North American Division Treasurer’s Report

2024 Year End Meeting

TOGETHER
IN MISSION

2025 Initiatives

- Pentecost 2025
- Alive in Jesus
- Media, Mentoring, and Multiply
- Antioch Project

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Financial Presentation Segments

- Audited Financial Statements (2023 Highlights)
- Audit Review Committee Report (2023 Audit Opinion)
- Unaudited Financial Statements (August 2024 YTD)
- Compensation Review Committee Report (2023 Compensation)
- NAD Retirement Plan Report
- Investment Report
- 2025 Budget Assumptions
- General Conference Auditing Service Report

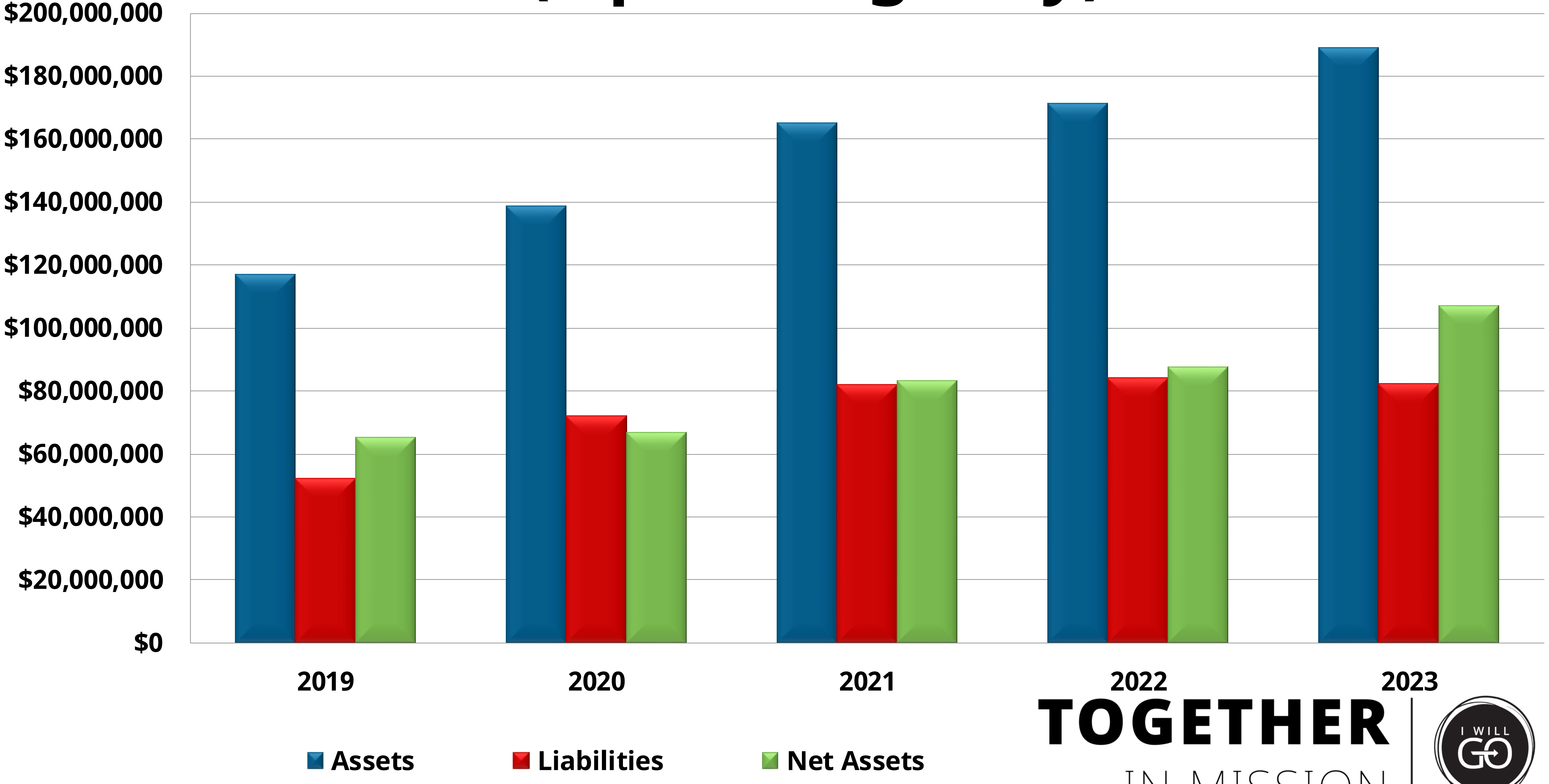
TOGETHER IN MISSION | I WILL GO

2023 Audited Financial Statement Highlights

TOGETHER
IN MISSION

Statement of Financial Position

(Operating only)



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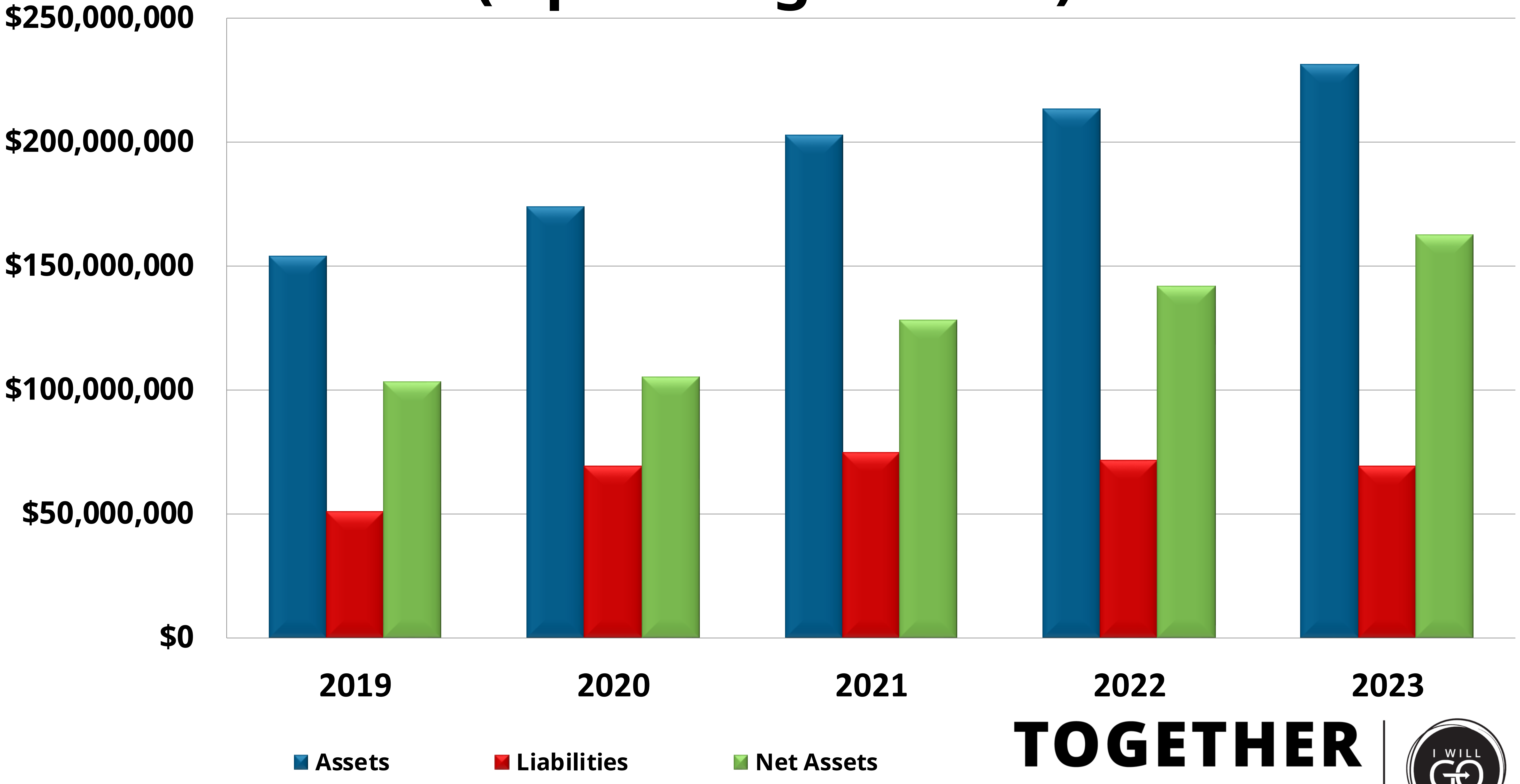
Statement of Financial Position
(Operating & Plant)



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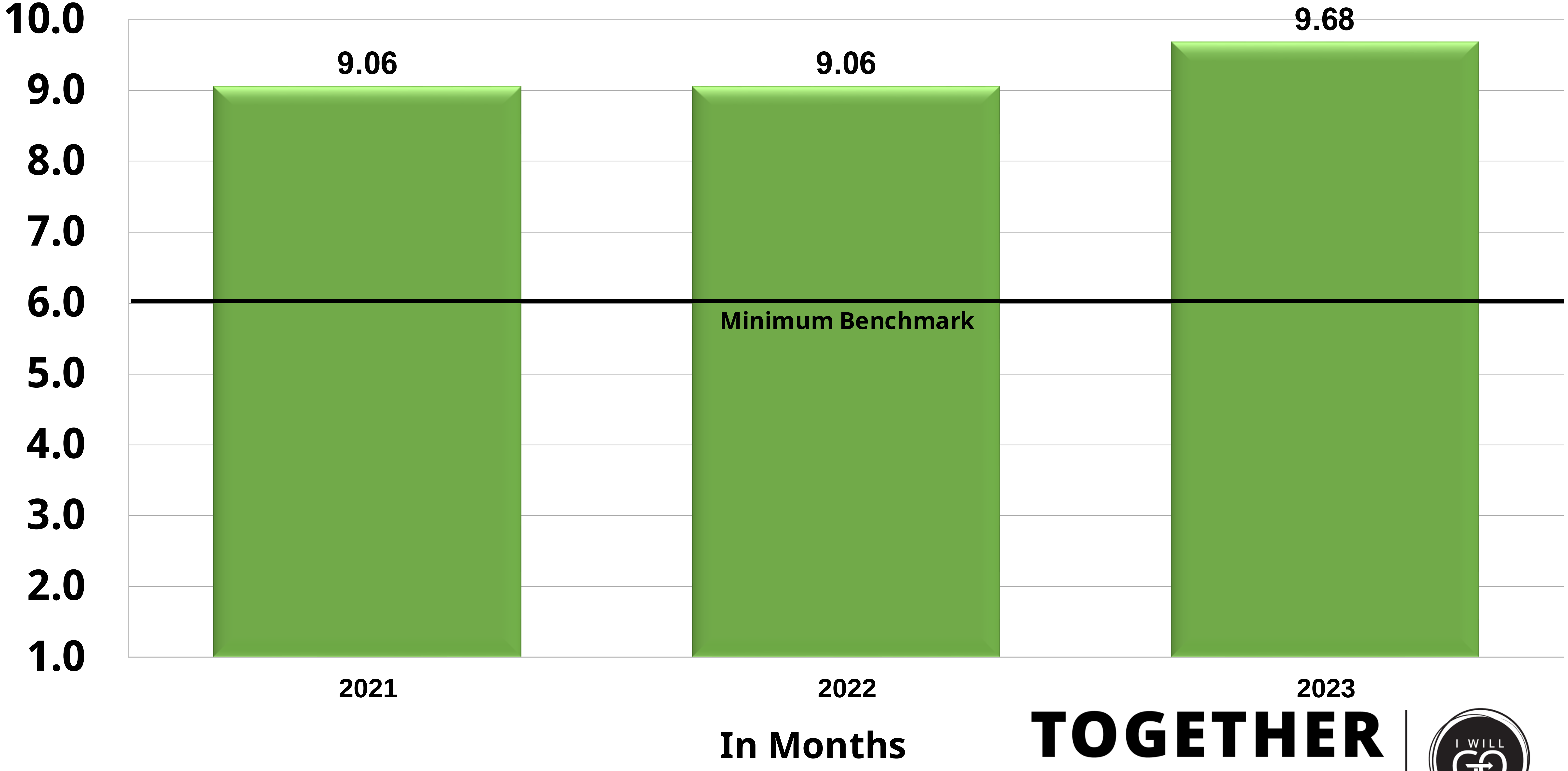
Recommended Working Capital



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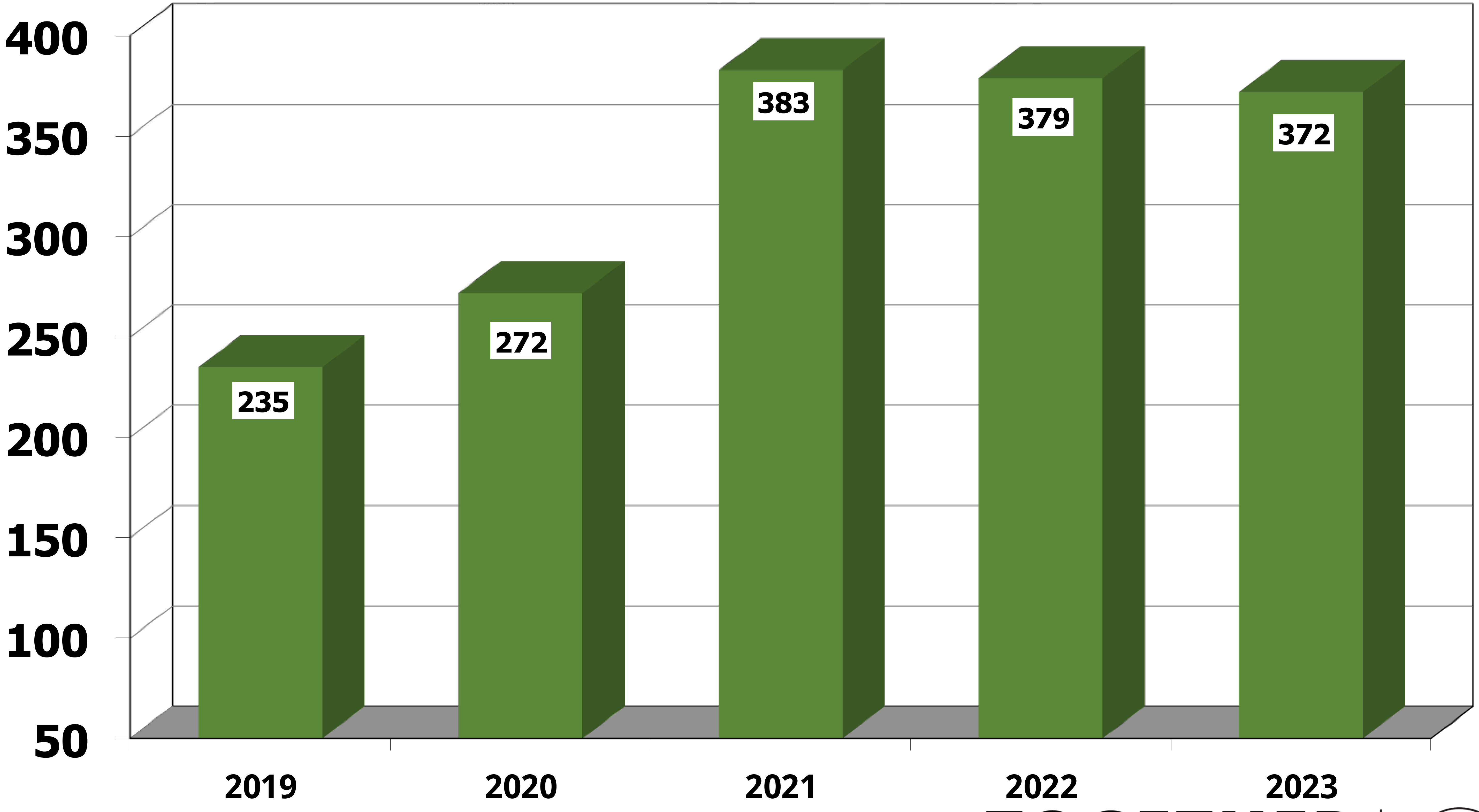
Days Cash Available



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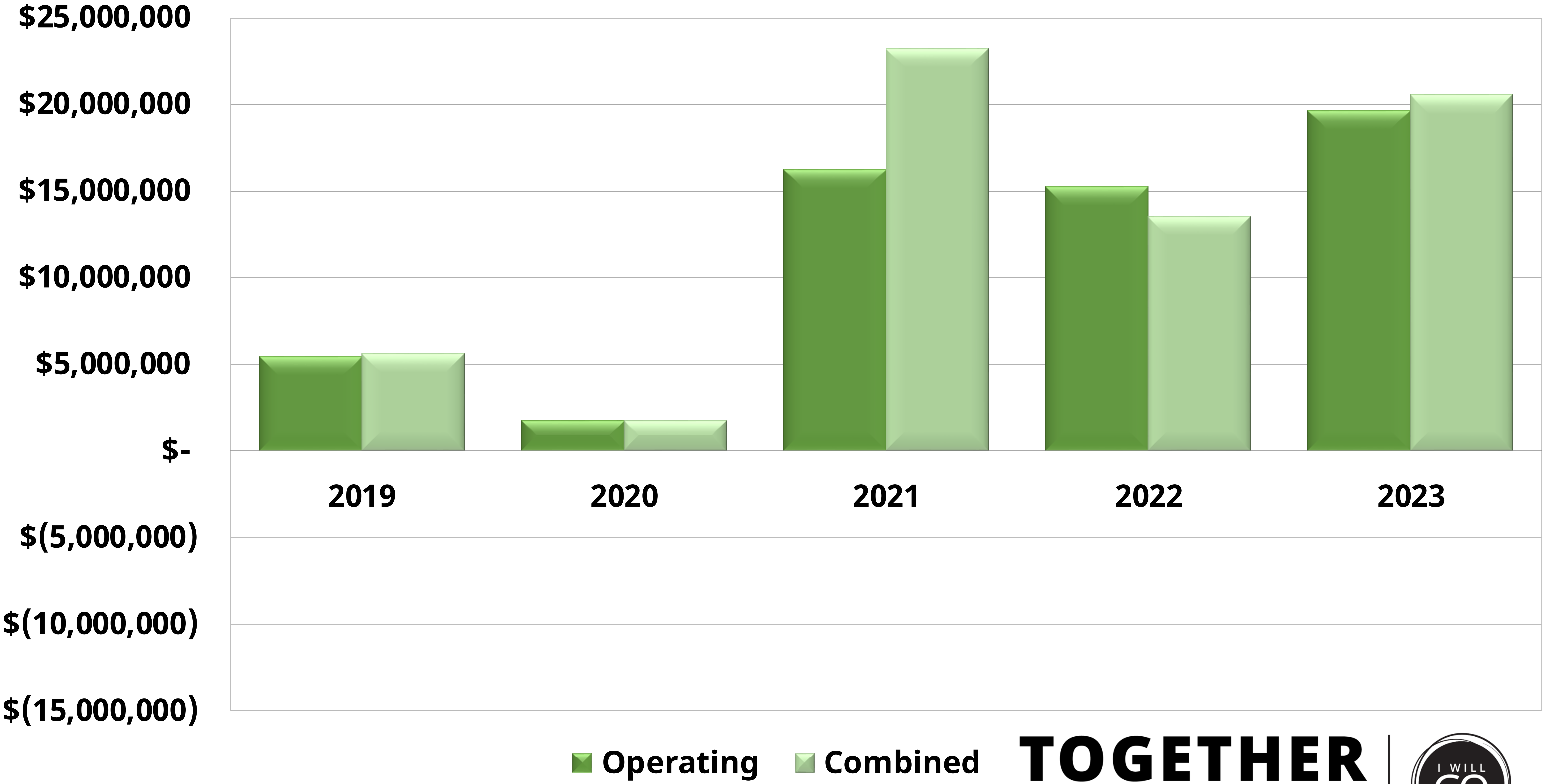
Note: This uses pure Balance Sheet figures. Our internal calculations are more conservative.

Year-End Gain/Loss



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Audit Review Committee Report
2023 Audited Financial Statements

Ken Denslow, Chair

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NAD Audit Review Committee – October 16, 2024

Committee Action:

Recommendation to NAD Year-End Meeting:

Voted: To recommend approval of the audited 2023 and 2022 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.

2023 Audited Financial Statements

Recommended Action: To accept the recommendation from the Audit Review Committee to approve the 2023 and 2022 Audited Financial Statements.

2024 YTD Unaudited Financial Statement Report Through August

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Quick Summary – August

Tithe YTD comparative tithe shows a loss of **1.08%.**. 4 of 9 Unions had a gain. Atlantic Union led the way with **1.12%**. Year to date we have had (35) Sabbaths compared to (34) last year.

Income from all sources is more than budget by **$1,404,585** while net tithe income is more than budget by **$353,783.**

Expenses are under budget by **$1,900,595.**

Bottom Line (From Operation): is a positive **$2,472,299** which is **$3,305,180** better than budget.

Bottom Line (Overall): is a positive **$6,300,064** which is $**7,602,945** better than budget.

(This includes non-operating activity.)

Total Cash & Investments: Our Cash and Investments total is **$124,488,762**. That is ahead of last year at the same time by **$16,383,306.**

Net Days Cash: **198 Days.** Our target is 185 days. This is equivalent to ½ the 2023 budgeted expenses. (**Cash = (Total Cash + Investments + Remittance Receivable) - (Restricted Net Assets + Current Liabilities**)

Recommended Working Capital (6 month minimum): **8.64** Months

Good Caution Improvement Needed

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August: Statement of Changes in Net Assets

	2024	Budget	Variance	2023
Income				
Net Tithe	$80,765,997	$80,412,214	$353,783	$81,639,371
Other Income	$8,593,204	$7,089,079	$1,504,125	$8,457,293
Released from Restriction	$1,687,289	$2,140,611	($453,322)	$2,542,022
Total Funds Available	$91,046,490	$89,641,904	$1,404,586	$92,638,686
Expenses				
Total Expenses	$88,574,191	$90,474,785	($1,900,594)	$85,397,878
Net Income From Operations	$2,472,299	($832,881)	$3,305,180	$7,240,808
Non-Operating Activity				
Change in Restricted Net Assets	$995,051	$63,333	$931,718	$357,021
Transfers/Non-operating Activity	$2,832,714	($533,333)	$3,366,047	$518,535
Increase/(Decrease) in Net Assets	$6,300,064	($1,302,881)	$7,602,945	$8,116,364

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August: YTD Expense Summary

Departmental Expenses

(Red is Good)

	2024	Budget	Dollar Variance	% Var	2023
Church Ministries	$12,493,602	$13,233,404	($739,802)	-5.59%	$12,161,278
Educational	$24,640,203	$23,535,561	$1,104,642	4.69%	$24,672,172
Publishing	$456,876	$509,732	($52,856)	-10.37%	$501,289
Health and Humanitarian	$1,090,525	$1,694,617	($604,092)	-35.65%	$1,287,082
Administration	$11,069,815	$11,234,035	($164,220)	-1.46%	$9,975,788
Retirement Contribution	$2,260,388	$2,140,263	$120,125	5.61%	$2,288,294
Conventions and Meetings	$12,050	$60,000	($47,950)	-79.92%	$12,161
Office Operations/Maint	($32,063)	$433,320	($465,383)	-107.40%	($665,789)
Other *	$36,582,795	$37,633,854	($1,051,059)	-2.79%	$35,165,603
Total Expenses	$88,574,191	$90,474,786	($1,900,595)	-2.10%	$85,397,878

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

Financial Indicators

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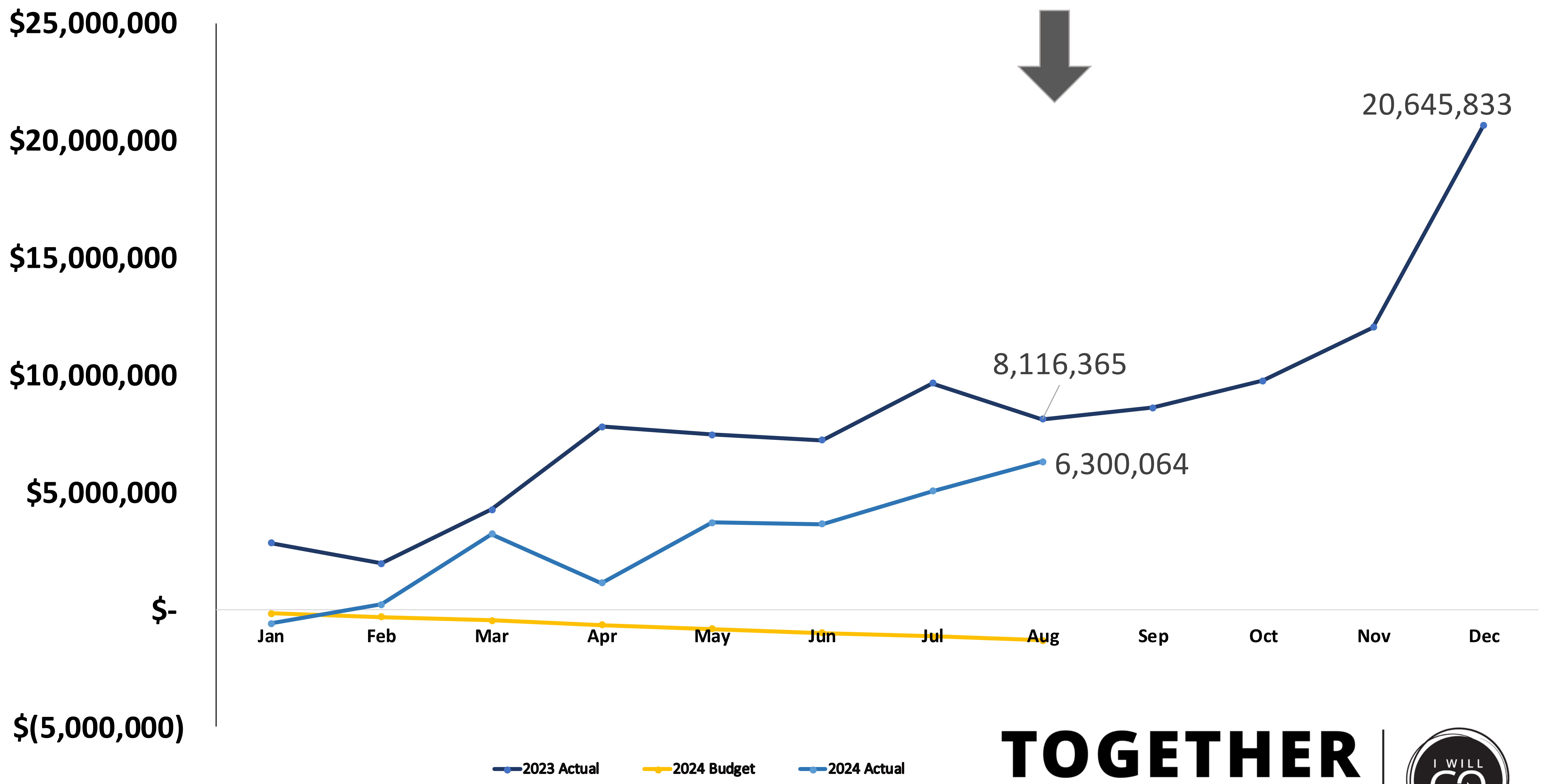
YTD Bottom Line: August



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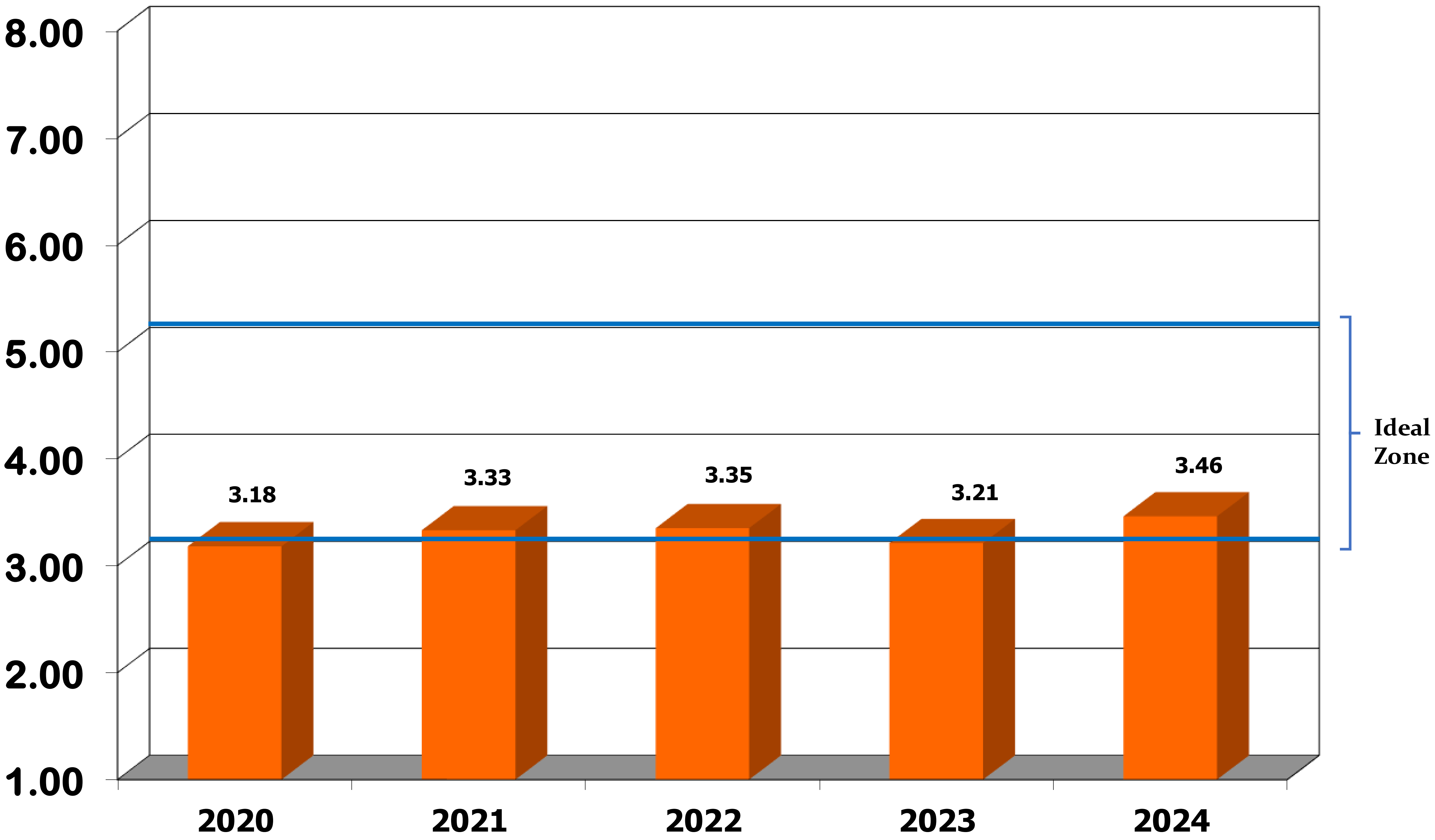
Current Ratio: August



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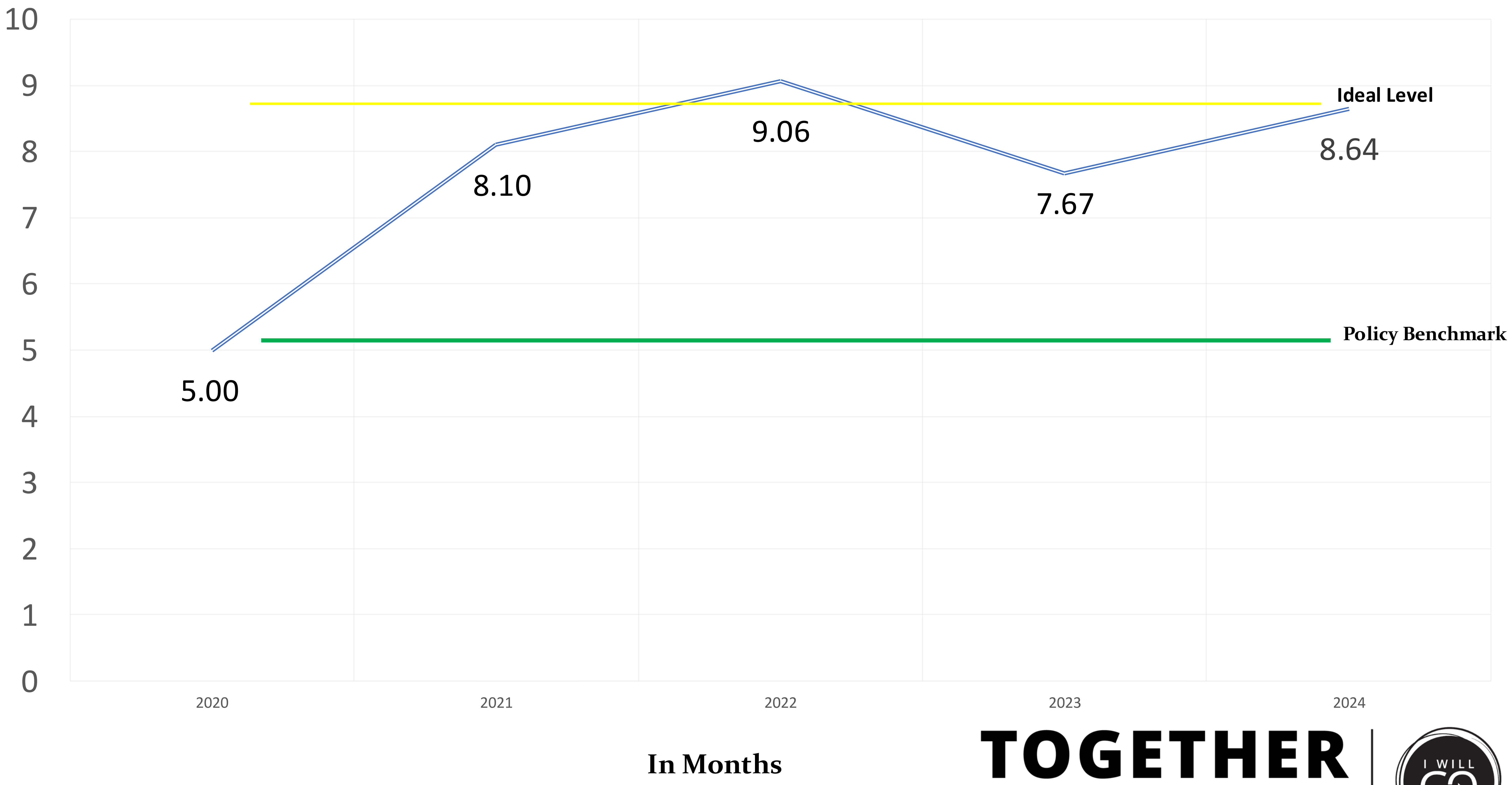
This indicates how much in liquid assets we have for every $1 we owe. Sustaining between a 3:1 and 5:1 ratio is our goal.

AVAILABLE WORKING CAPITAL: AUGUST



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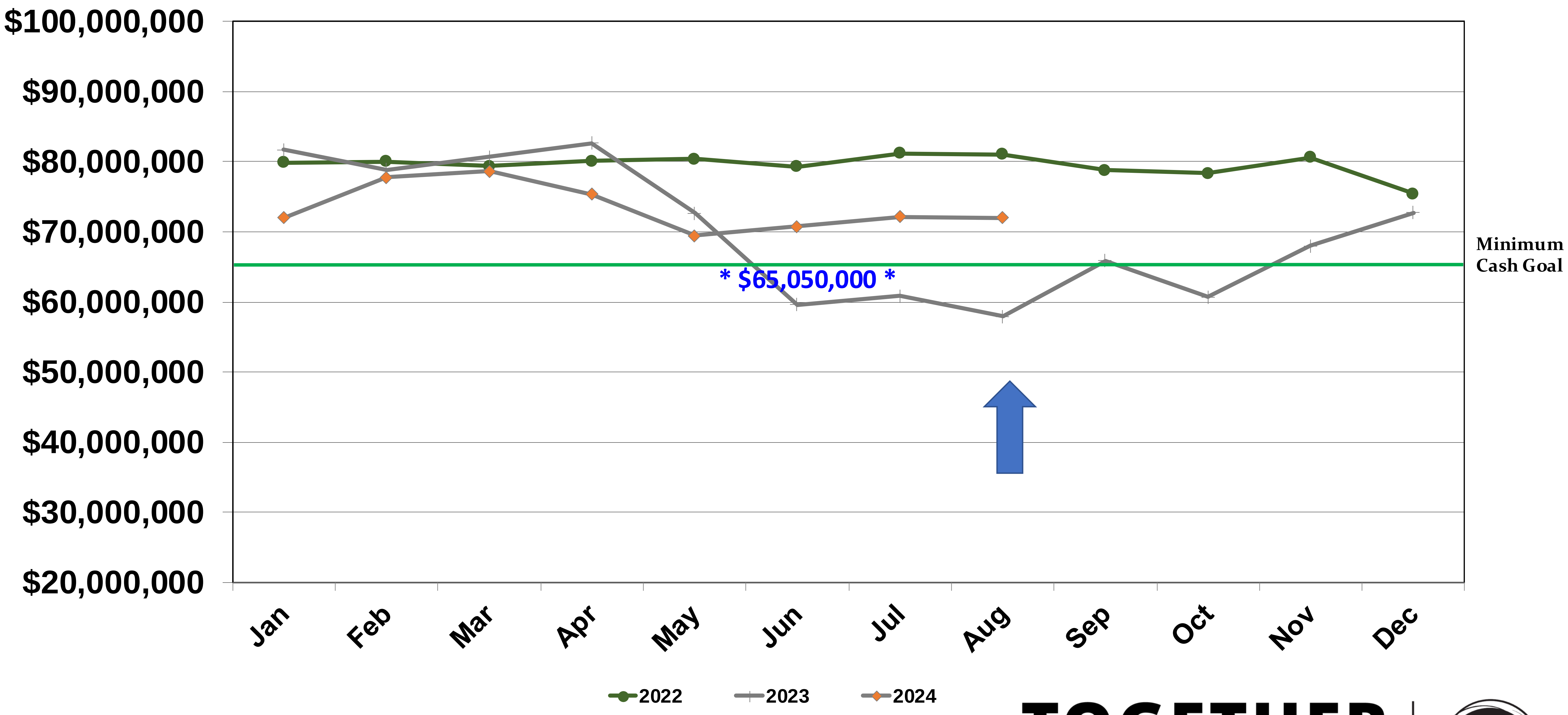
Minimum Working Capital Recommendation = 6 months of core expenses.

YTD Cash Comparison: August



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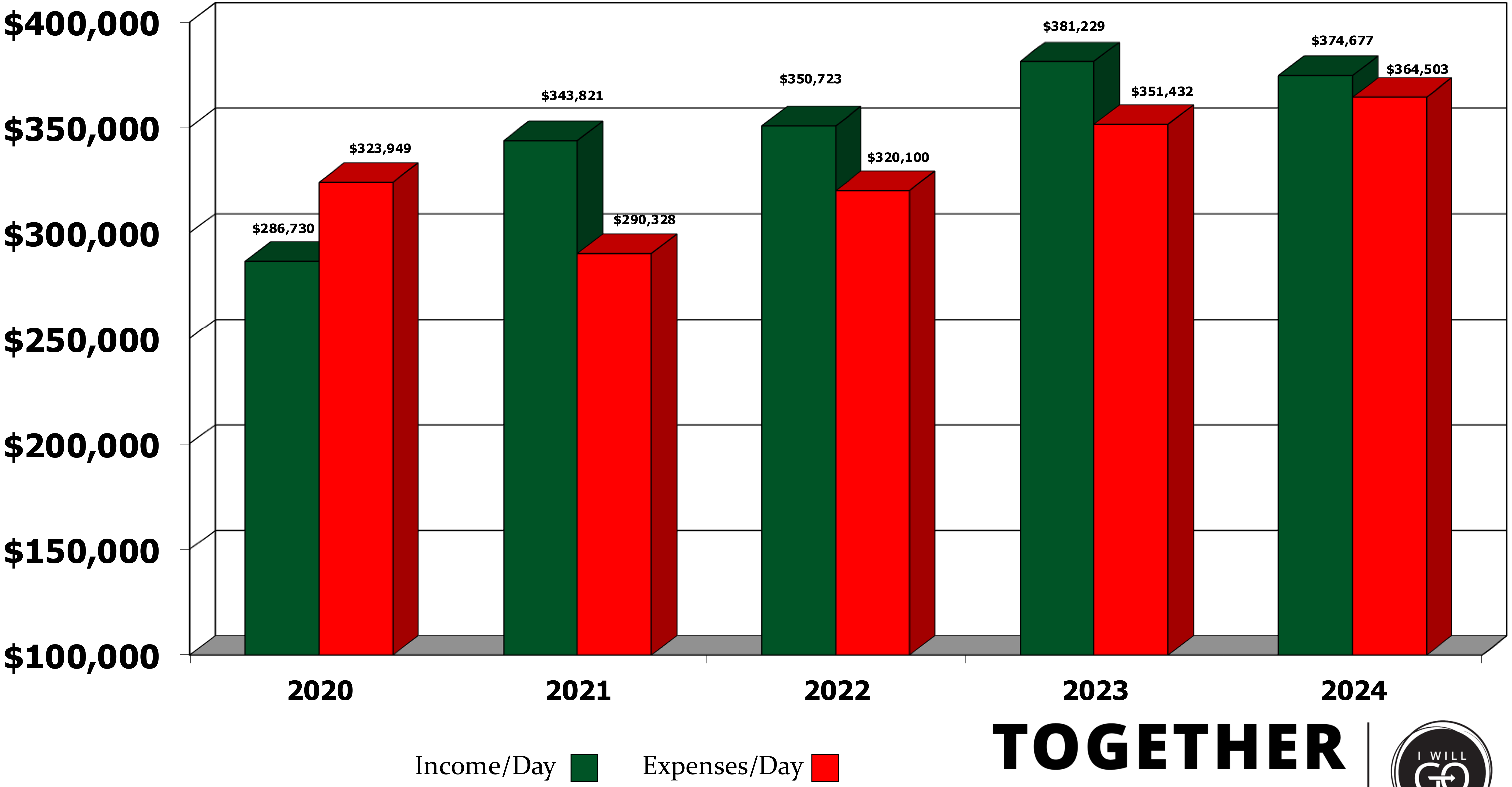
Minimum Cash Goal = ½ of 2023 Budgeted Operating Expenses.

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

YTD Income/Exp Per Day: August



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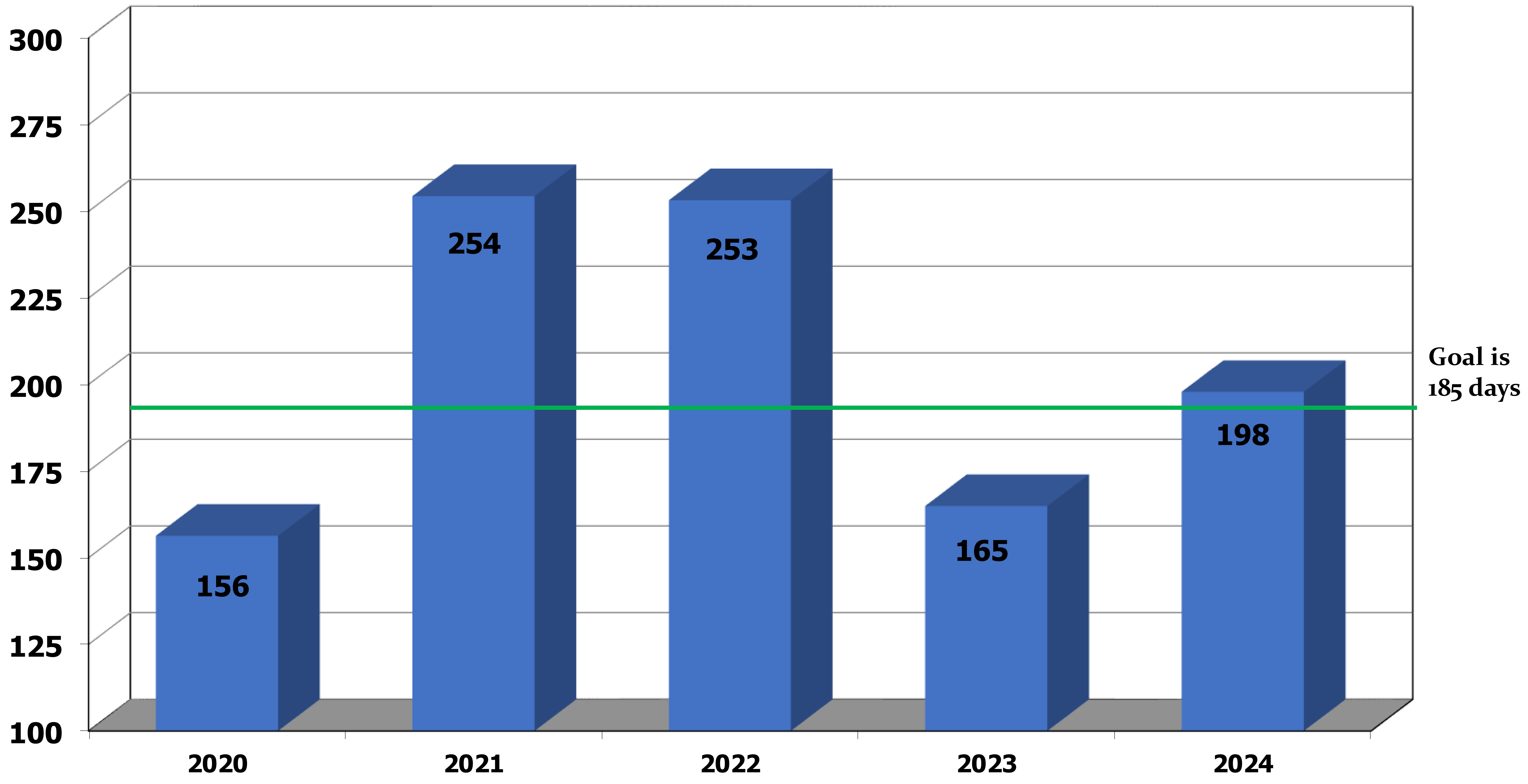
YTD Days Cash Available: August



1 day of cash = $364,503 Total cash goal is $65,050,000

Actual Available YTD Cash is $72,112,384

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

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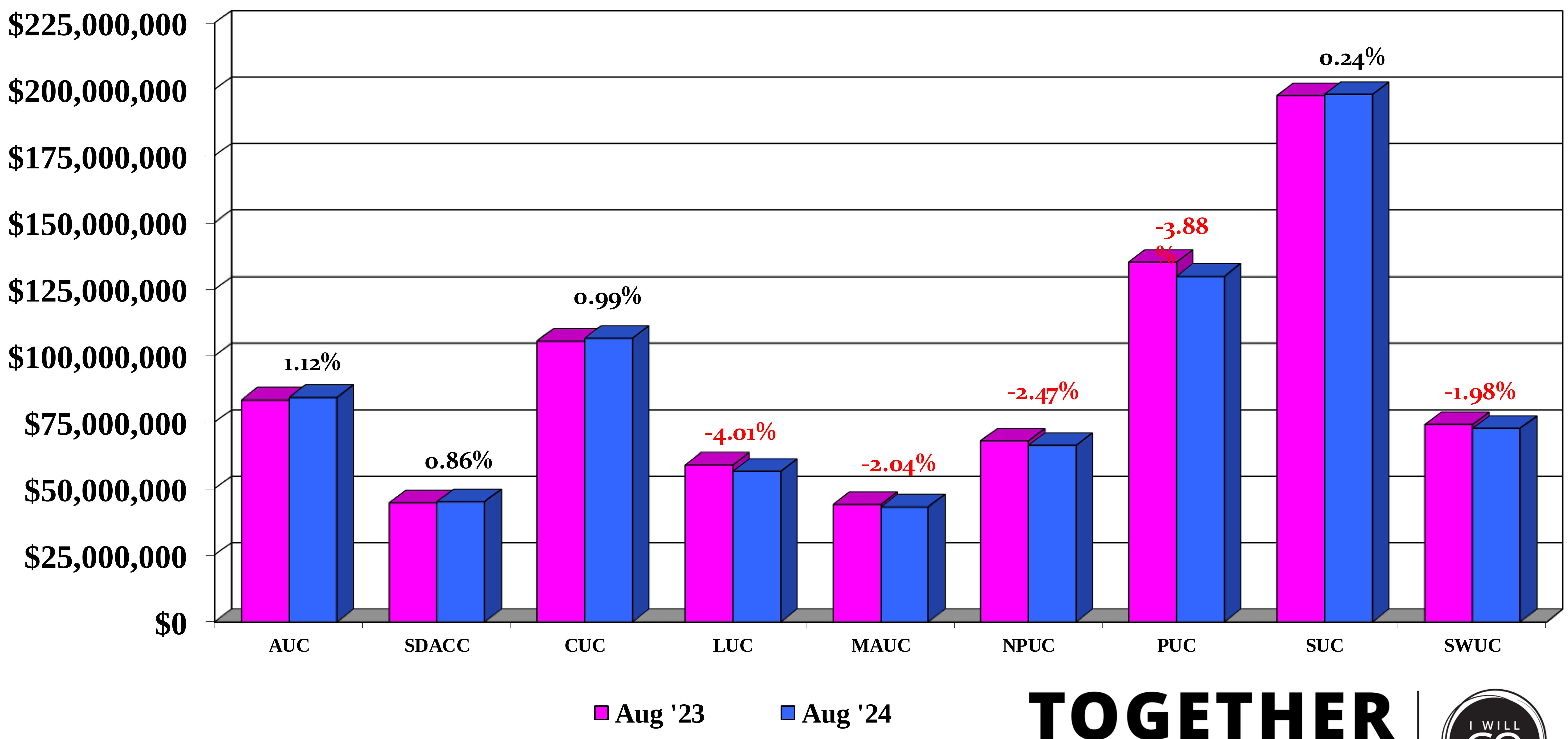
I WILL GO

Union YTD Comparative Tithe: August



Combined -1.08%

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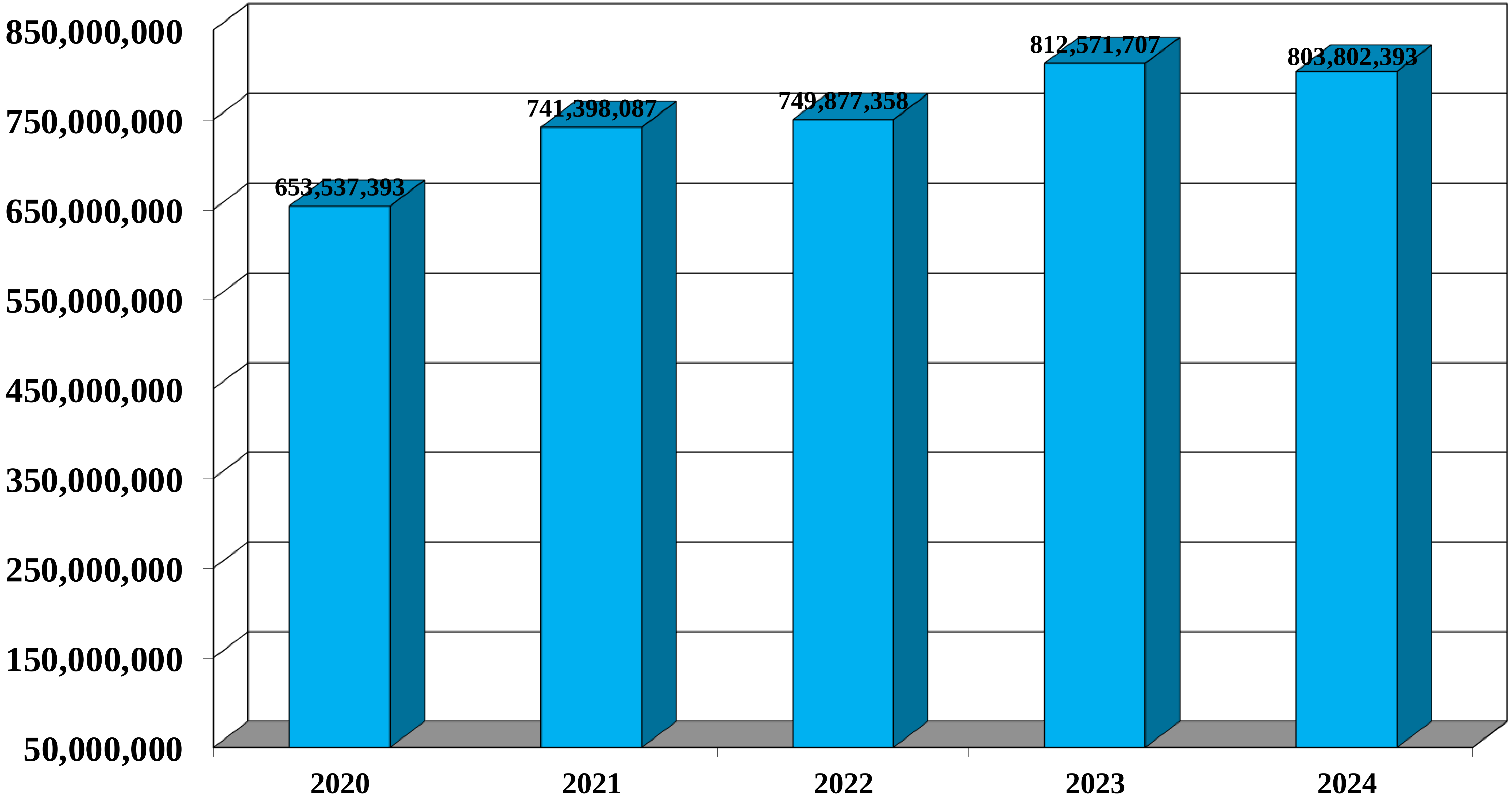
I WILL GO

YTD Total Division Tithe: August



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August 2024 Financial Report

Recommended Action: To accept the August 31, 2024 financial report, subject to audit.

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Compensation Review Committee Report

Gary Thurber, Chair

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IN MISSION

Compensation Review Committee Actions

Voted: To accept the compensation report as presented for the year ended December 31, 2023.

Voted: To accept the travel report as presented for the year ended December 31, 2023.

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, 2023.

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IN MISSION
I WILL GO

NAD Retirement Plan Report

Edwin Romero, Plan Administrator

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Adventist Retirement

Edwin G. Romero, Administrator, NAD Associate Treasurer

GMO

DavidsonKempner
Capital Management LP

GRAPE LAW

BANK OF AMERICA

charles SCHWAB

WESTERN ASSET

STATE STREET GLOBAL ADVISORS

WELLINGTON MANAGEMENT

EMPOWER

Pensions&Investments

ASC TRUST

alight

HUDSON BAY CAPITAL

T.RowePrice
INVEST WITH CONFIDENCE

CONNER WINTERS

GALLIARD
Capital Management, Inc.

Madison
INVESTMENTS

Retirement Plan
ANALYTICS

Comerica

Vanguard

MPC CAPITAL ADVISORS

WESTWOOD

RETHINKING FIXED INCOME
NEWCENTURY
ADVISORS

Arnold&Porter

FIDUCIARY TRUST

CARLSON CAPITAL

AMERICAN FUNDS®
From Capital Group

Dodge & Cox®
Funds

Fidelity
INVESTMENTS

W
Metropolitan West

PIMCO

WELLS FARGO

The Facts

2024 Benefits Paid
$165 + Million

Asset Management
$3.4 billion

DB Church Liability
$1.3b

Defined Contribution (Empower)
2.4 billion-participant’s assets

DB Church Payments
Never missed a pension pymt. since 1911

Participants
36,000 +

Retirees
15,000 +

Financial Wellness-Lilly Foundation Grant $1.25 M Pastors Financial Wellness

Good News!

- Clean audits
- Operation in the black

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.

Transition of Funding Models

Defined Benefit Church Plan (Pre-2000)

Previous

"Pay as you go"
30 YEAR PLAN

Strategic Financial Plan

Derisking Plan

Now

"Fully Funding"
15.7 YEAR PLAN

Years to *Fully* Funded

Church Defined Benefit (DB)

As of August 31, 2024

9.46
(estimate)
35.3% level

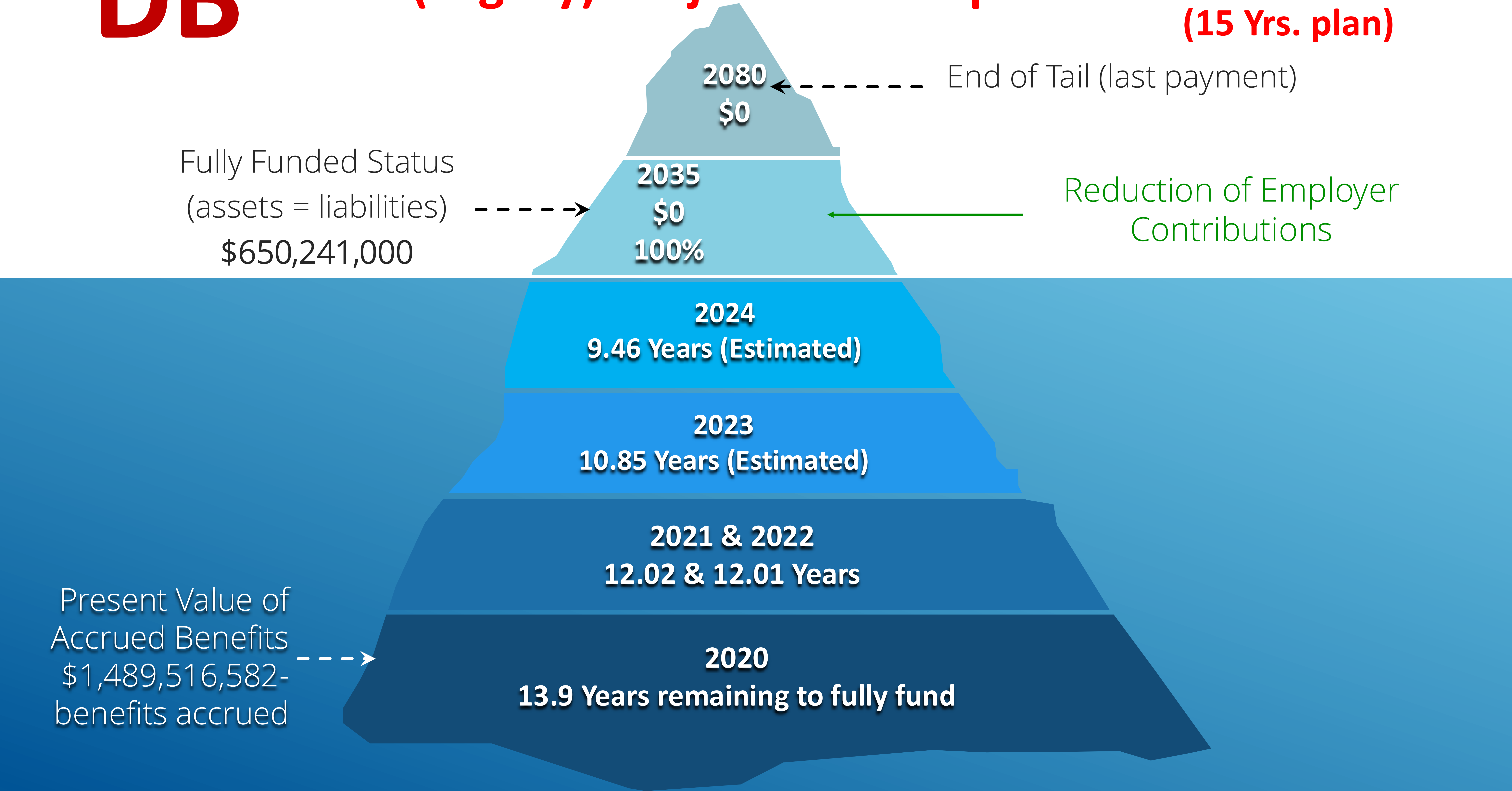
Health Care (SHARP)

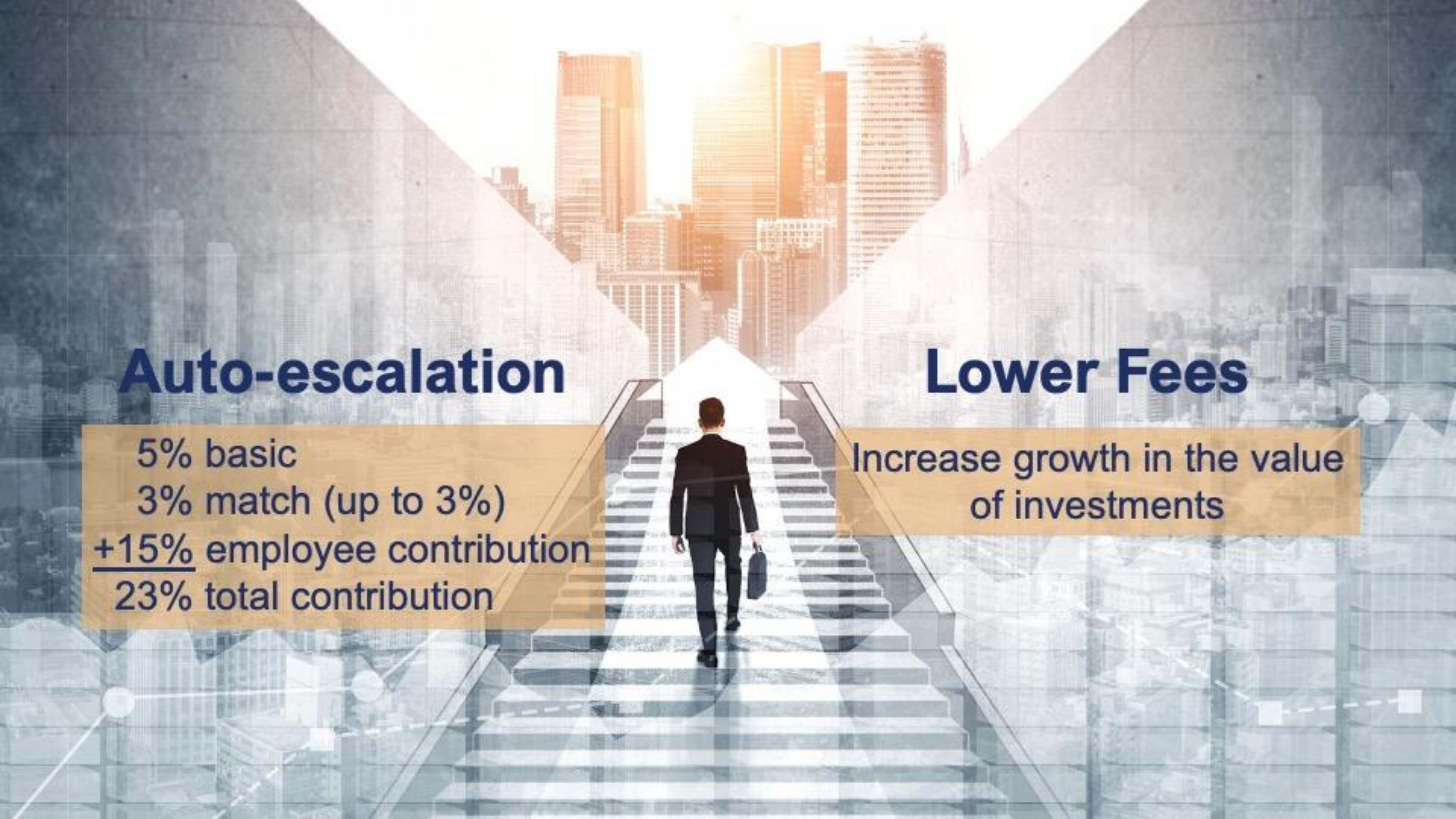
As of August 31, 2024

6.06
(estimate)
53.2% level

DB Church (Legacy) Projection of Expected Cash Flows

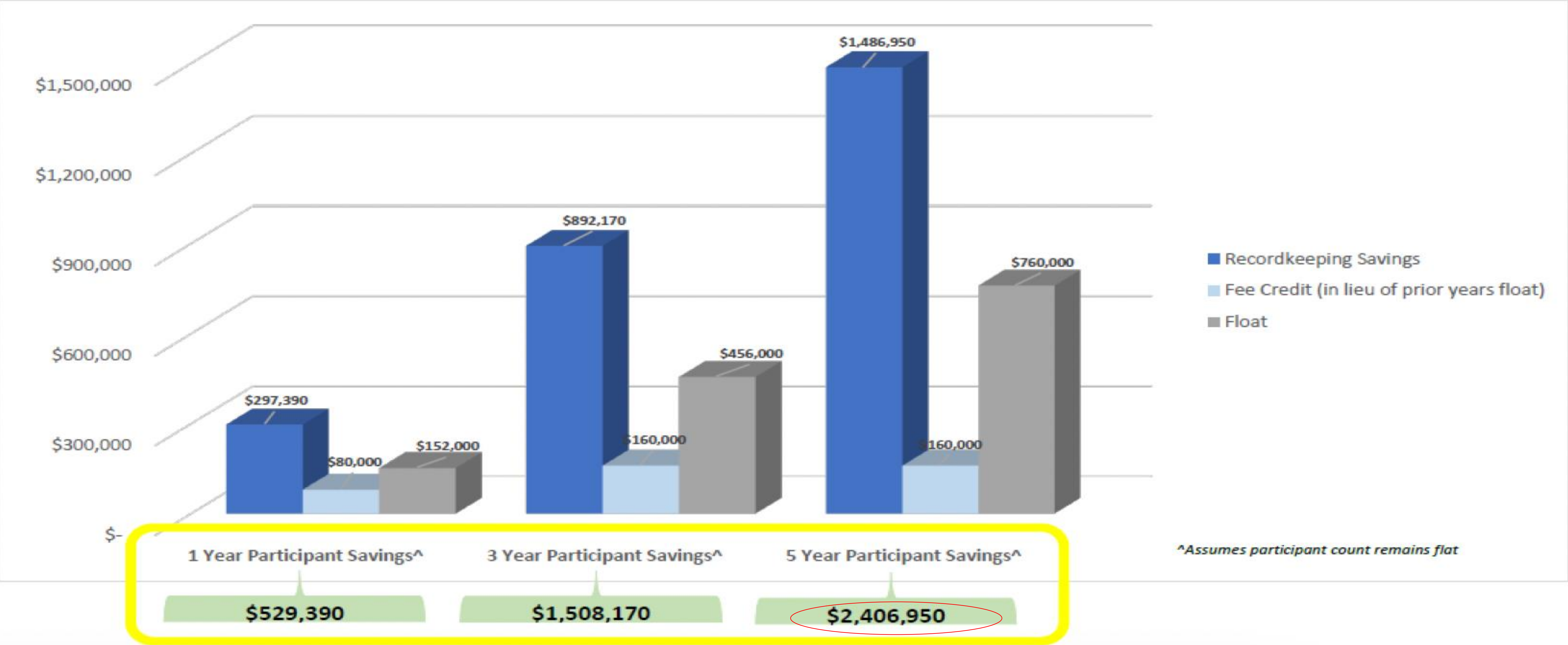
(15 Yrs. plan)




Auto-escalation
5% basic
3% match (up to 3%)
+15% employee contribution
23% total contribution
Lower Fees
Increase growth in the value of investments

ESTIMATED PARTICIPANT SAVINGS PROJECTIONS

Empower Current Per Participant Recordkeeping Fee	$ 46.50		
Empower Final Reduced Per Recordkeeping Fee*	$ 35.00		
Total Participants (as of 8/31/2023)	25,860		
	1 Year Participant Savings^	3 Year Participant Savings^	5 Year Participant Savings^
Recordkeeping Savings	$ 297,390	$ 892,170	$ 1,486,950
Fee Credit (in lieu of prior years float)	$ 80,000	$ 160,000	$ 160,000
Float	$ 152,000	$ 456,000	$ 760,000
Total	**$ 529,390**	**$ 1,508,170**	**$ 2,406,950**



^Assumes participant count remains flat

Just for you

AdventistRetirement

Seventh-day Adventist Church
NORTH AMERICAN DIVISION

+

EMPOWER

2 full-time Certified Financial Planners (CFP's) at no additional cost to participants

Empower Financial Planners

Wendy Knott, CFP®

and Diana Law, CFP®


AND NOW WE
THANK YOU,
OUR God,
AND
PRAISE YOUR
glorious
NAME
1 CHRONICLES 29:13

Thank You

Edwin G. Romero

NAD Associate Treasurer
Administrator, Adventist Retirement Plan

edwinromero@nadadventist.org

AdventistRetirement

adventistretirement.org

NAD Retirement Plan Report

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

NAD Investment Report

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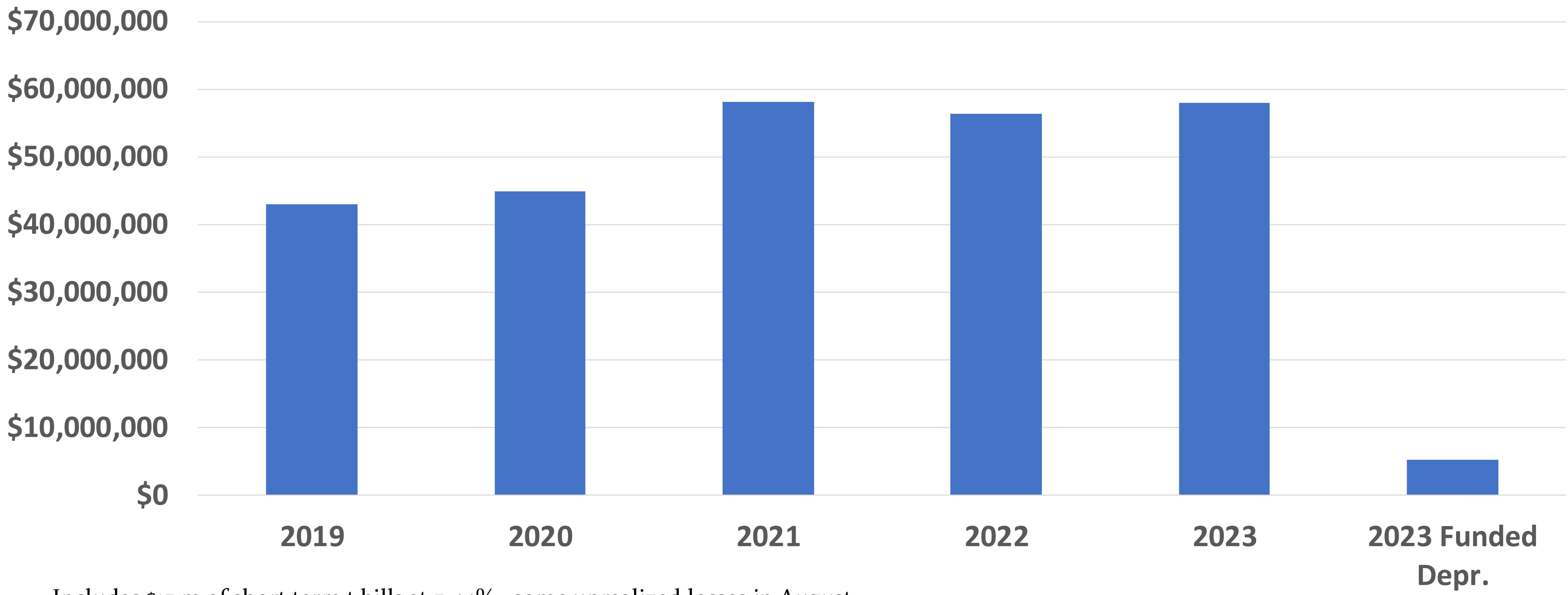
Invested Funds - Operation



Includes $15 m of short term t bills at 5.44% , 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 4% since inception of end of last year.

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

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Investments

-Utilizing Short Term Treasurys while in rising interest rate environment (5.44%)

-In 2022 began a Long Term Building Depreciation Funding Account in lieu of annual allocations

-Continuing to evaluate asset allocations

Investment Report
December 2023

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

TOGETHER
IN MISSION

NAD 2025 Budget

Chad Grundy, Undertreasurer

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Budget Assumptions

- Includes tithe remitted to GC of 3.85%
- Based on 96% of 2023 gross tithe **(current YTD decrease through September is 2.53%)**
- Includes 3% COL increase to be implemented on July 1, 2025
- Travel budgeted at approximately 106% of 2024

TOGETHER IN MISSION

I WILL GO

Budget Assumptions-continued

- Includes $110,000 for the Alive in Jesus Sabbath School Curriculum Training
- Includes $1.53 million for GC Session
- Includes up to $1 million appropriation to ARM for premium reductions
- Budget is balanced (Including a planned use of approximately $2.44 million of existing fund balance).

TOGETHER IN MISSION

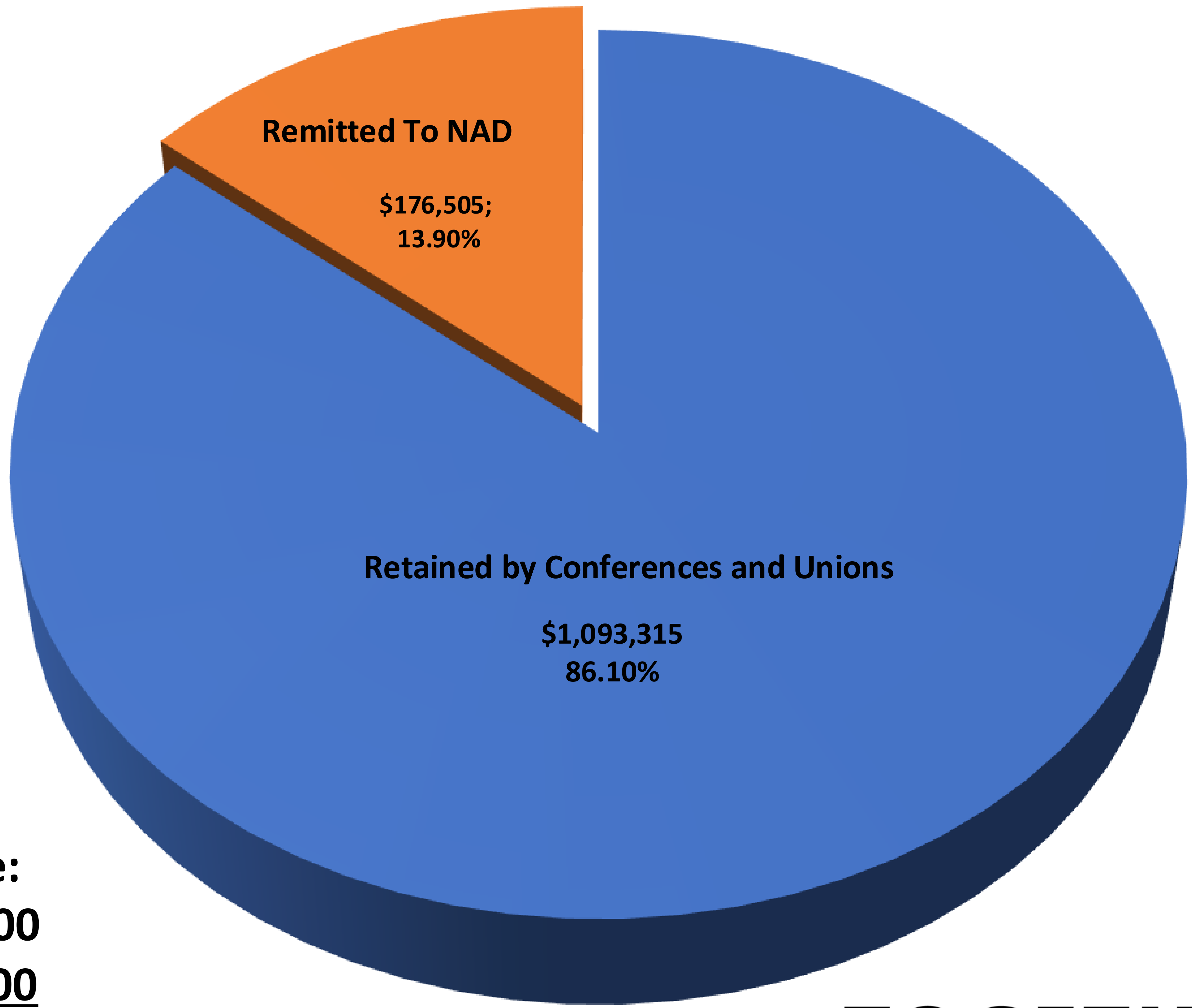
Budget Comparison

Expense Category	2025 Budget	2024 Budget	Variance
Salary and Allowances	$23,931,830	$22,472,218	$1,459,612
Other Employment Related Expenses	$11,148,023	$10,357,380	$790,643
Appropriations	$88,673,836	$84,207,211	$4,446,625
Facilities	$3,444,194	$3,108,581	$335,613
Departments and Support	$9,697,557	$8,960,439	$737,118
Auditing/Legal/Conventions	$8,170,00	$6,411,000	$1,759,000
Total	$145,065,440	$135,516,829	$9,548,611

TOGETHER IN MISSION

I WILL GO

2025 Budgeted Tithe Distribution - ($1,269,820,000 Gross Tithe)

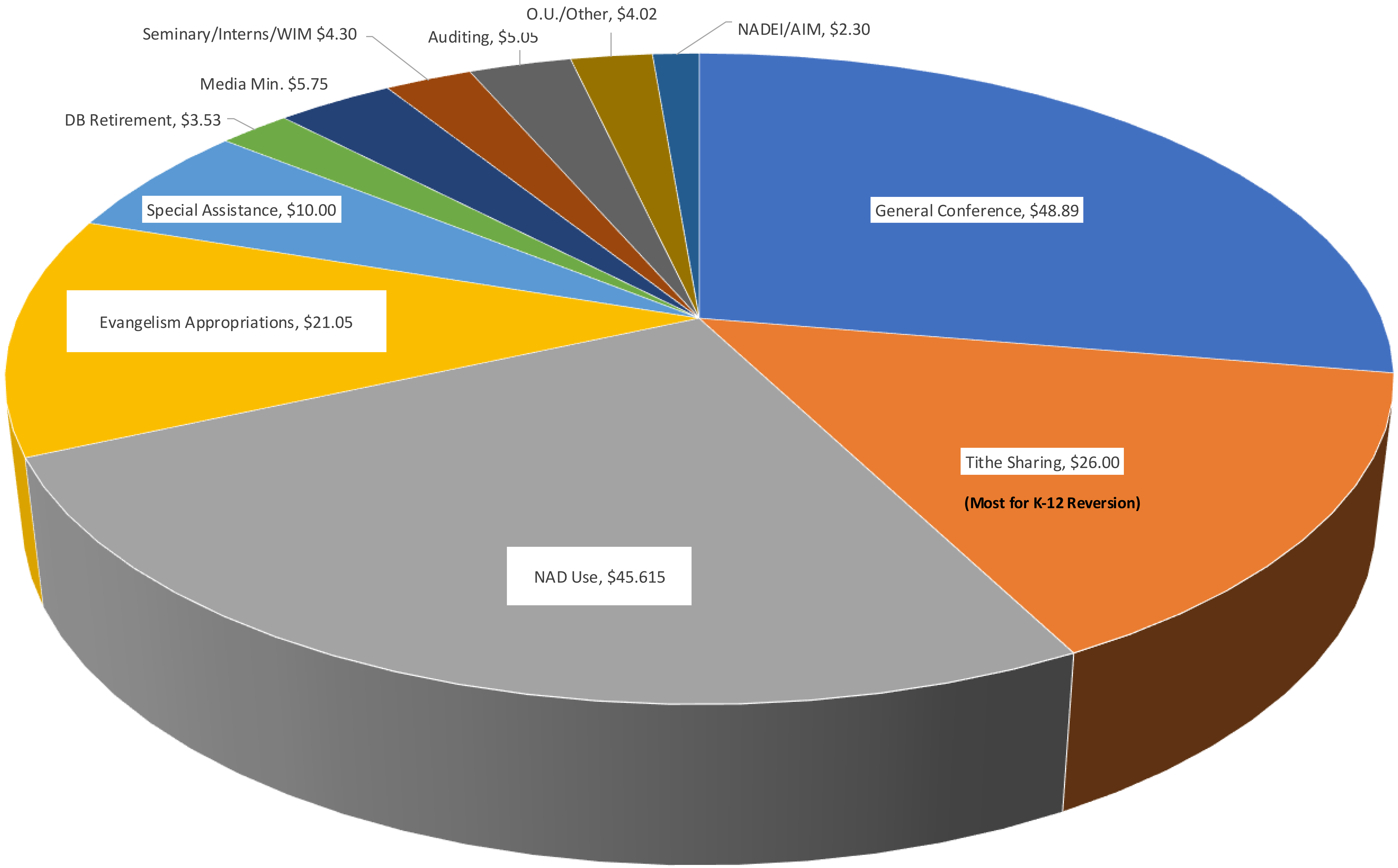


Tithe Budgeted to Receive:

From Conf.	**$ 165,077,000**
From Unions	**$ 11,428,000**
Total	**$ 176,505,000**

TOGETHER IN MISSION
I WILL GO

2025 NAD Budgeted Tithe Use Distribution



Tithe Budgeted to Receive:

From Conf.	**$ 165,077,000**
From Unions	**$ 11,428,000**
Total	**$ 176,505,000**

TOGETHER IN MISSION

I WILL GO

2025 Budget

Recommended Action: To approve the 2025 Budget as presented with the understanding that adjustments may be made by NAD Administration when actual 2024 year-end tithe is finalized.

Thank You Treasury Team!!!

- David Baer
- Rony Calderon
- Ner Cepeda
- Chad Grundy
- Sharon Mabena
- Lynette Montoute
- Michael Prest
- Mayda Santos
- Michael Park
- Jorge Ayala
- Jeff Fogelquist
- Sheyla LaPierre
- Rosy Ortiz
- Nathan Traxler
- Serah Zaw
- William Ashton
- Pedro Dominguez

Blessings from God

Therefore do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own.

Matthew 6:34 (NIV)

TOGETHER
IN MISSION

Treasurers Financial Report

Recommended Action:
To accept the Treasurers Financial Report as presented.

TOGETHER
IN MISSION

General Conference Auditing Service Report

JoJean Birth, Associate Director: North American Division

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GCAS

DELIVERING
EXCELLENCE

GCAS

ASSURANCE / ADVISORY

GCAS 2023 Annual Report

North America Division Summary

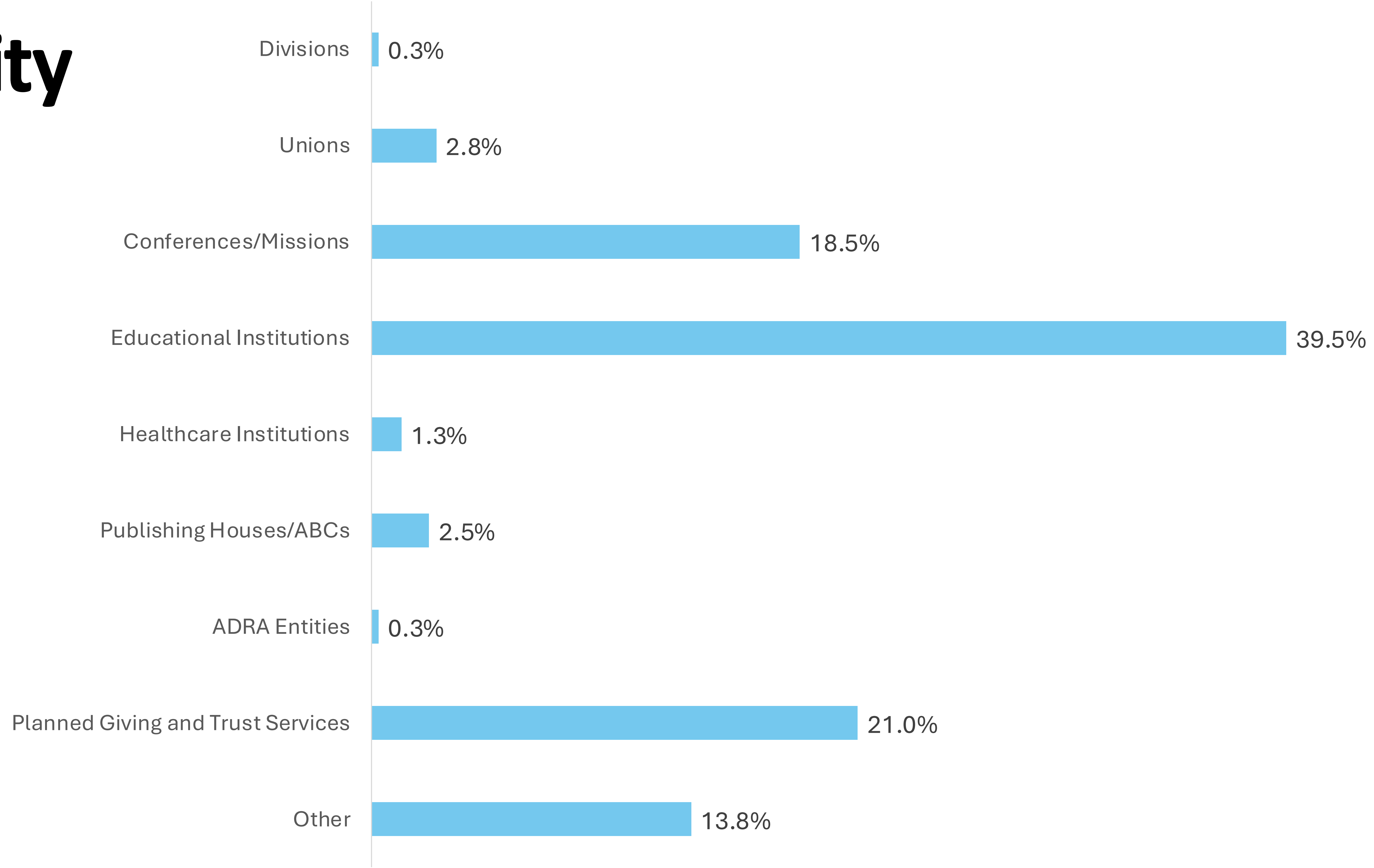
Our Responsibility

The **General Conference Auditing Service** serves as the Seventh-day Adventist Church's preferred provider of assurance and related services. The GCAS client base (portfolio) 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

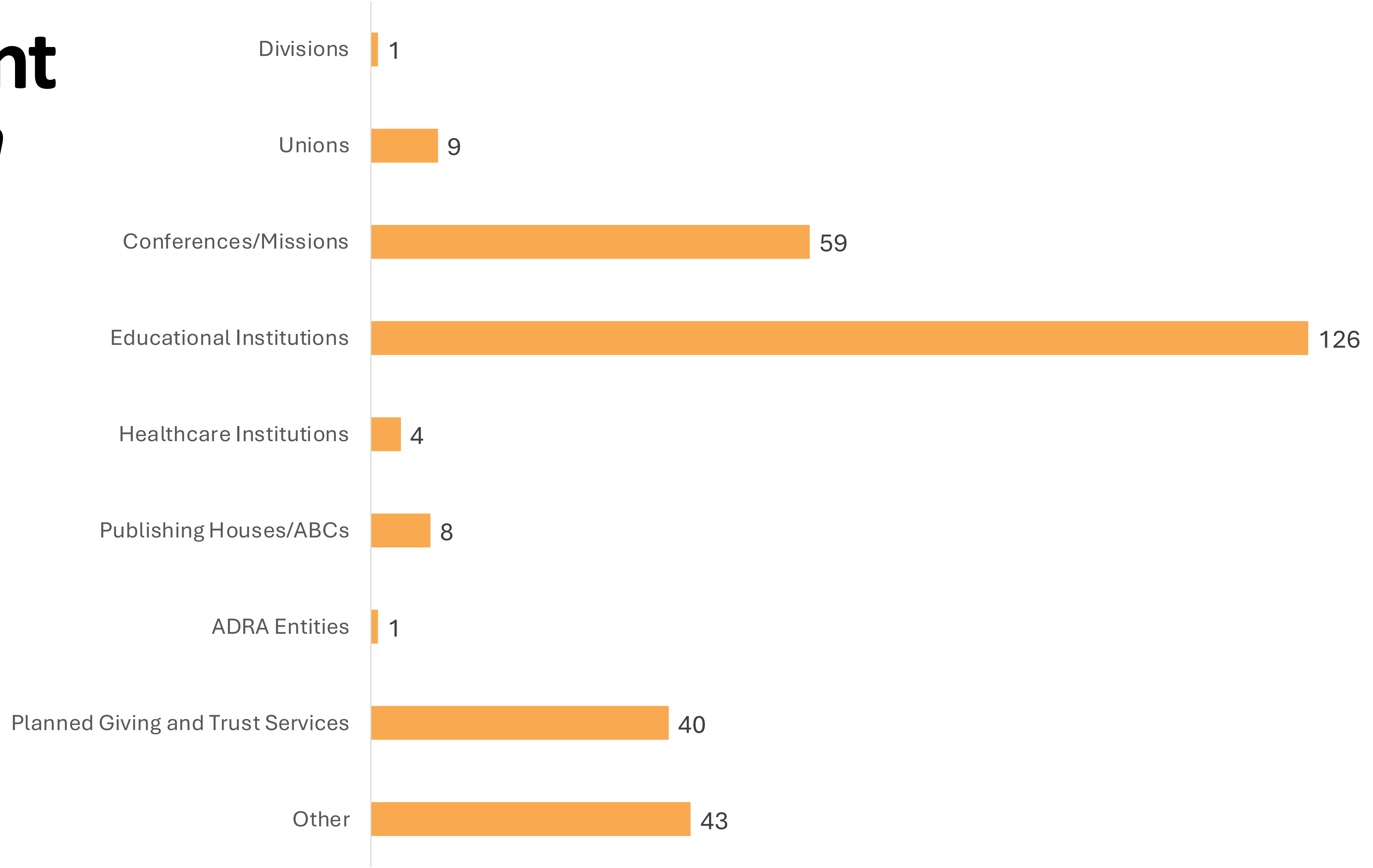
Our Responsibility *Portfolio*

Total Clients: 319



Our Commitment
Annual Work Plan

Total Clients: 291



The GCAS Family

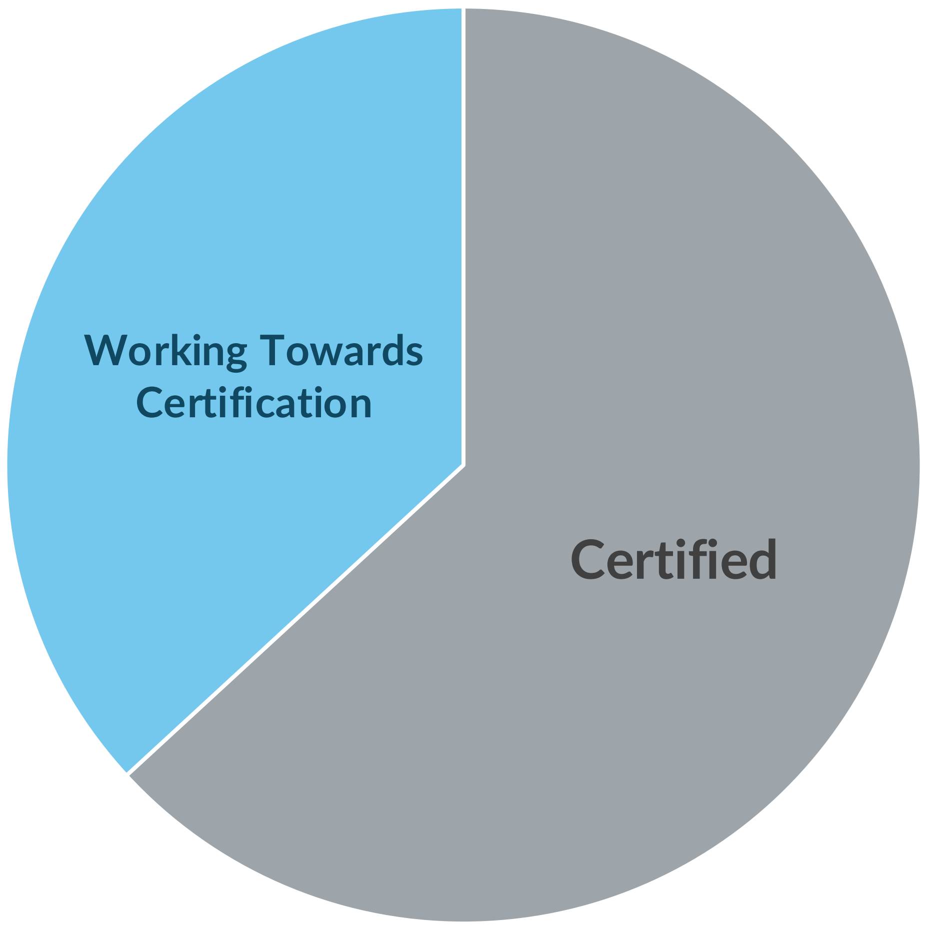
How good and pleasant it is when God’s people live together in unity!

- Psalm 133:1

Our Team

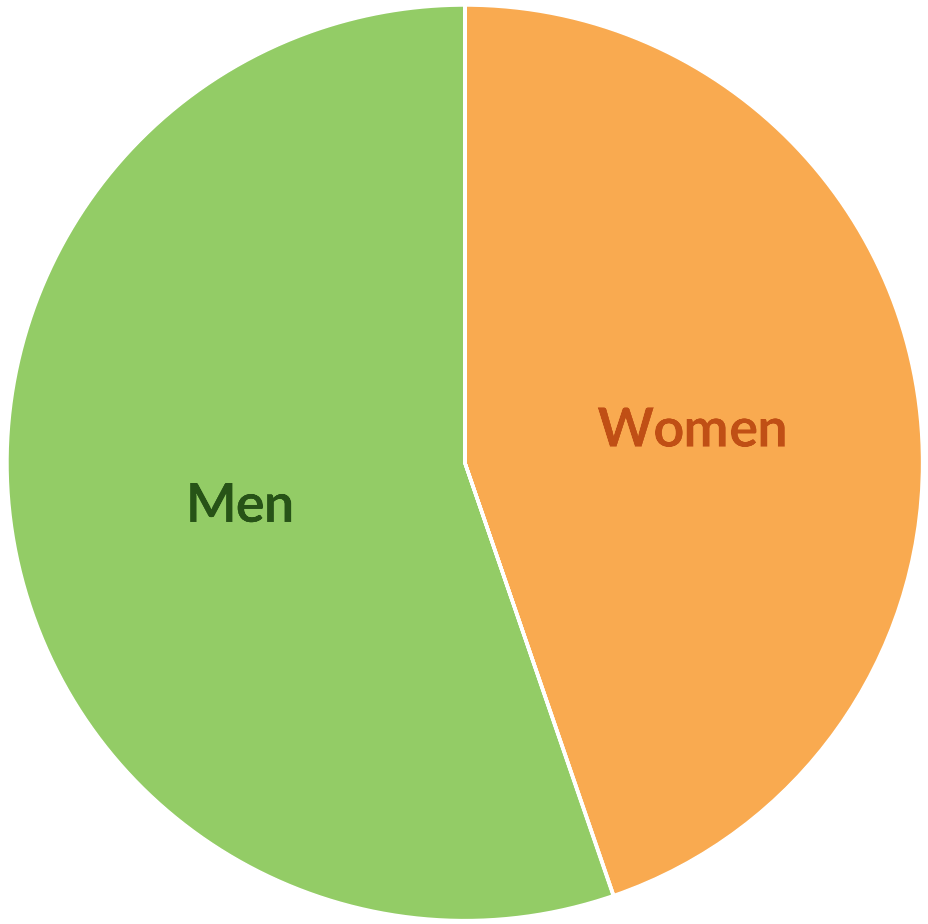
Professional Certification

In our audit team, **63.2%** hold globally recognized professional accounting or auditing certification, and **36.8%** are working towards certification.

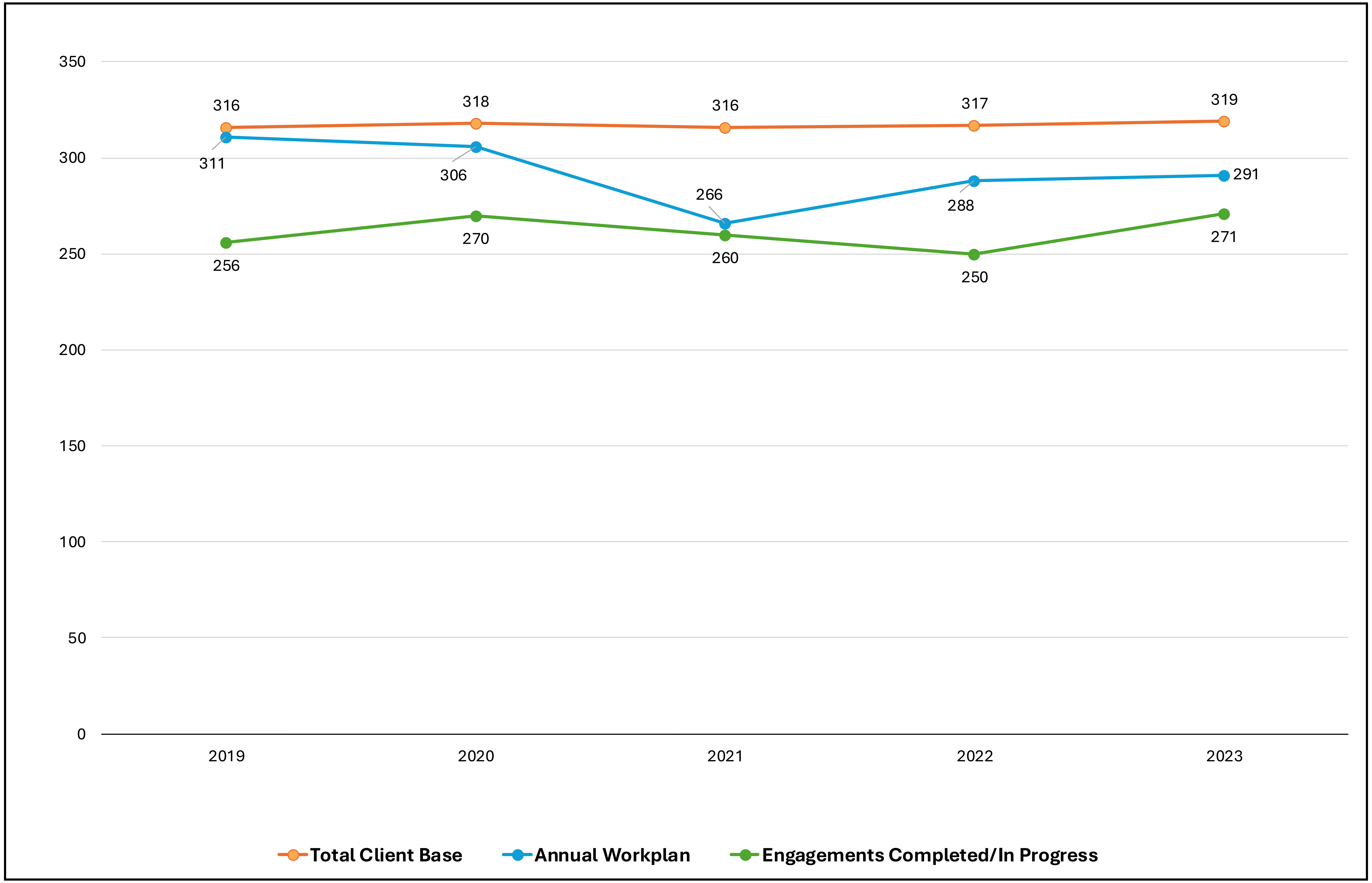


Auditor Demographics

The audit team consists of **44.7%** women and **55.3%** men.



Workplan Progress Report



Portfolio Summary

		Engagements				
Type of Entities	Total Portfolio	Completed	In Progress	Postponed	Not Attempted	*PY Engagements Completed
Divisions	1	1	0	0	0	
Unions	9	9	0	0	0	
Conferences/ Missions	59	51	7	0	1	2
Educational Institutions	126	93	15	0	18	12
Healthcare Institutions	4	4	0	0	0	
Publishing Houses/ABCs	8	7	0	0	1	3
ADRA	1	1	0	0	0	
Trust	67	12	31	0	24	
Other	44	39	1	0	4	1
Total	319	217	54	0	48	18

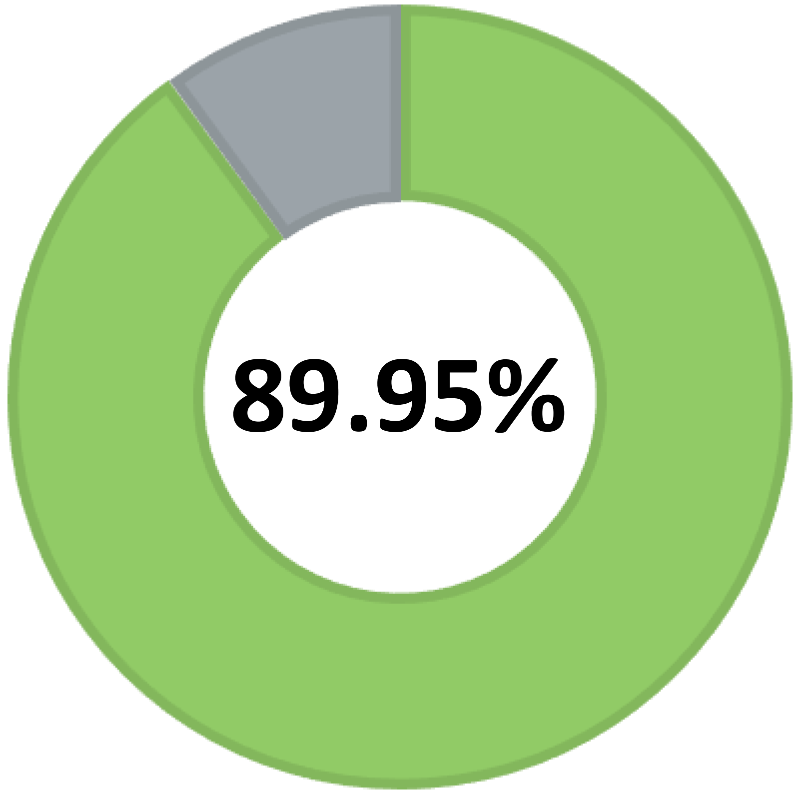
Auditor Reports 2023

All Scripture is inspired by God and is useful to teach us what is true and to make us realize what is wrong in our lives. It corrects us when we are wrong and teaches us to do what is right. God uses it to prepare and equip his people to do every good work.

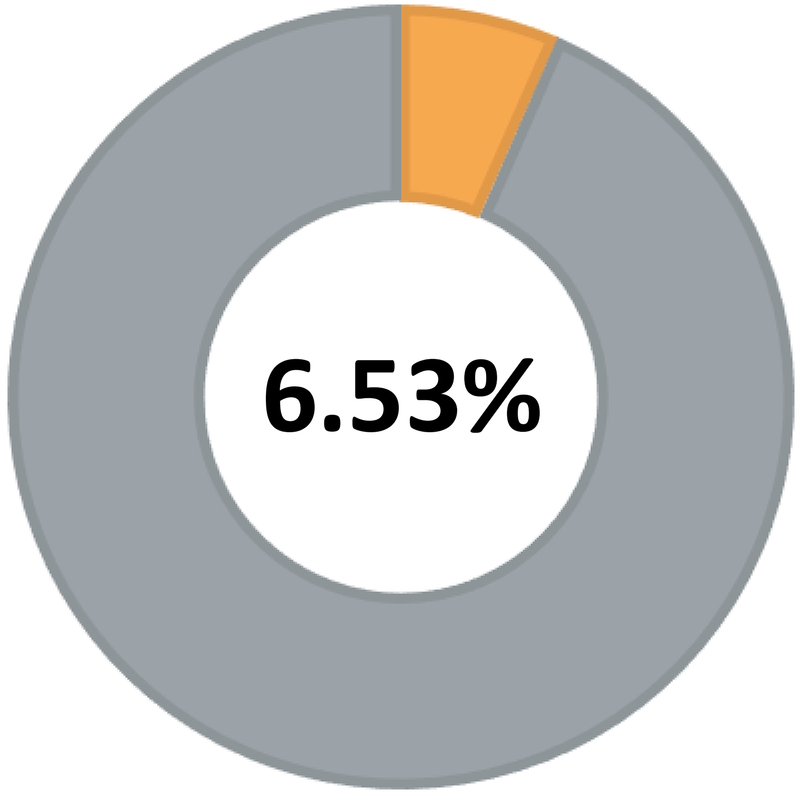
- 2 Timothy 3:16-17

Auditor Reports

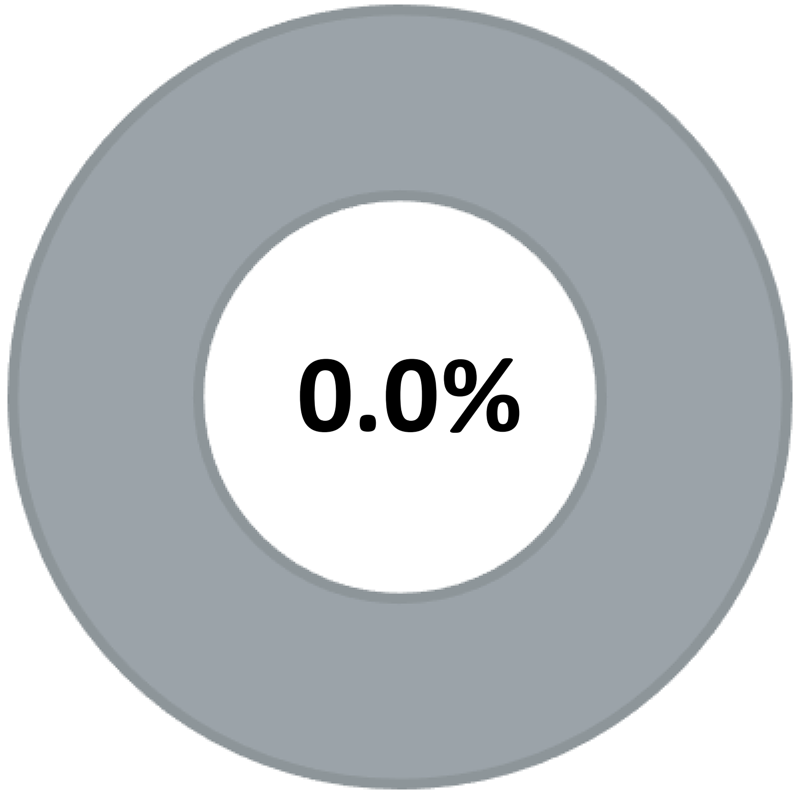
Unmodified



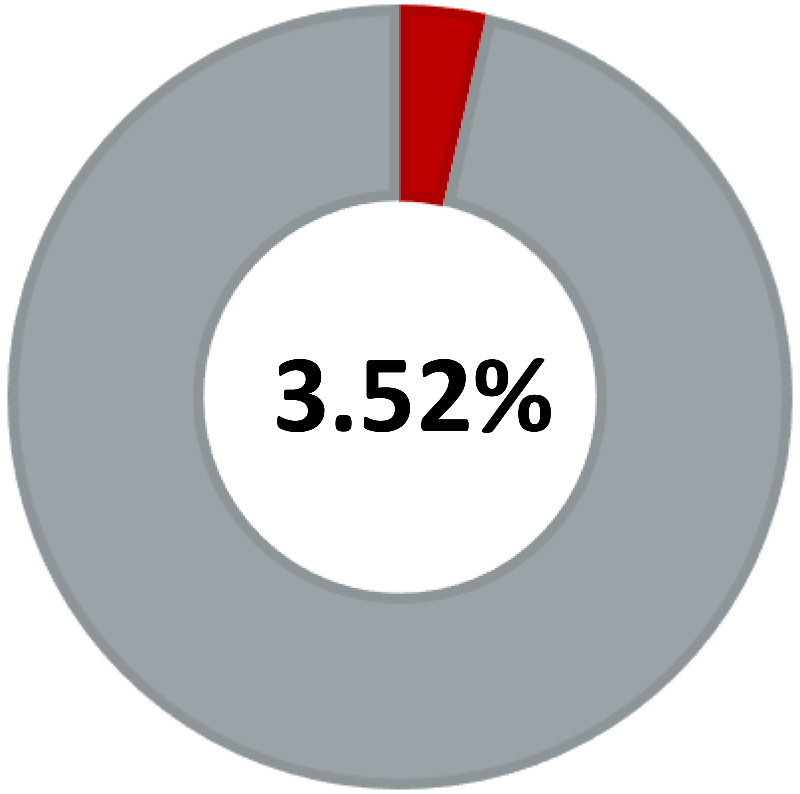
Modified



Adverse



Disclaimed

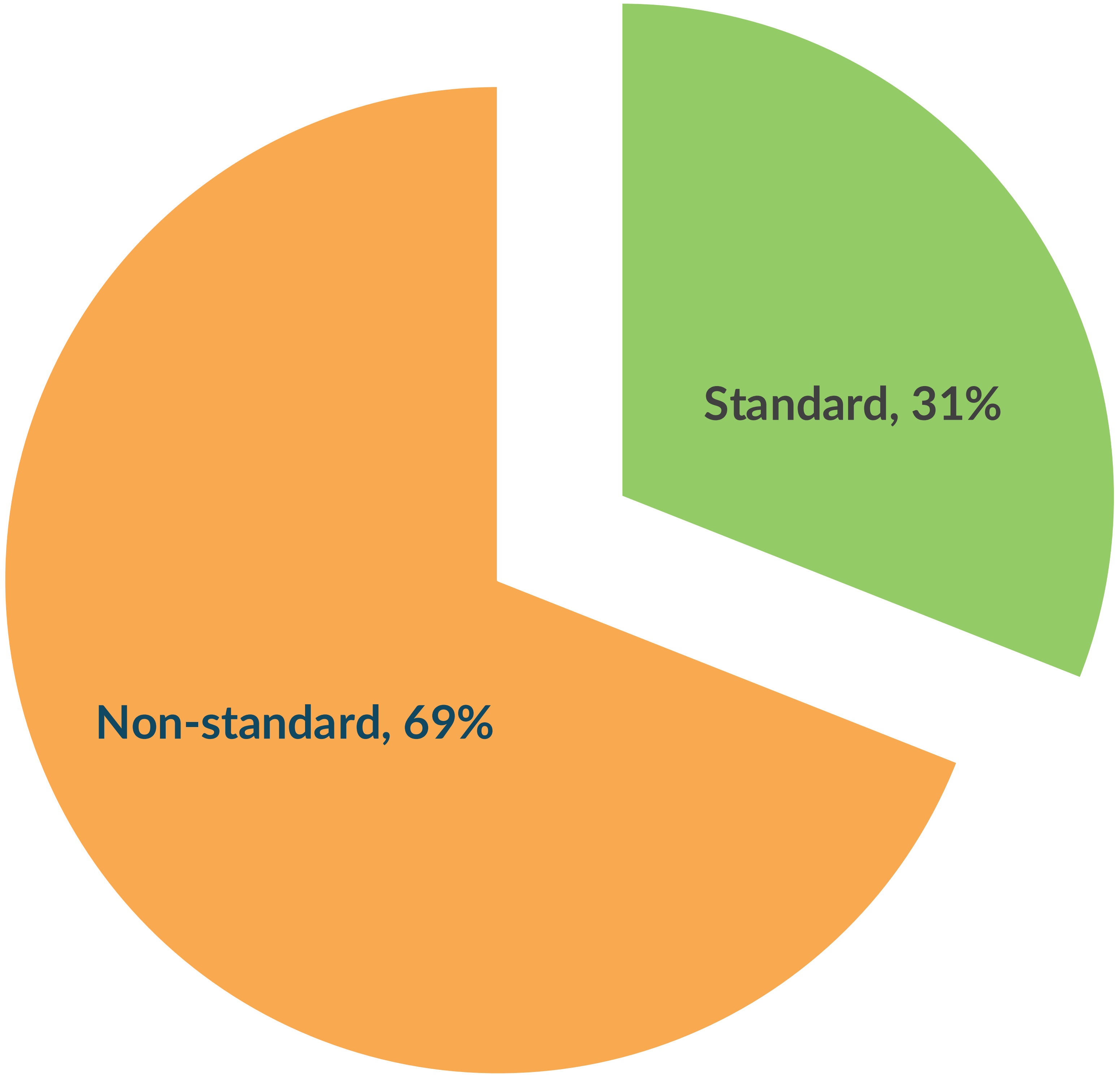


Reporting Highlights

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

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

Policy Compliance Reports



Reporting Highlights

Top 5 reasons for a non-standard Policy Compliance Report:

- Conflict of interest statements missing/incomplete
- Remuneration and/or benefits not in agreeance with GC/NAD WP
- Local organization reviews - less than 95% done during the past 2 years
- Monthly financial statements not prepared and/or presented
- Audit committee missing or improperly constituted

Reporting Highlights

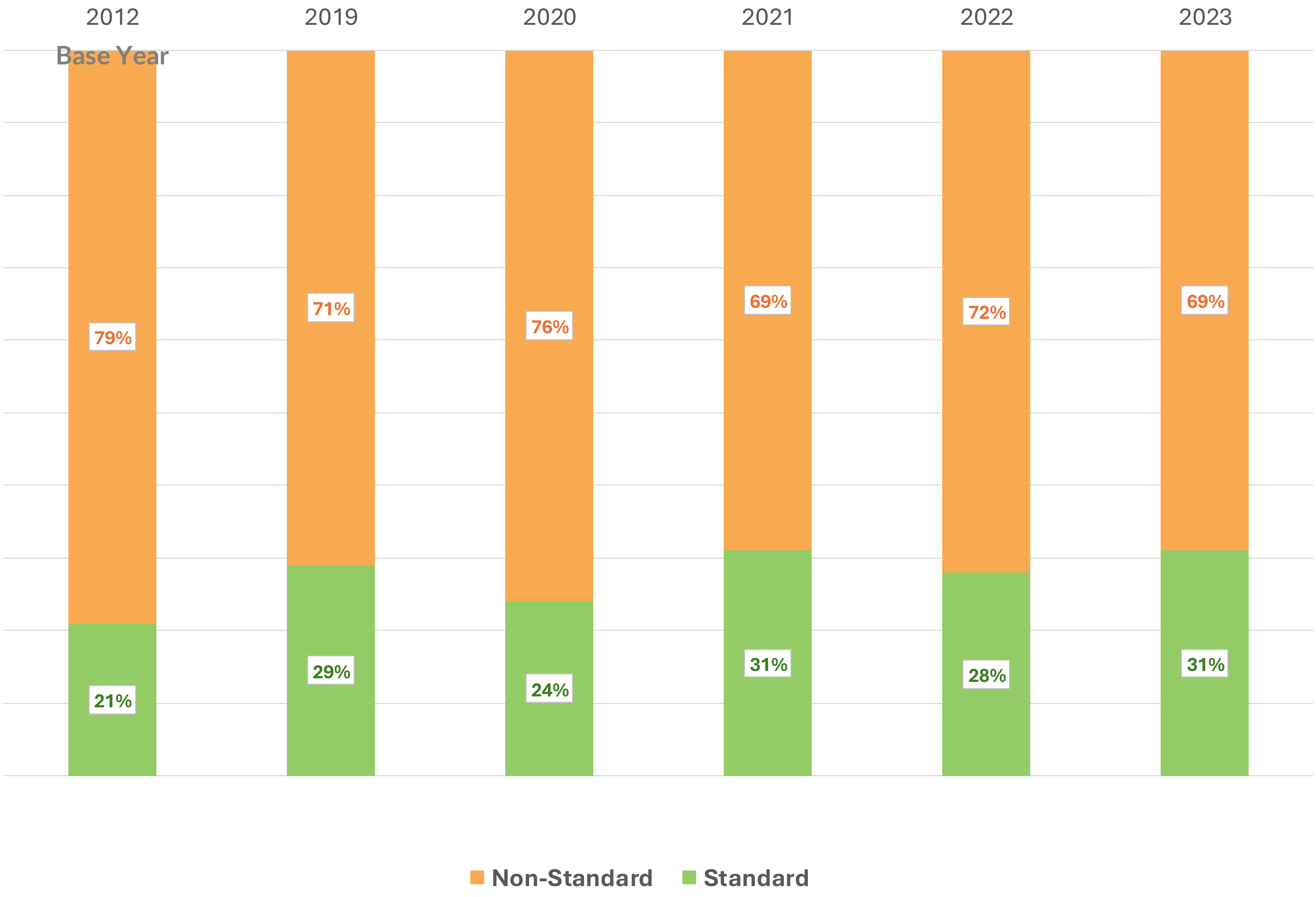
Most common reasons for documenting internal control deficiencies:

- **Operational Deficiency** - Control Activities / Inadequate review/approval of journal vouchers and/or financial statements
- **Design Deficiency** - Control Activities / Segregation of duties minimal/not adequate
- **Design Deficiency** - Control Environment / Inadequate monitoring of operating effectiveness of controls
- **Design Deficiency** - Risk Assessment / No fraud risk assessment performed
- **Operational Deficiency** - Monitoring Activities / No inventory of fixed assets

Progress Reports

Financial Opinions

Progress Reports
Policy Compliance



GCAS

DELIVERING EXCELLENCE

2023 GCAS Annual Report

GCAS Report

Recommended Action: To receive the GCAS report as presented.

TOGETHER IN MISSION | I WILL GO