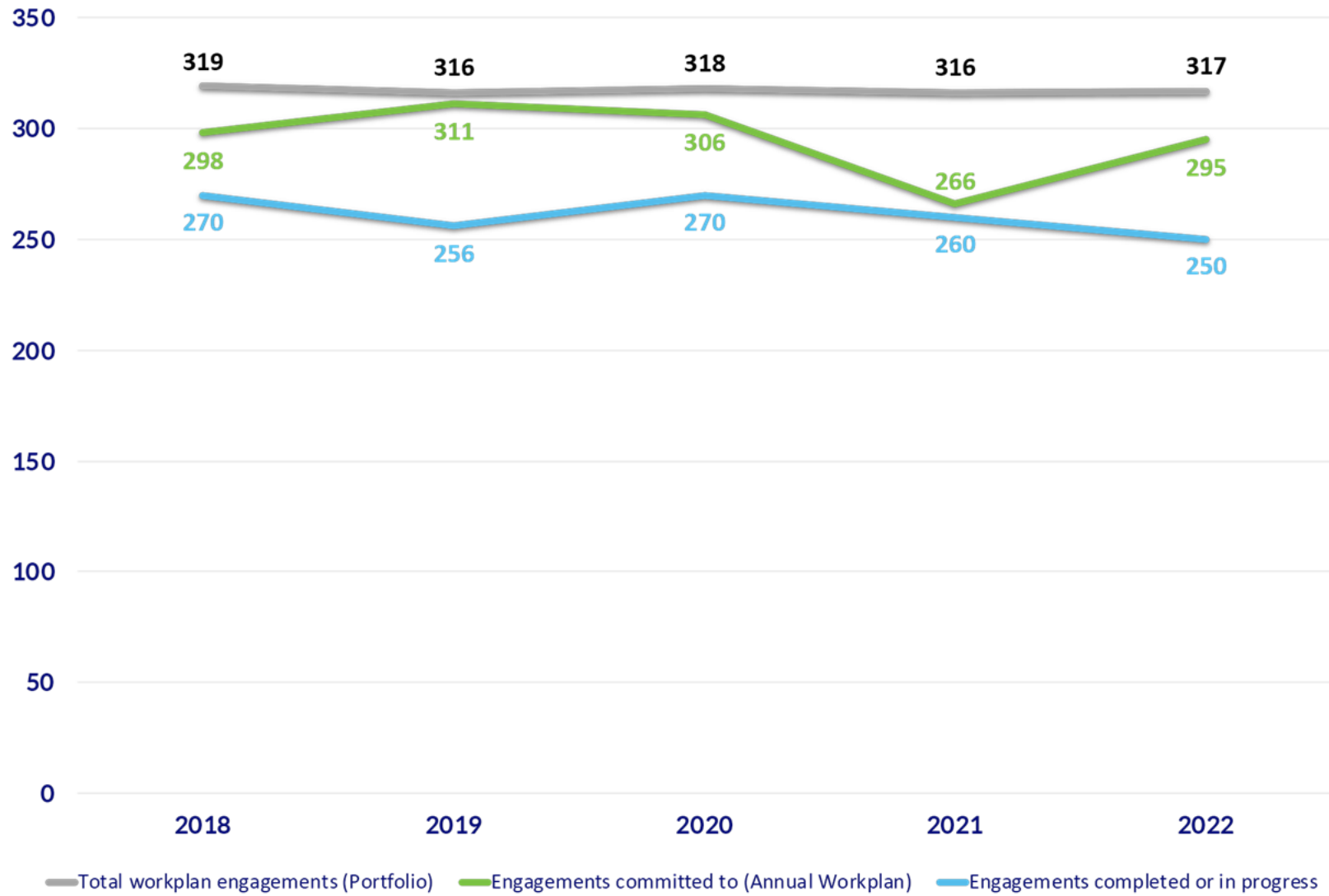
Our  
GCAS Family

# Our GCAS Family

## Professional Certification



**71%** of our team holds globally recognized professional accounting or auditing certification, while **29%** are working towards certification.



# Workplan Results

# GCAS Portfolio Summary

Type of Entities	Total Portfolio	AWP	Engagements				*PY Engagements Completed
			Completed	In Progress	Postponed	Not Attempted	
Divisions	1	1	1	0	0	0	0
Unions	9	9	9	0	0	0	0
Conferences/Missions	59	59	57	2	0	0	7
Educational Institutions	127	127	94	17	0	16	18
Healthcare Institutions	4	4	4	0	0	0	0
Publishing Houses/ABCs	7	7	6	1	0	0	2
ADRA Entities	1	1	1	0	0	0	0
Trust Operations	66	44	10	8	0	48	0
Other	43	43	36	4	0	3	1
<b>Total</b>	<b>317</b>	<b>295</b>	<b>218</b>	<b>32</b>	<b>0</b>	<b>67</b>	<b>28</b>

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

# Types of Auditor's Reports

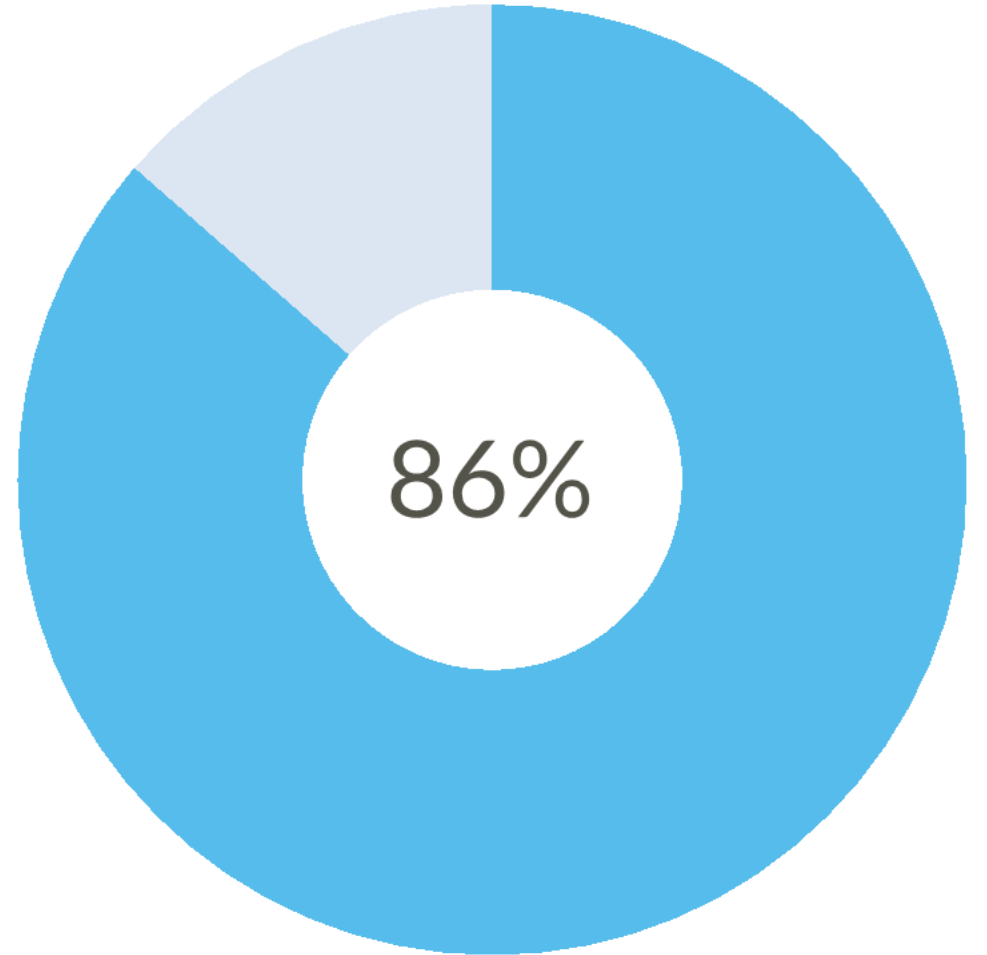




# Types of Auditor's Reports

## Standard

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

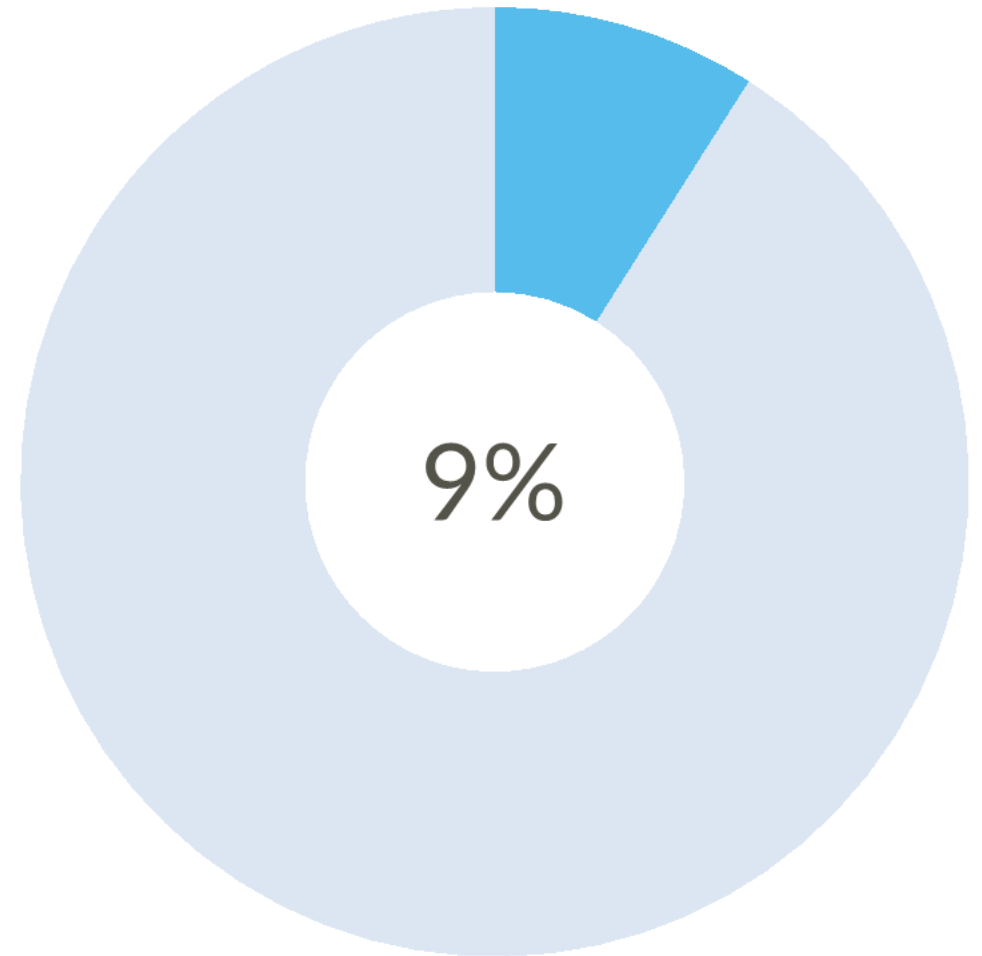


# Types of Auditor's Reports

## Qualified

The auditor concludes that the overall financial statements are fairly stated except:

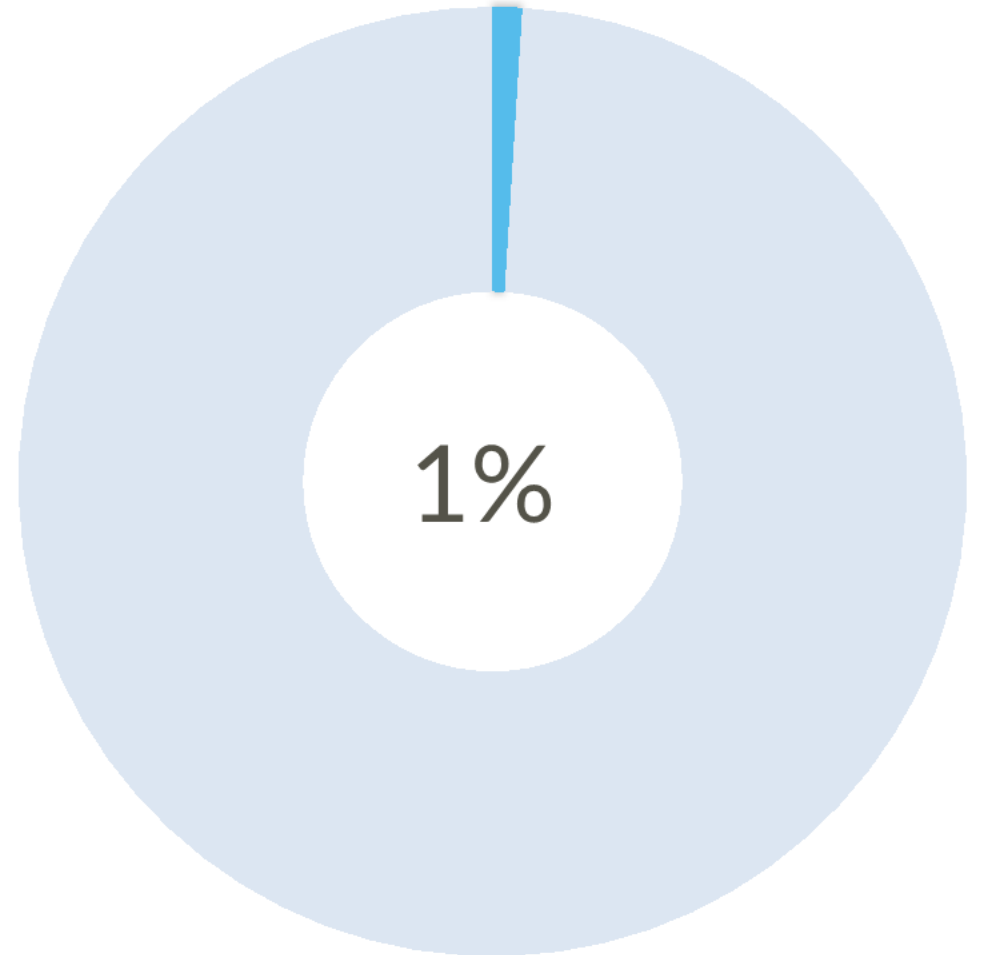
- they contain a misstatement that is not pervasive, or
- the auditor is unable to obtain sufficient audit evidence to determine whether there may be a material misstatement, but confident that any potential misstatement is not pervasive.



# Types of Auditor's Reports

## Adverse

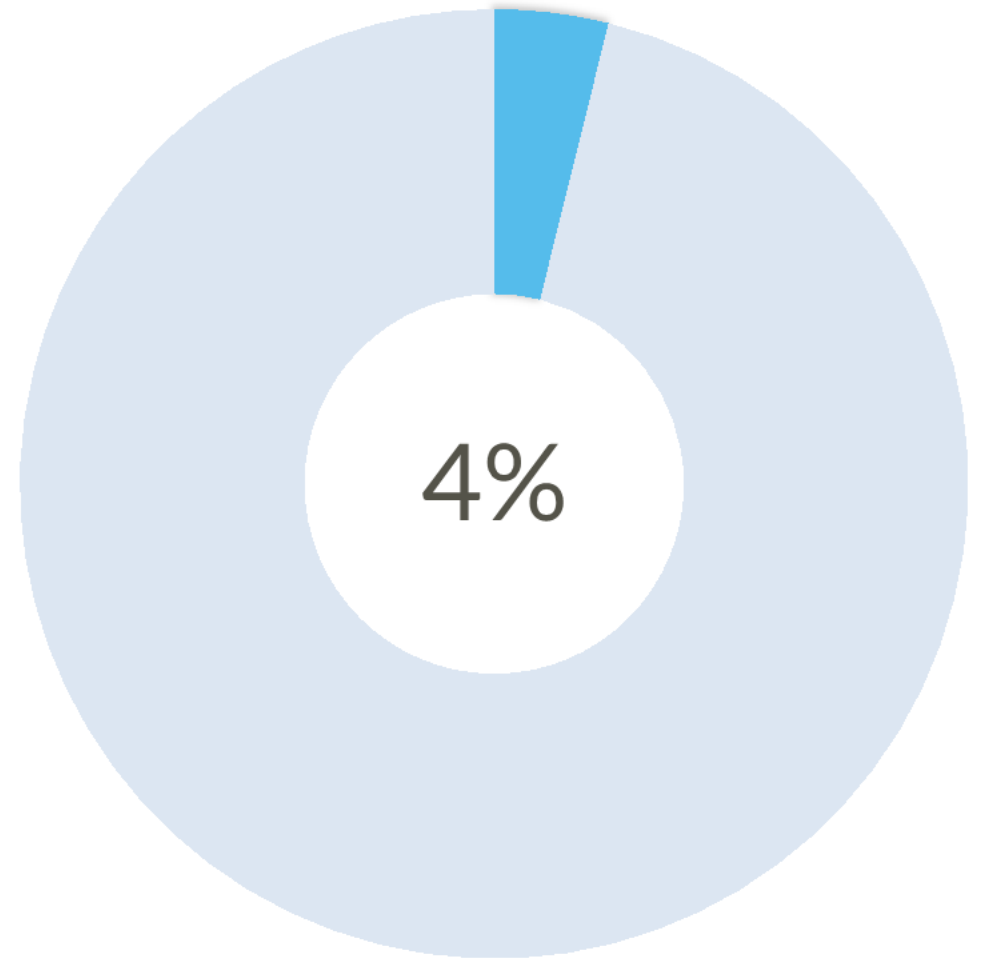
The auditor concludes that the financial statements are materially and pervasively misstated.



# Types of Auditor's Reports

## Disclaimed

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





# Reporting Highlights



# Reporting Highlights

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

- Lack of evidence for Disclaimer
- Lack of evidence for Revenue
- Lack of evidence for Property, Plant and Equipment
- Misstatement of Property, Plant and Equipment
- Lack of evidence for Accounts Receivable

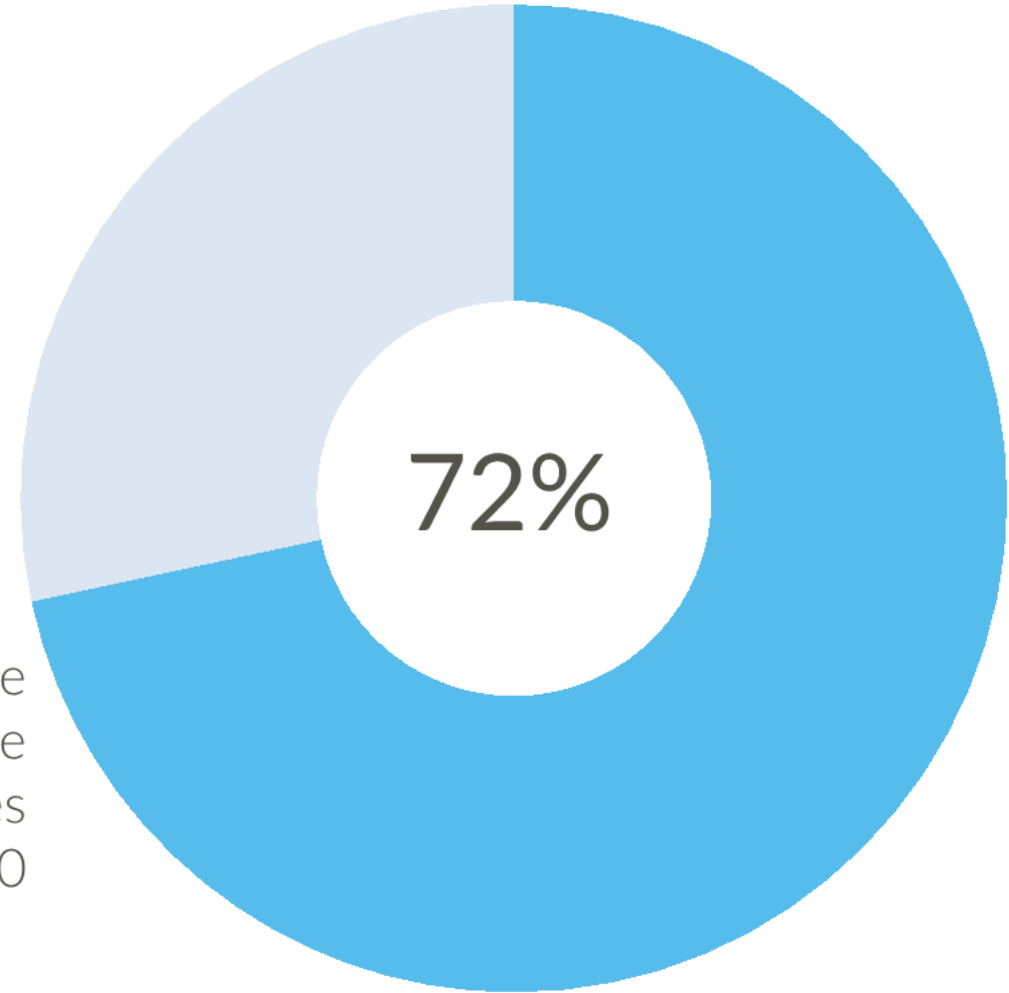
# Reporting Highlights

Most frequent reasons for documenting **internal control weaknesses**:

- Segregation of duties minimal/not adequate
- Inadequate review/approval of journal vouchers and/or financial statements
- Inadequate monitoring of operating effectiveness of controls
- No fraud risk assessment performed
- Lack of Authorization of transactions

# Core Financial Policies

The percentage of policy compliance reports issued with at least one violation of the core policies enumerated in GCWP S 90





# Core Financial Policies

Percent of reports which contain these Policy Violations

Most commonly reported policy compliance violations

Conflict of Interests | 33%

Financial Reports | 18%

Organization Reviews | 17%

Audit Committees | 12%

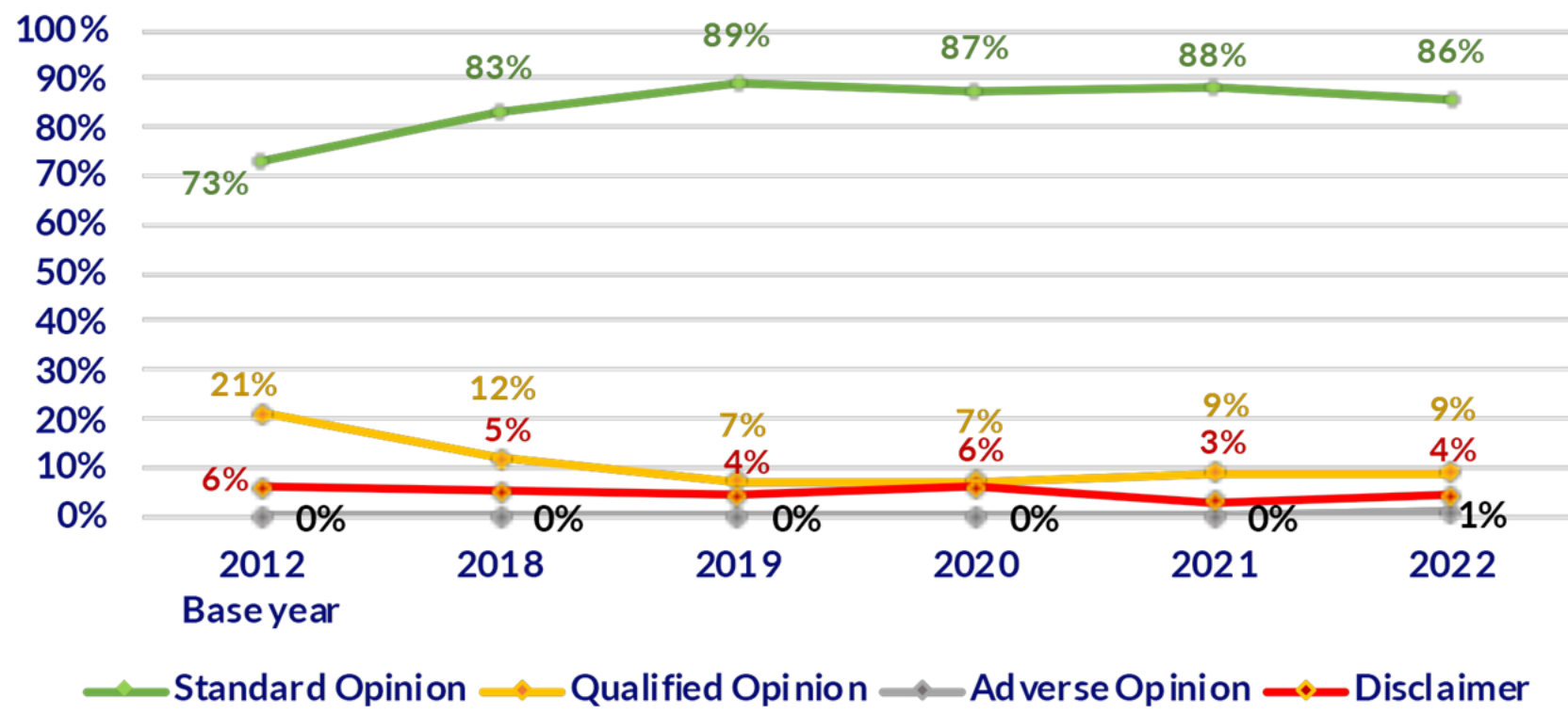
Pay Rate | 11%

# Reporting Highlights

Most frequent reasons for reporting a **violation of core policies:**

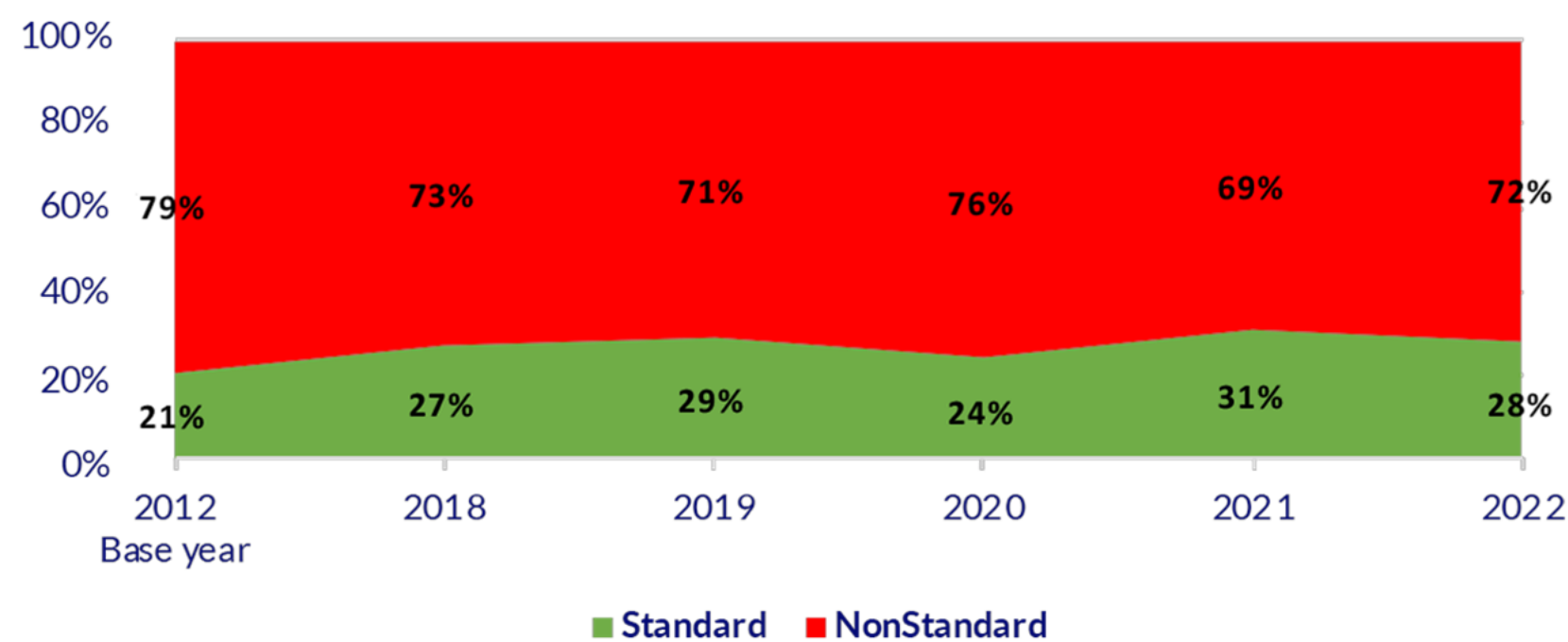
- Conflict of interest statements missing/incomplete
- Monthly financial statements not prepared and/or presented
- Local organization reviews - less than 95% done during the past 2 years
- Audit committee missing or improperly constituted
- Pay rate not within applicable range in remuneration scale

## Financial Opinions



# Financial Opinions

## Policy Compliance Reports



Policy  
Compliance  
Reports

## Auditing

- Quality Management

## Denominational

- Financial Reporting Framework
- Working Capital and Liquidity
- Financial Oversight

# Financial Reporting Matters



# TRANSPARENCY and ACCOUNTABILITY

North American Division Summary

# 2022

Annual Report





Use this QR code for  
the complete GCAS

**2022**  
Annual Report





General Conference  
Auditing Service  
*Delivering Excellence!*



# GCAS Report

**Recommended Action: To receive the GCAS report as presented.**

**TOGETHER**  
IN MISSION



# NAD Retirement Plan Report

Edwin Romero, Plan Administrator

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IN MISSION





With  
you  
on the  
journey

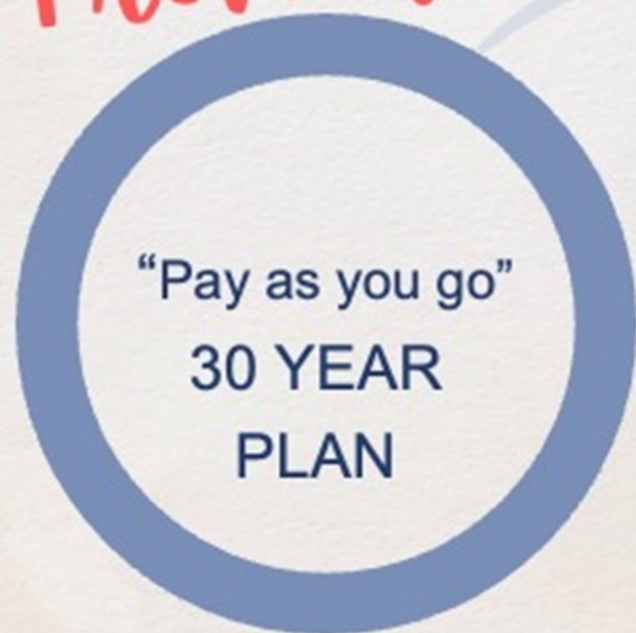
**Adventist** Retirement

Edwin G. Romero, Administrator, NAD  
Associate Treasurer

# Transition of Funding Models

Defined Benefit Church Plan (Pre-2000)

*Previous*



Strategic Financial Plan

Derisking Plan

*Now*



A runner in a dark blue athletic outfit is captured from the waist down, running on a red track. A red ribbon is draped across the runner's waist, signifying the crossing of a finish line. The background shows a bright sky with lens flare effects. The track has white lane markings and a large 'FINISH' graphic on the ground.

# Years to *Fully* Funded

Church Defined Benefit (DB)

As of July 31, 2023

> 11.7

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Health Care (SHARP)

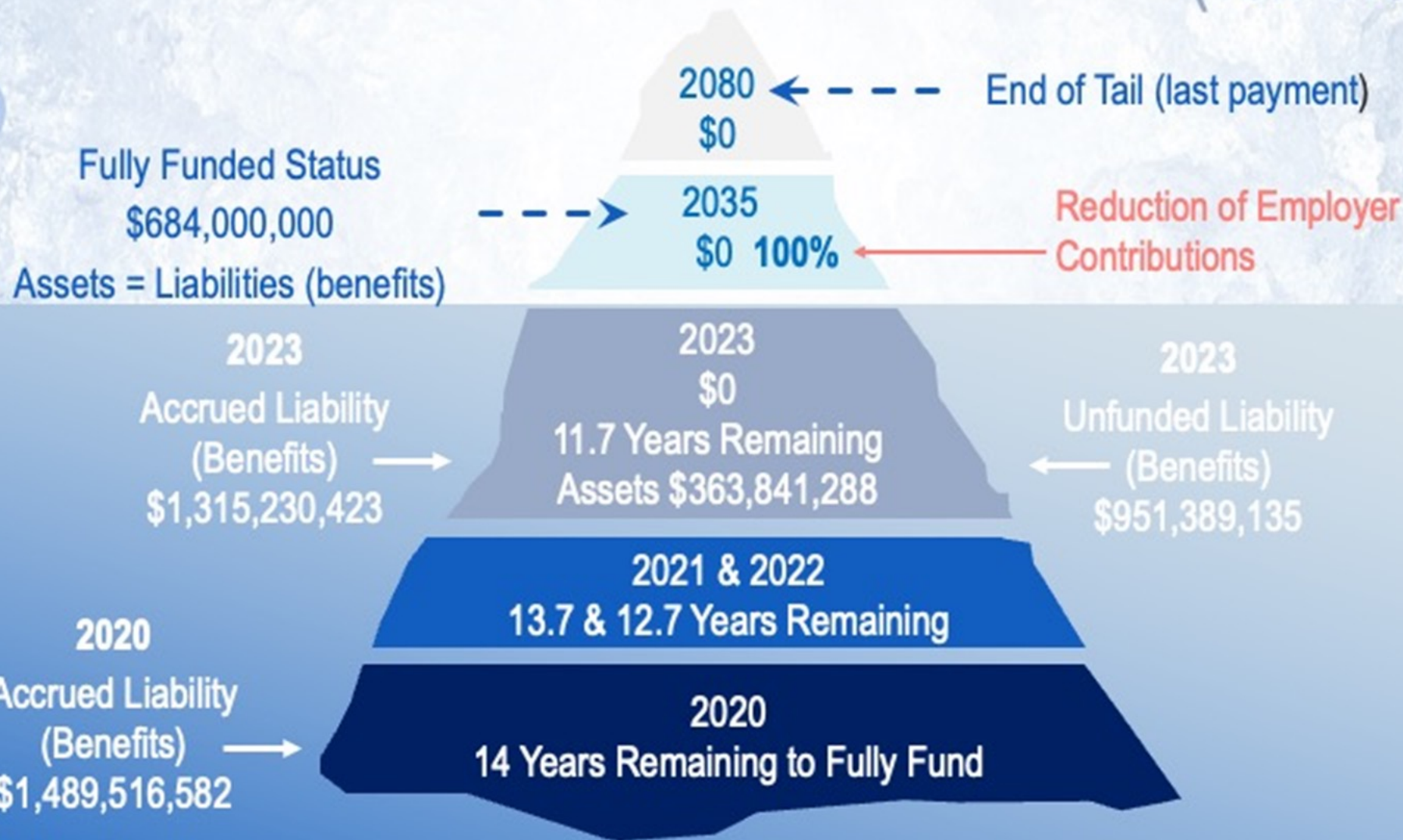
As of January 1, 2023

> 7.6

## Plans Percentage of Funding, July 31, 2023



# Church (Frozen) Projection of Expected Cash Flows (15.7 Yrs. Plan)



## Adventist Retirement Plan

### COMPLIMENTARY FINANCIAL PLAN

Let a CERTIFIED FINANCIAL PLANNER™  
professional create a plan for your future.



**EMPOWER**®

The logo for EMPOWER features three stylized, white, wavy lines above the word "EMPOWER" in a bold, white, sans-serif font. A registered trademark symbol (®) is located at the top right of the word.





## Auto-escalation

5% basic  
3% match (up to 3%)  
+15% employee contribution  
23% total contribution

## Lower Fees

Increase growth in the value  
of investments

# SHARP

SUPPLEMENTAL  
HEALTHCARE  
ADVENTIST  
RETIREMENT  
PLAN





## Health

Angeline David Brauer  
NAD Health Ministries Director



## Wealth

Edwin G. Romero  
NAD Retirement Plans Administrator/NAD  
Associate Treasurer



## Faith

Ivan Williams  
VP Strategic Planning and Leadership  
Former NAD Ministerial Director

Workshop  
Series

**L  
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<b>Ages</b>	<b>Church Plan Female Rates</b>	<b>Nationwide Female Rates</b>	<b>Church Plan Male Rates</b>	<b>Nationwide Male Rates</b>
<b>66-70</b>	<b>6.8%</b>	<b>4.9%</b>	<b>8.3%</b>	<b>6.9%</b>
<b>71-75</b>	<b>9.8%</b>	<b>7.8%</b>	<b>12.9%</b>	<b>10.3%</b>
<b>76-80</b>	<b>13.7%</b>	<b>13.2%</b>	<b>18.0%</b>	<b>16.8%</b>
<b>81-85</b>	<b>23.1%</b>	<b>23.3%</b>	<b>28.6%</b>	<b>29.2%</b>
<b>86-90</b>	<b>38.7%</b>	<b>41.6%</b>	<b>50.9%</b>	<b>52.0%</b>
<b>&gt; 90</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**USA Life Expectancy (CDC) → Females 79.3 years    Males 73.5 years    Both 76.4 years**

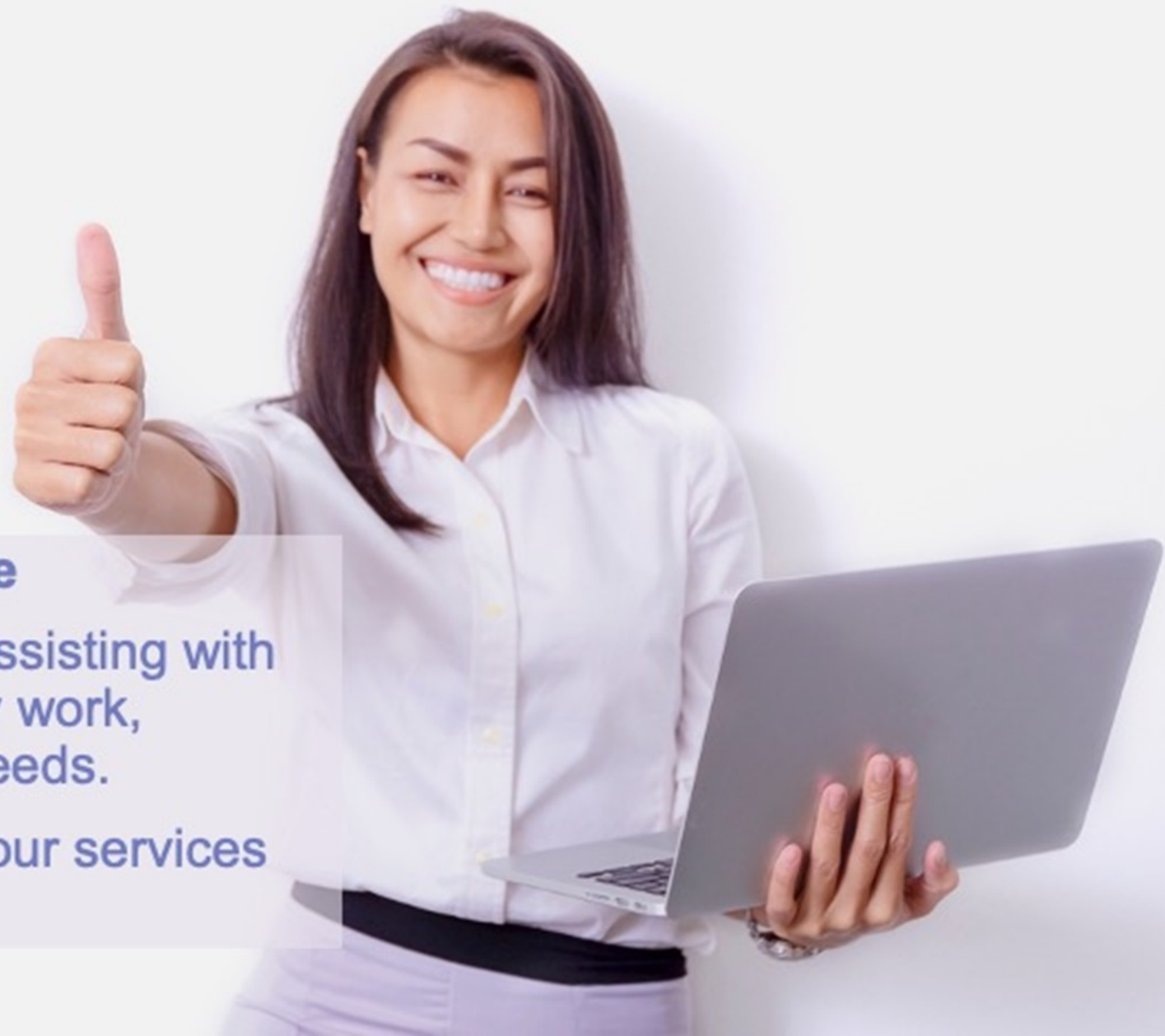
# Good News!

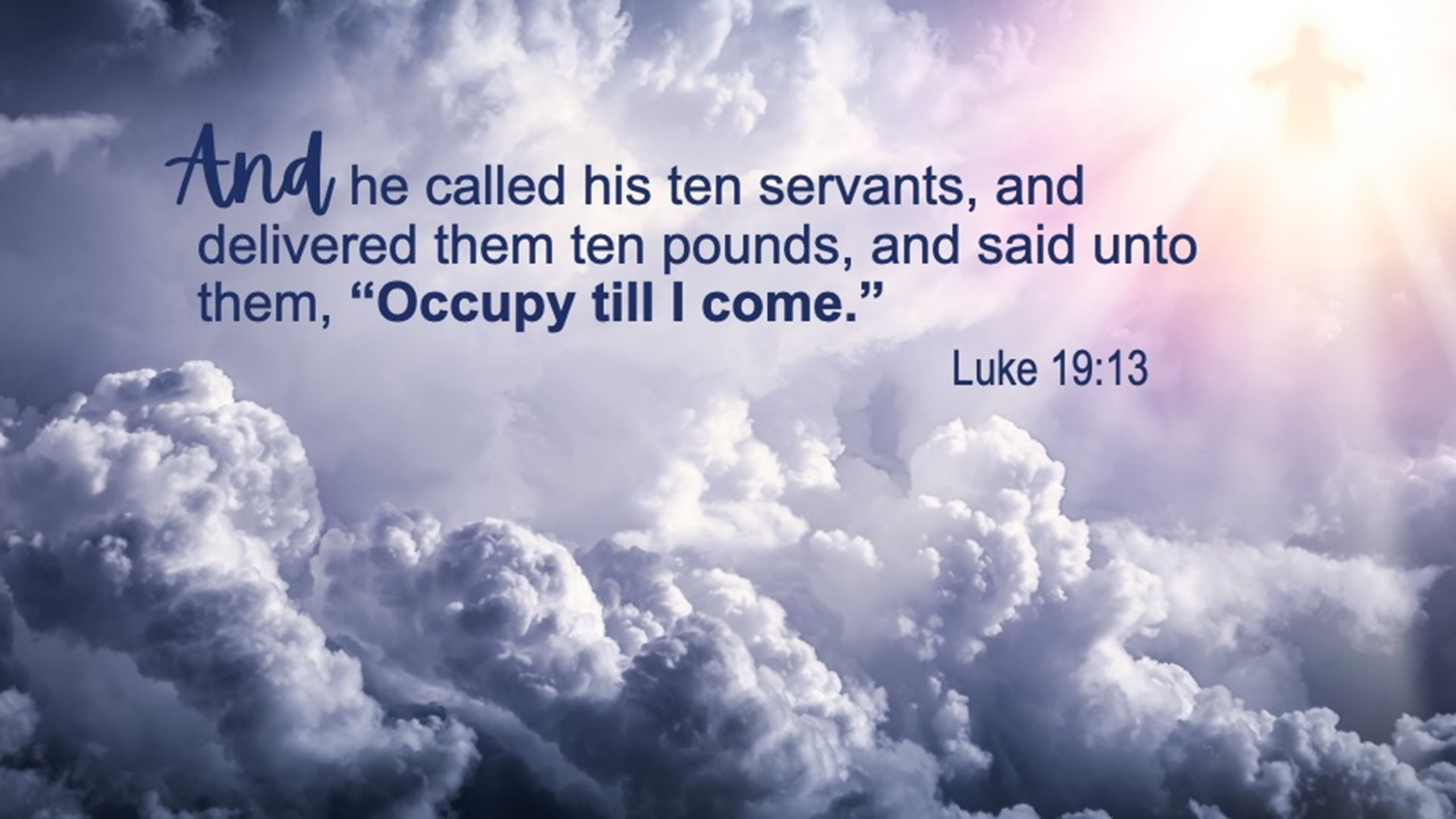
- Clean audits
- Operation in the black
- New Core Value

## **Organizational Excellence**

We deliver excellence by assisting with kindness, producing quality work, anticipating and meeting needs.

We strive daily to improve our services and communication.





*And* he called his ten servants, and delivered them ten pounds, and said unto them, “**Occupy till I come.**”

Luke 19:13





# Adventist Retirement

[adventistretirement.org](http://adventistretirement.org)

**Edwin G. Romero**  
Administrator/NAD  
Associate Treasurer

With  
you  
on the  
journey



# NAD Retirement Plan Report

**Recommended Action:** To receive the NAD Retirement Plan report as presented.

**TOGETHER**  
IN MISSION



# BEYOND

THE BOTTOM LINE 2024

Professional Growth Seminar  
for Church Business Leaders

*Save the Date*

PRESENTED BY THE  
North American Division  
of Seventh-day Adventists

AND THE  
Institute of Ethical Leadership  
School of Business  
Southern Adventist University

## PIVOT: NAVIGATING THE FUTURE, FULFILLING MISSION

March 24-26, 2024 Kalahari Resort, Round Rock, TX

### WHO SHOULD ATTEND?

FINANCIAL LEADERSHIP OF THE SEVENTH-DAY ADVENTIST UNIONS, CONFERENCES, HEALTH SYSTEMS, UNIVERSITIES, AND HIGH SCHOOL ACADEMIES.

REGISTRATION OPENS MID-OCTOBER

[WWW.SOUTHERN.EDU/BEYOND](http://WWW.SOUTHERN.EDU/BEYOND)



### TOPICS INCLUDE

CASTING VISION	KEYS TO RECRUITING
FINANCIAL LEADERSHIP	FUNDRAISING & DONOR RELATIONS
FUNDING THE MISSION	INVESTING & CHURCH POLICY
CROSS-GENERATIONAL COMMUNICATION	ACADEMY FINANCES
ADAPTING PRACTICES	ACCOUNTING BEST PRACTICES
MENTAL HEALTH	AND MORE!

# NAD 2024 Budget

Judy R Glass, Treasurer/CFO

**TOGETHER**  
IN MISSION



# Budget Assumptions

- Includes the 4<sup>th</sup> and final .5% reduction of tithe remitted to GC from Conferences
- Based on 95.5% of a 2% increase over actual 2022 gross tithe (current YTD increase through September is 9.65%)
- Includes 5% COL increase, to be implemented on July 1 , 2024
- Travel budgeted at about 93% of Pre-Covid level

# Budget Assumptions-continued

- Includes \$110,000 for the Alive in Jesus Sabbath School Curriculum Training
- Includes \$1 million appropriation to ARM for premium reductions
- Budget is balanced (Including a planned use of approximately \$1.34 million of existing fund balance).



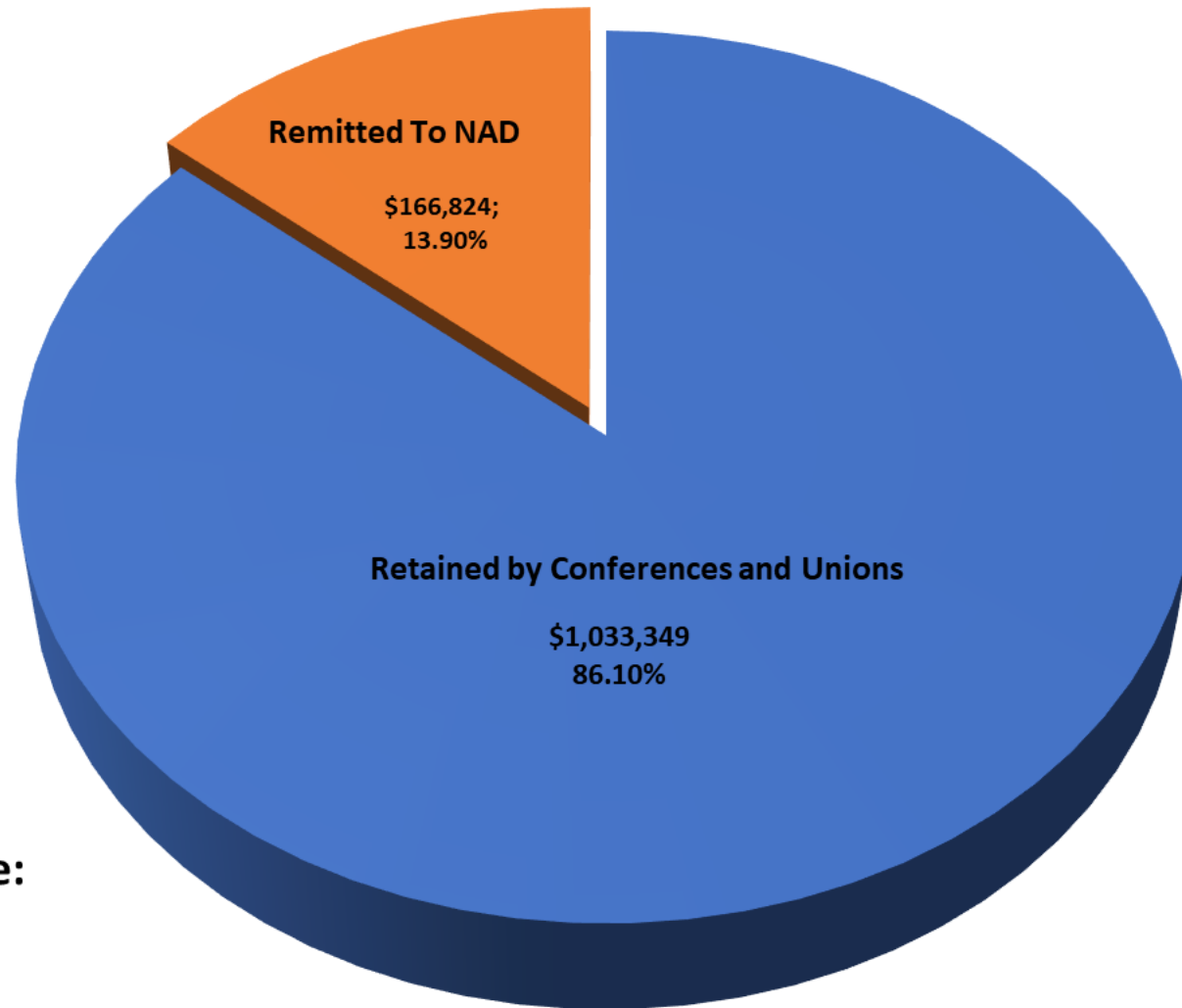
# Budget Comparison

Expense Category	2024 Budget	2023 Budget	Variance
Salary and Allowances	\$22,472,218	\$21,525,737	\$964,481
Other Employment Related Expenses	\$10,357,380	\$9,622,387	\$734,993
Appropriations	\$84,207,211	\$83,234,429	\$972,782
Facilities	\$3,108,581	\$3,034,431	\$74,150
Departments and Support	\$8,960,439	\$9,046,338	-\$85,899
Auditing/Legal/Conventions	\$6,411,000	\$8,885,000	-\$2,474,000
Total	\$135,516,829	\$135,348,322	\$168,507

**TOGETHER**  
IN MISSION



# 2024 Budgeted Tithe Distribution - (\$1,200,173,000 Gross Tithe)



## Tithe Budgeted to Receive:

From Conf. \$ 156,022

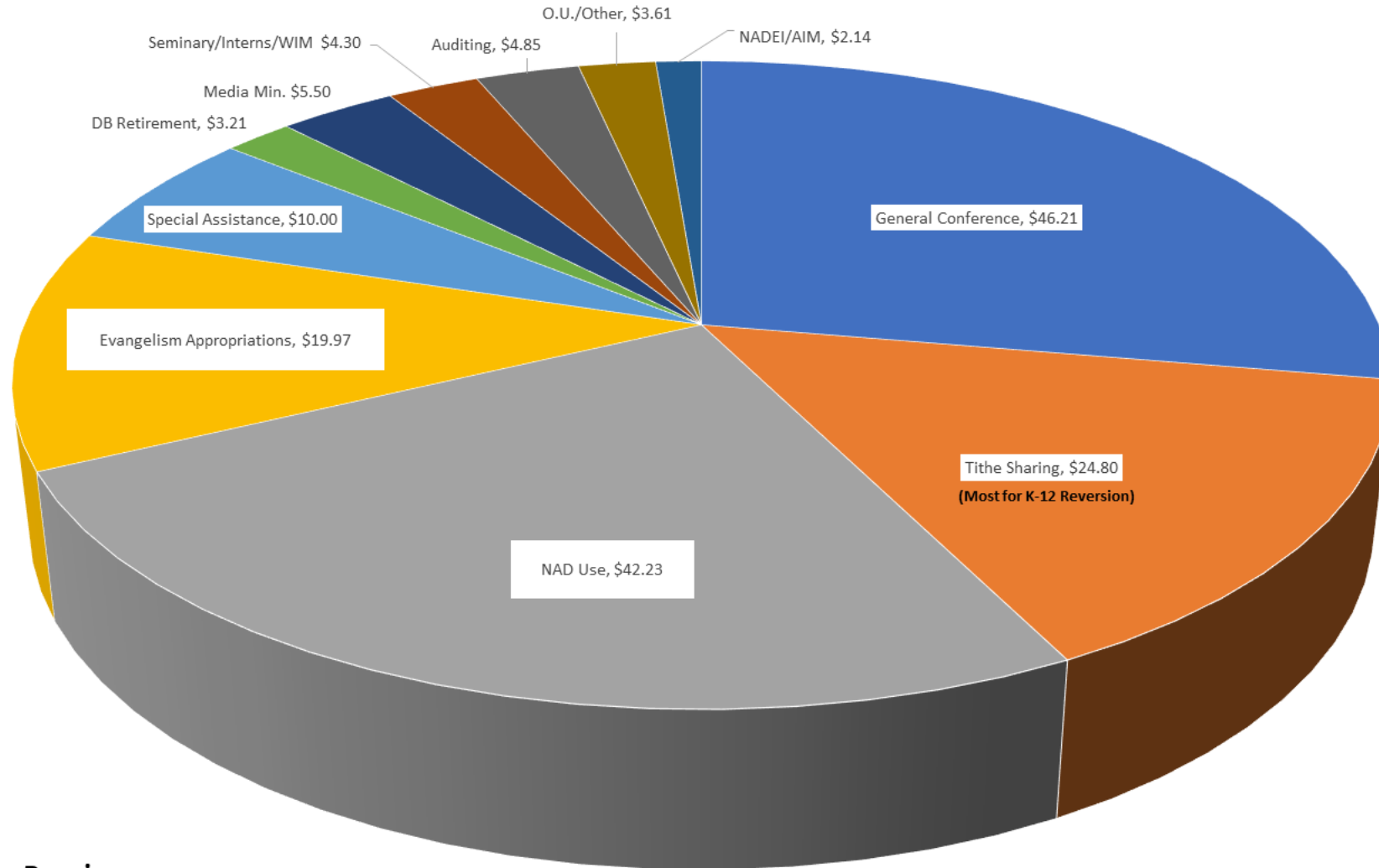
From Unions \$ 10,802

Total \$ 166,824

**TOGETHER**  
IN MISSION



# 2024 NAD Budgeted Tithe Use Distribution



**Tithe Budgeted to Receive:**  
From Conf. \$ 156,022  
From Unions \$ 10,802  
Total \$ 166,824

**TOGETHER**  
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# 2024 Budget

**Recommended Action:** To approve the 2024 Budget as presented with the understanding that adjustments may be made by NAD Administration when actual 2023 year-end tithe is finalized.

**TOGETHER**  
IN MISSION



# THANK YOU!!

## To a Tremendous Treasury Team!

- David Baer
- Ner Cepeda
- Sharon Mabena
- Lynette Montoute
- Carol Pack
- Michael Prest
- Mayda Santos
- And a Tall thank you to Randy Robinson
- Michael Park
- Jorge Ayala
- Jeff Fogelquist
- Sheyla LaPierre
- Rosy Ortiz
- Nathan Traxler
- Serah Zaw
- William Ashton

**TOGETHER**  
IN MISSION



# Blessings from God

*Praise the Lord! Oh give thanks to the Lord, for He is good, for His steadfast love endures forever.*

Psalm 106:1 (ESV)

*And now we thank you, our God, and praise your glorious name.*

1 Chronicles 29:13 (ESV)

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IN MISSION



# Treasurers Financial Report

## **Recommended Action:**

To accept the Treasurers Financial Report as presented.

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IN MISSION

