

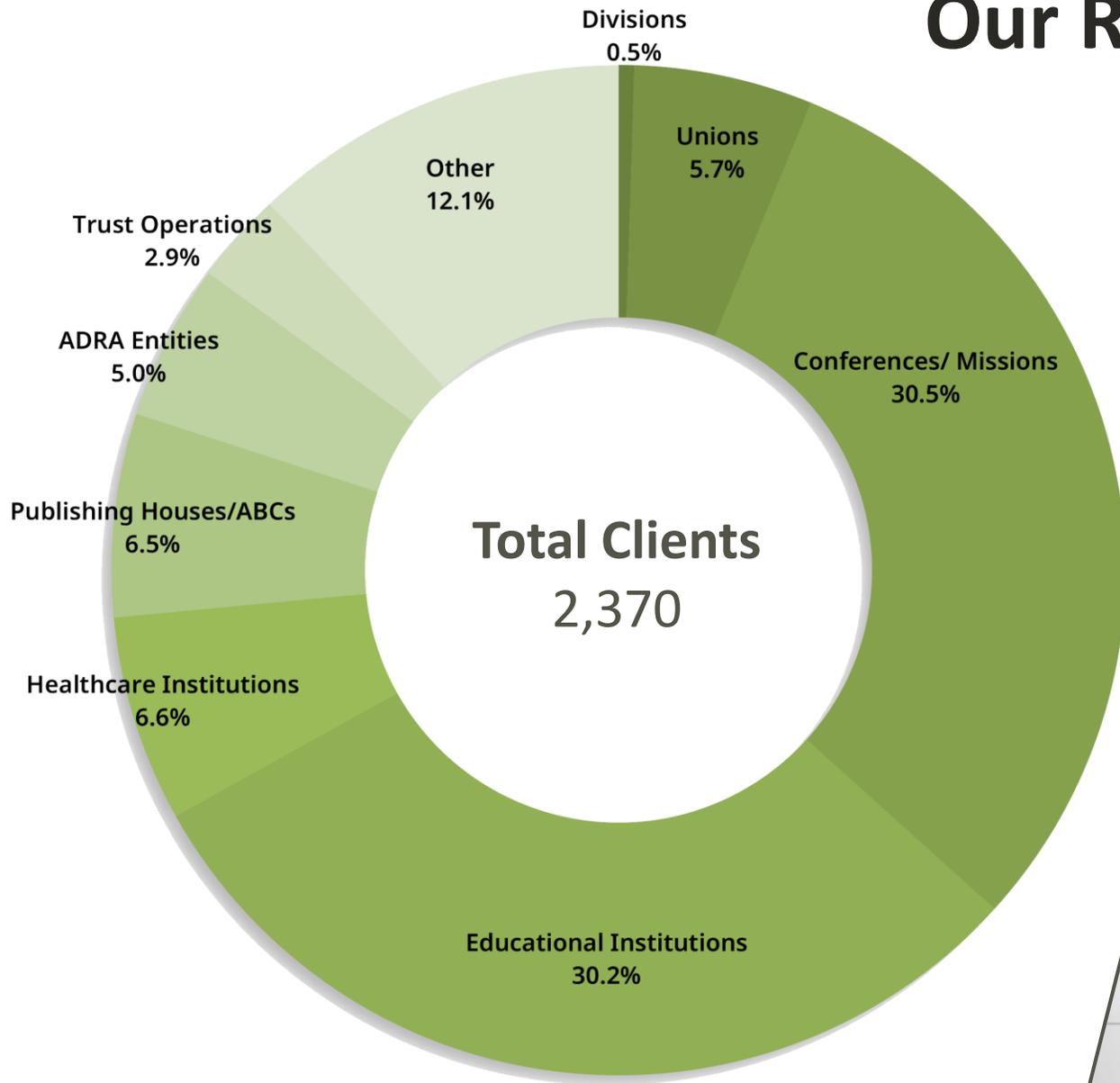


# Communicating Value **2017** Annual Report

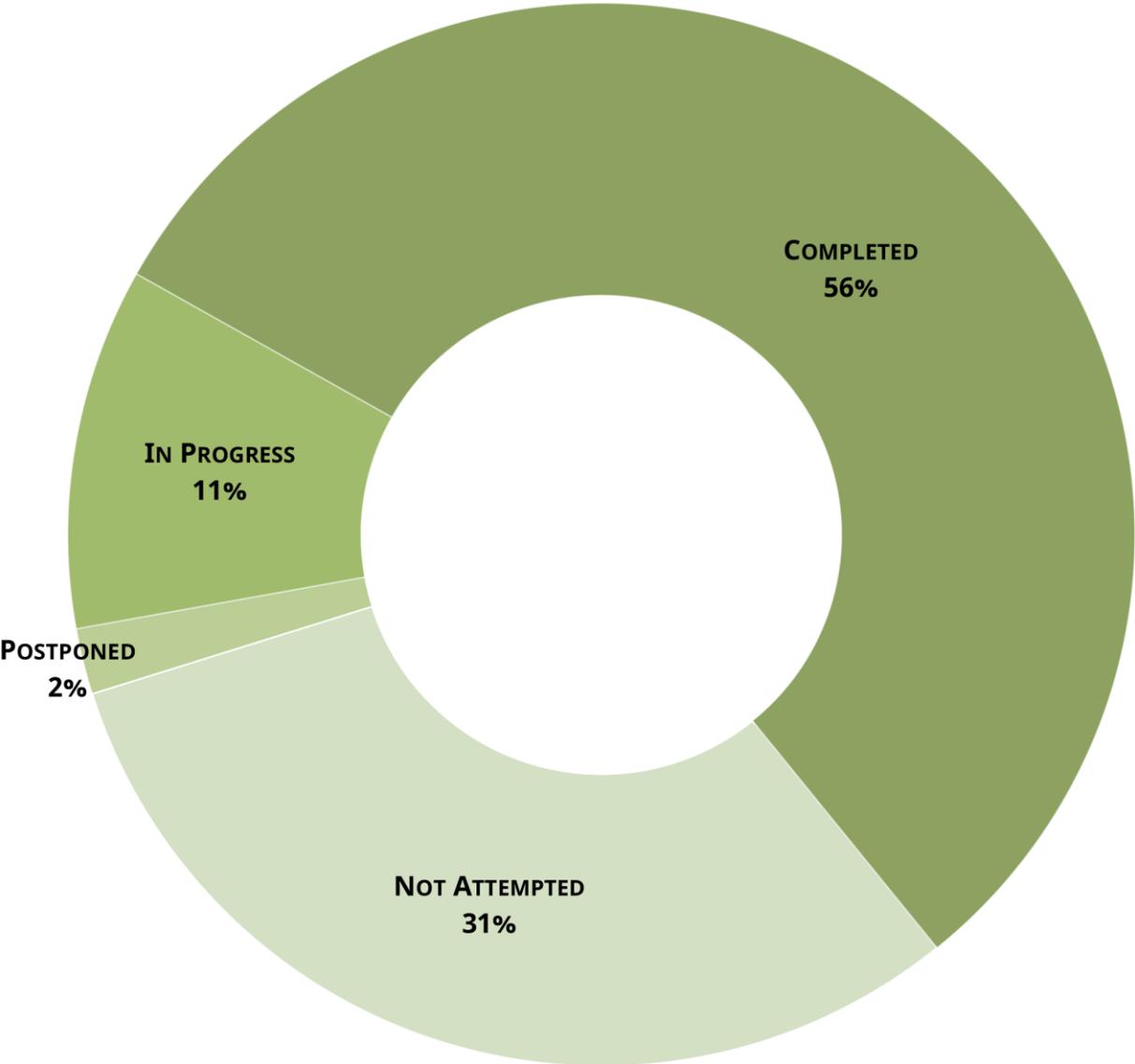
Presented at Annual Council 2018



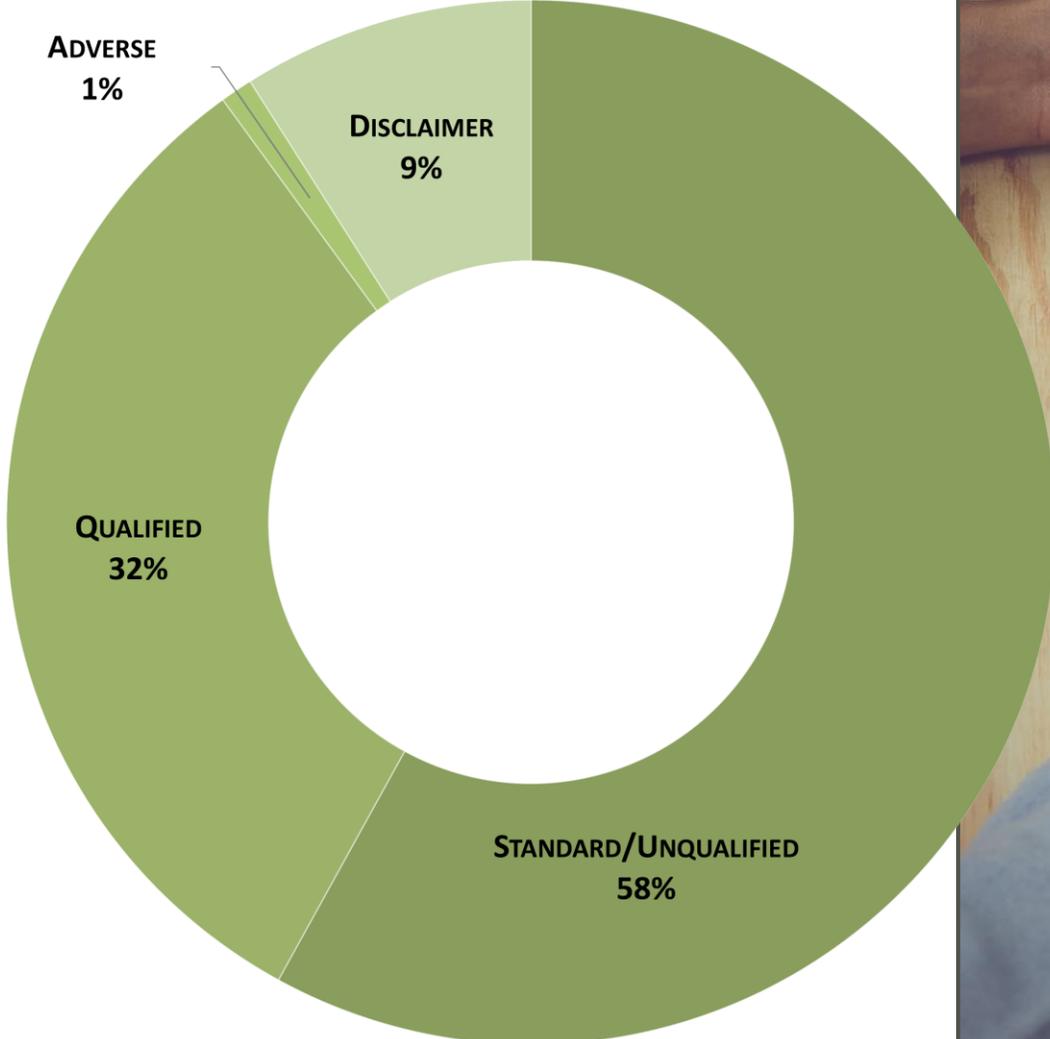
# Our Responsibility & Client Base



# Work Plan Results



# Types of Financial Statement Opinions



# Reporting Highlights

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

- Lack of evidence resulting in a disclaimer of opinion—**11%**
- Lack of evidence for accounts receivable—**10%**
- Lack of evidence for inventory—**9%**
- Misstatement of cash—**10%**
- Misstatement of property, plant and equipment—**10%**

**50%**

## **Every Year**

---

- State of accounting records
- Inventory

## **Missing One Year**

---

- Doubtful accounts receivable
- Assets not recorded

---

# **5 Year Frequency**

## **Every Year**

---

- State of accounting records
- Inventory

## **Missing One Year**

---

- Doubtful accounts receivable
- Assets not recorded

---

**What could go wrong?**

# Reporting Highlights

Most frequent reasons for documenting internal control weaknesses:

- Lack of reconciliations for accounts—**7%**
- Lack of authorization for transactions—**5%**
- Lack of internal controls related to accounts receivable—**10%**
- Lack of internal controls related to inventory—**4%**
- Segregation of duties minimal or inadequate—**5%**

**31%**

## Every Year

---

- No authorization for transactions
- Inadequate, incomplete or missing inter-organizational reconciliations
- No evaluation of collectability for accounts receivable
- Segregation of duties minimal or missing

## Missing One Year

---

- Management Override
- Accounting errors not detected

---

# 5 Year Frequency

## Every Year

---

- No authorization for transactions
- Inadequate, incomplete or missing inter-organizational reconciliations
- No evaluation of collectability for accounts receivable
- Segregation of duties minimal or missing

## Missing One Year

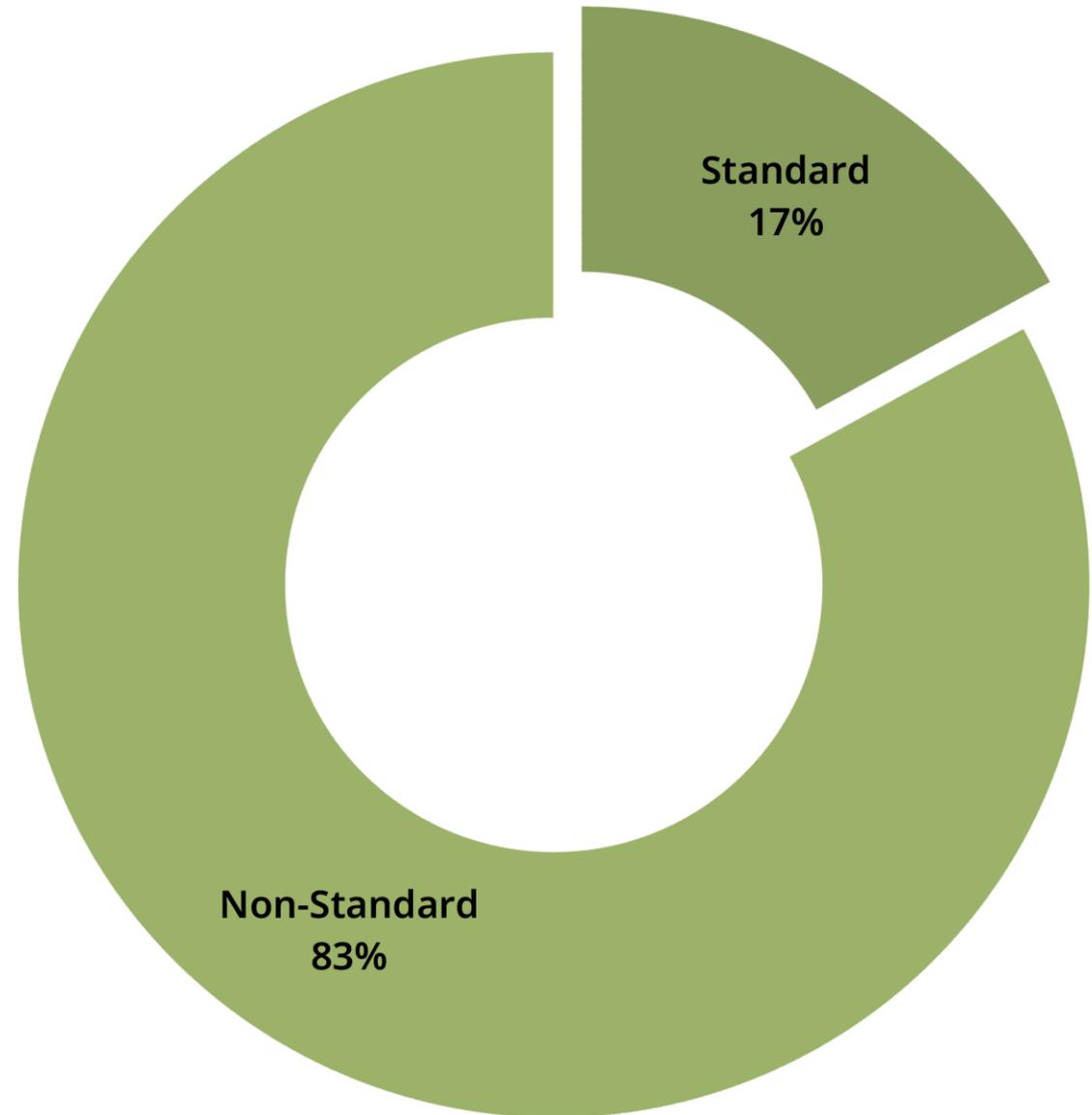
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- Management Override
- Accounting errors not detected

---

# What could go wrong?

# Types of Policy Compliance Reports



# Reporting Highlights

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

- Insufficient monthly financial statements submitted—**14%**
- Audit committee missing or improperly constituted—**13%**
- Conflict of interest statements not signed—**13%**
- Insurance coverage not in harmony with working policy—**11%**
- Not all service records updated and signed—**7%**

**58%**

## **Every Year**

---

- Audit Committee
- Insurance Coverage
- Conflict of Interest

## **Missing One Year**

---

- Financial Statements
- Service Records
- Budgeting for Losses

---

# **5 Year Frequency**

## **Every Year**

---

- Audit Committee
- Insurance Coverage
- Conflict of Interest

## **Missing One Year**

---

- Financial Statements
- Service Records
- Budgeting for Losses

---

**What could go wrong?**

*Who is responsible?*

*and*

*How do we*

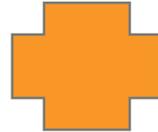
*make a change?*



It is the responsibility of organizational leadership to manage financial matters with integrity. Every leader must model behavior that is guided by a commitment to ethics, transparency, and accountability.

Beyond modeling behavior, it is imperative for leaders to promote and design the most appropriate systems that will safeguard the resources which are used to support the mission of the Church.

**Collaborative Approach**  
*to mission-driven activities*



**Collective Responsibility**  
*for financial results  
and reporting*

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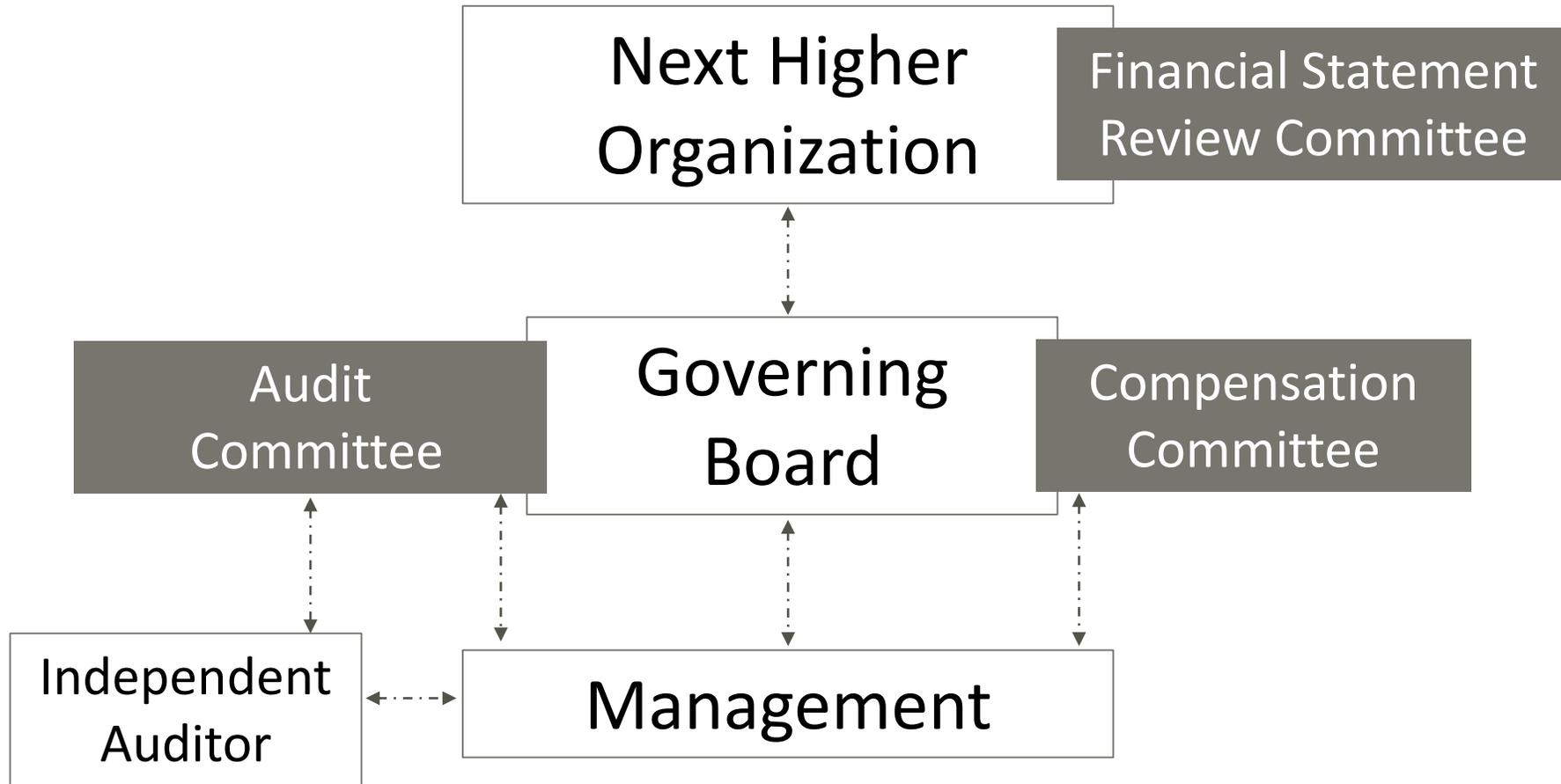
# Organizational Stewardship

# Consensus of Church Leaders



SEVENTH-DAY  
ADVENTIST® CHURCH

1. Promote a culture of transparency and accountability
2. Revise policies to incorporate best practices
3. Require establishment of Audit Committees
4. Provide training to boards/committees on governance



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# SDA Financial Oversight System

# Role of Financial Oversight Committees

## **Audit**

- To be fully informed about audit matters, financial reporting risks and financial reporting processes

## **Compensation**

- To be fully informed about compensation practices within organization and ensure compliance with policies

## **Financial Statement Review**

- To be fully informed about the financial health of subsidiary and affiliated organizations

**“Communicating Value  
promotes the  
perception of excellence  
being delivered.”**

**New Reporting Format**

**Data-driven Insights**

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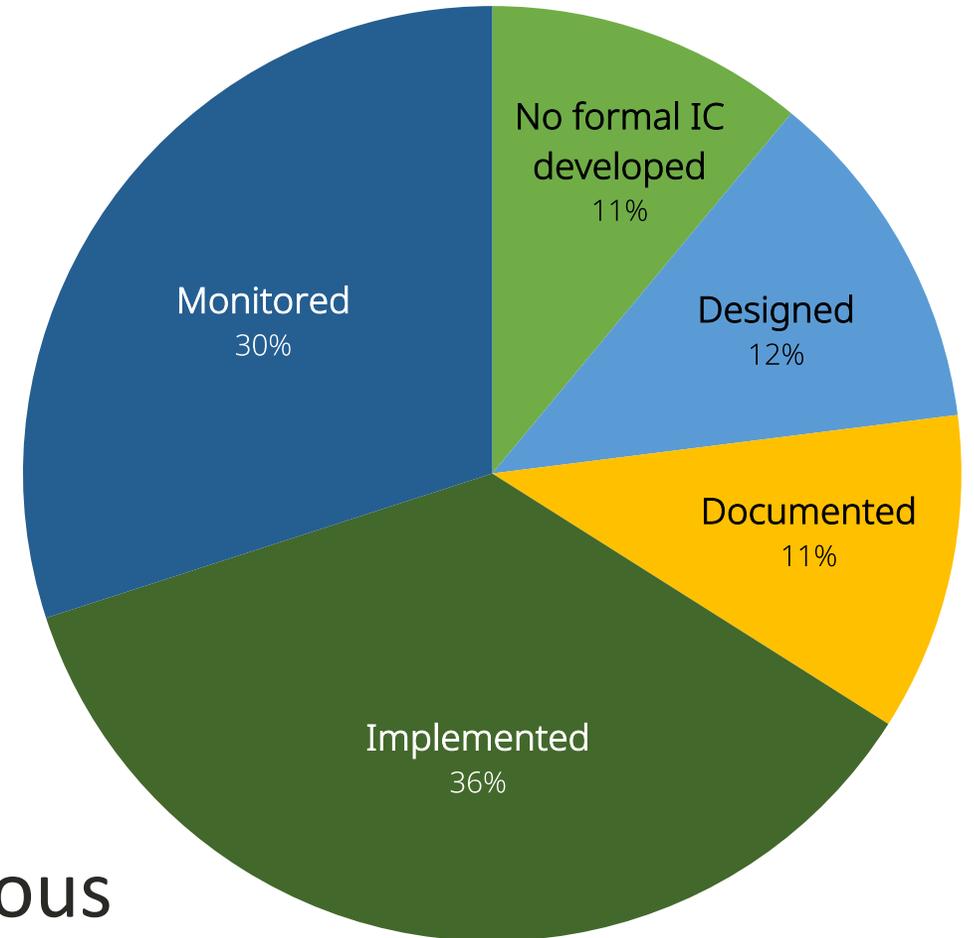
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# Global CFO Survey Results [selected]

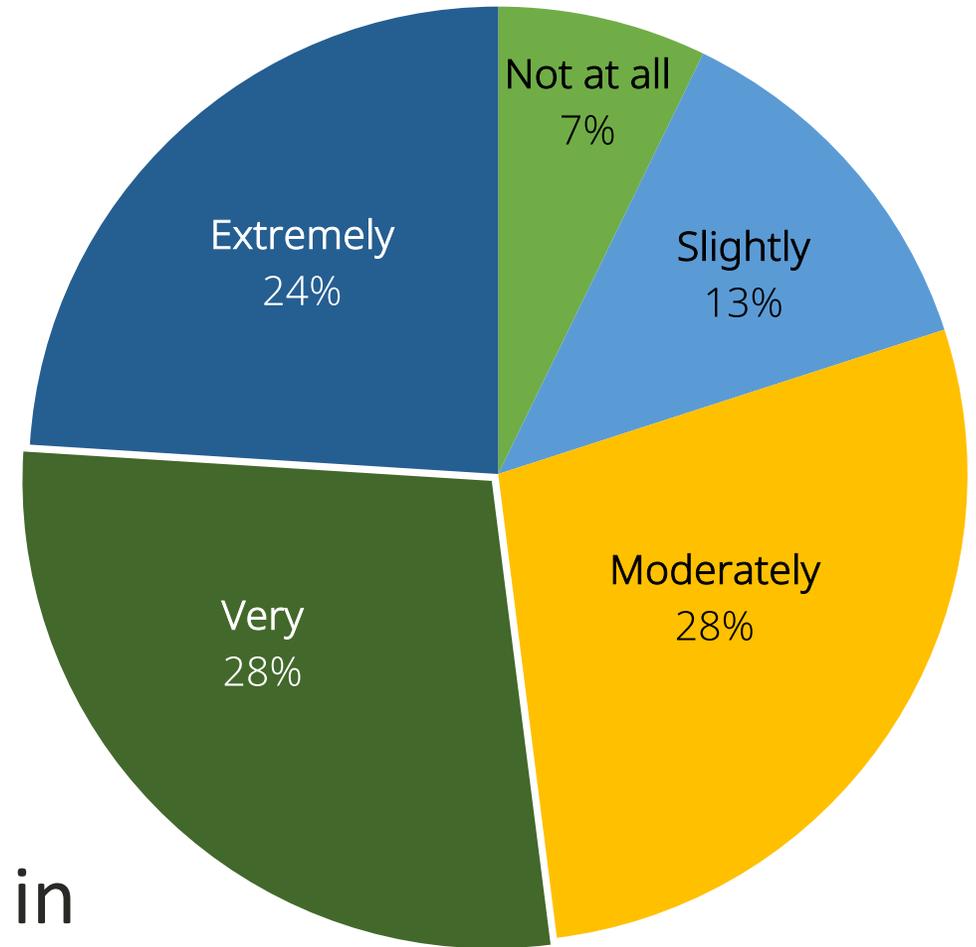


Internal control  
measured at various  
stages of formal  
development



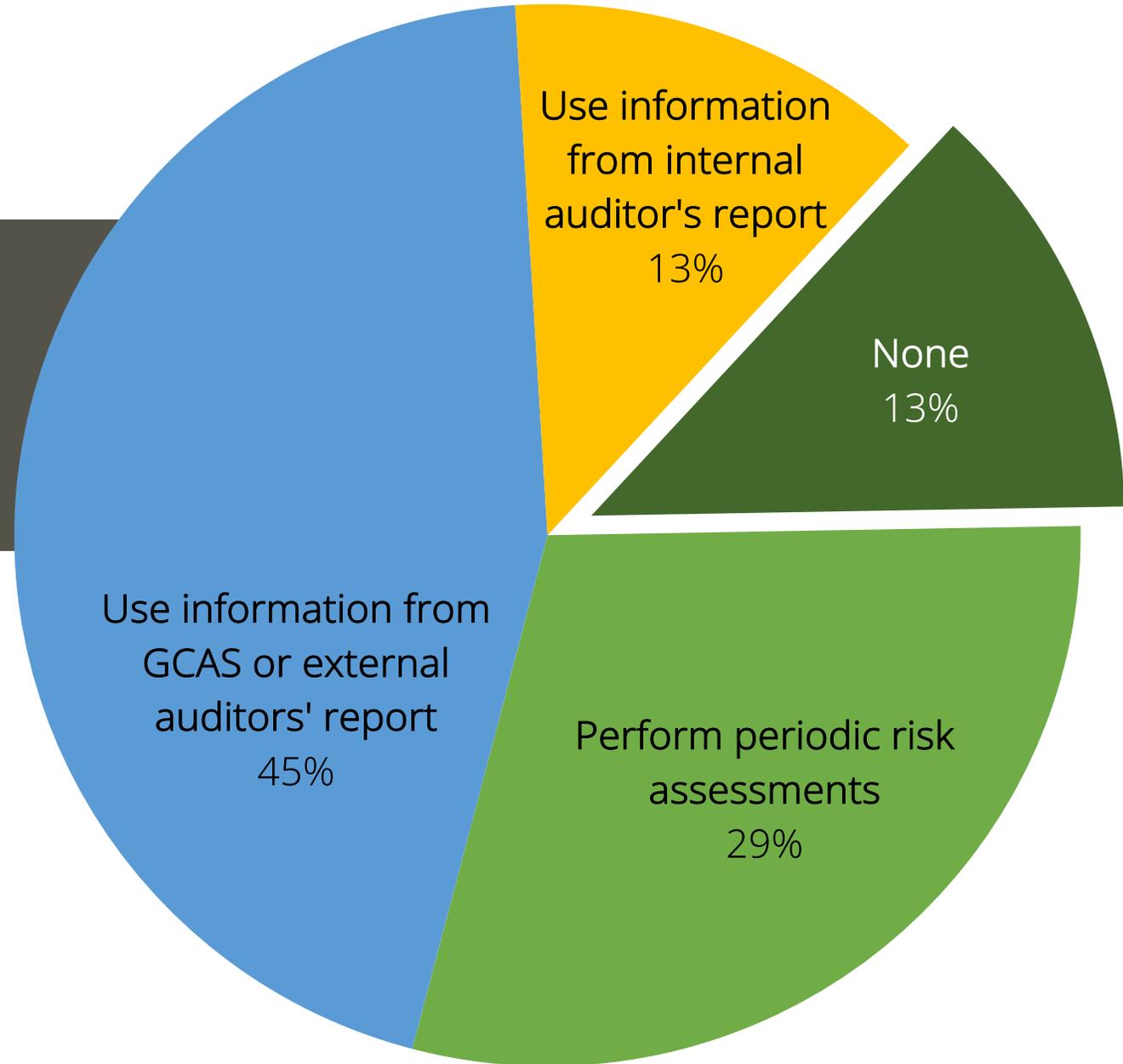


## CFO Survey Results [selected]



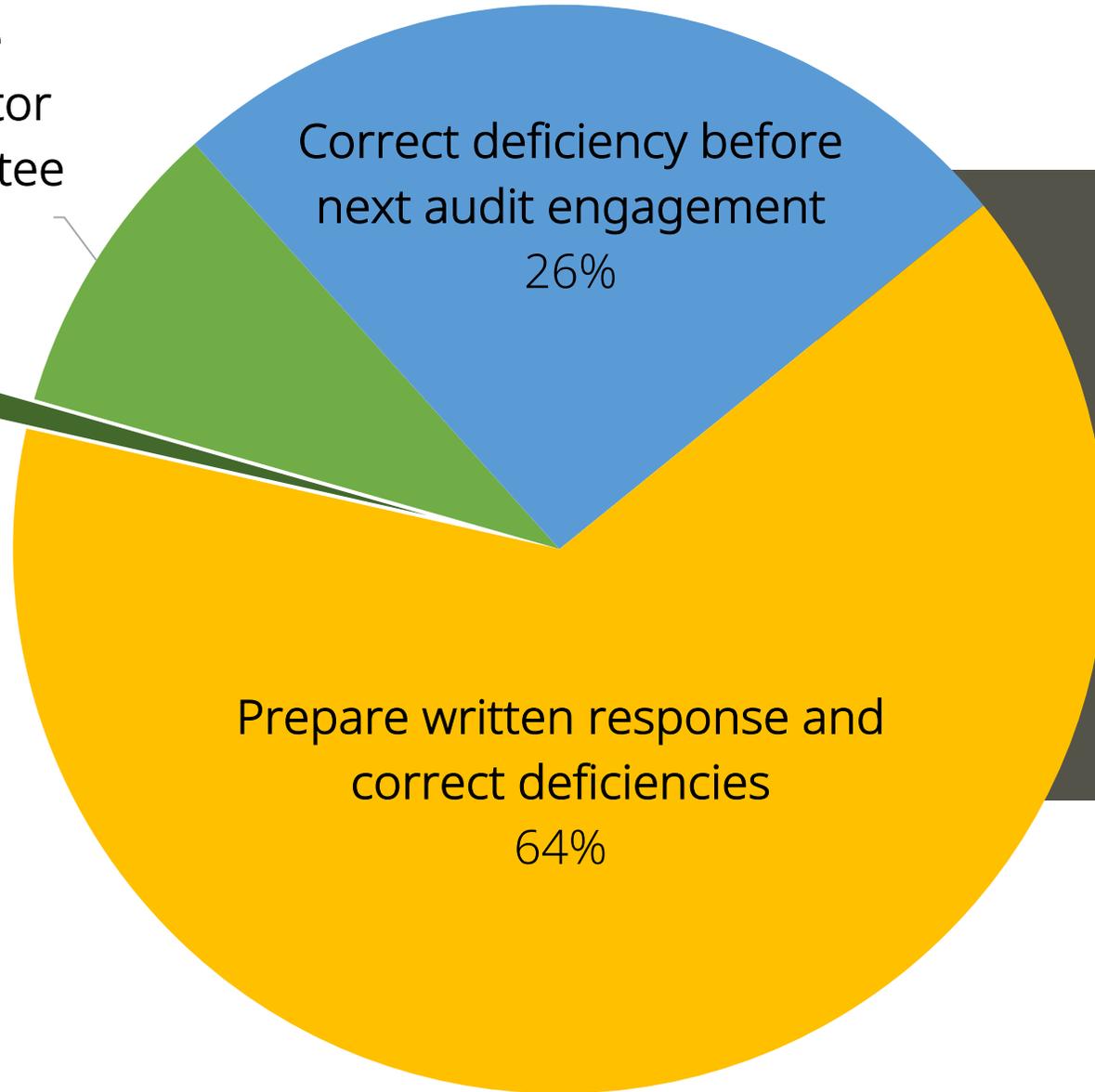
Involvement of governing board in the development of the internal control

Mechanisms used by organizations to identify and address risks



Prepare a written  
response to be  
shared with auditor  
and audit committee  
9%

Ignore  
reported  
deficiency  
1%

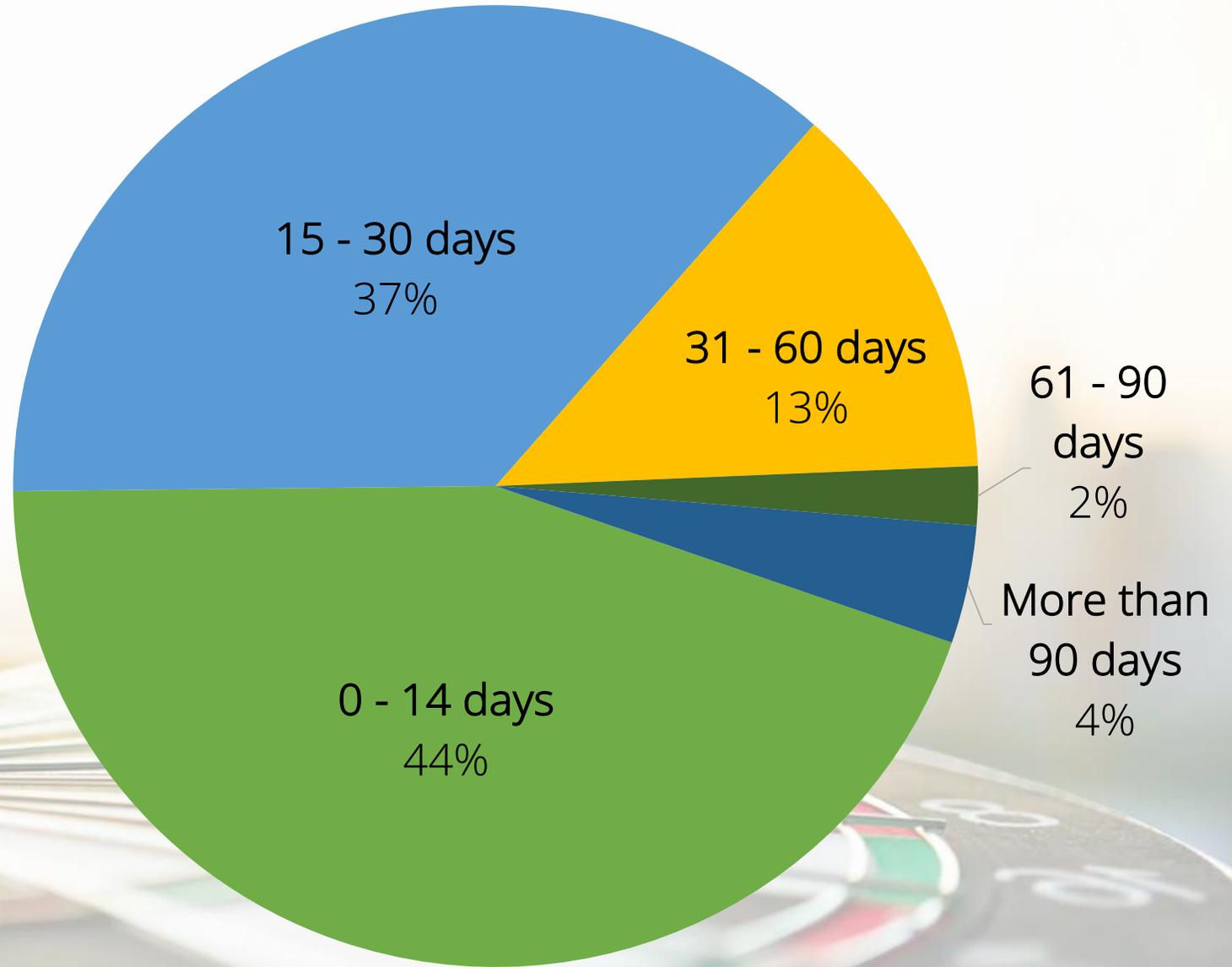


Correct deficiency before  
next audit engagement  
26%

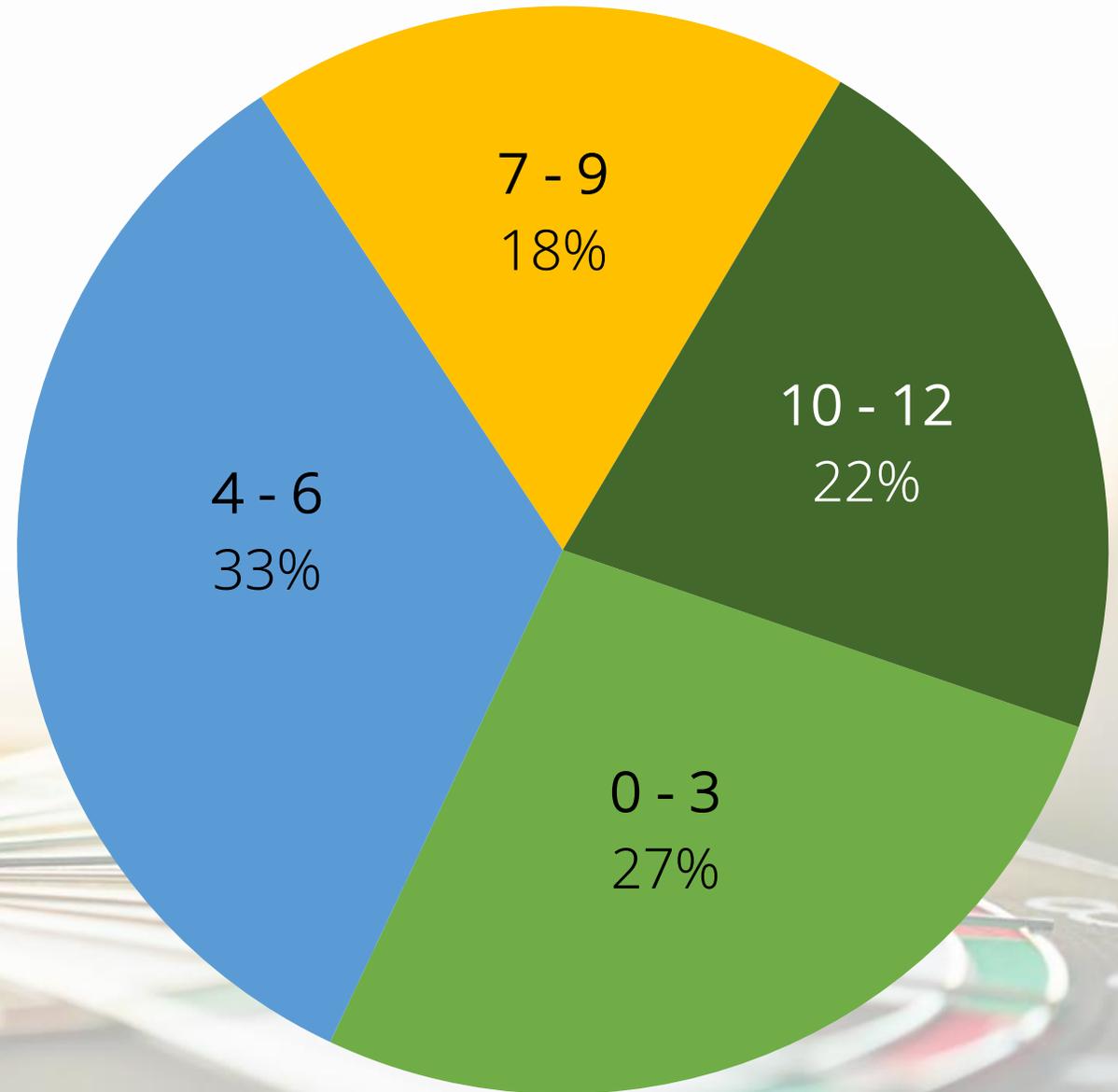
Prepare written response and  
correct deficiencies  
64%

Response to internal  
control deficiencies  
identified and  
reported by auditor

Number of days financial reports are ready after end of month



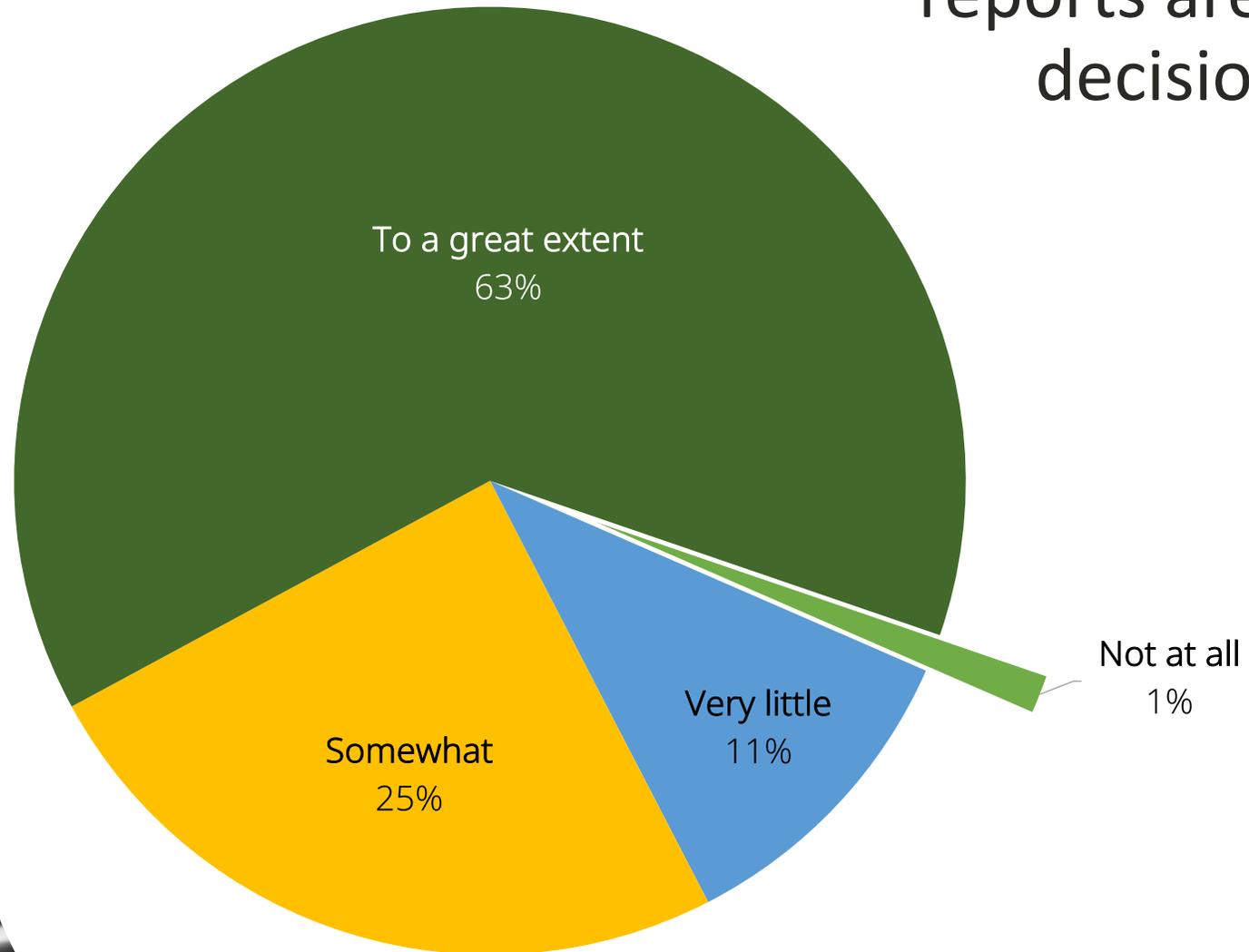
Number of financial reports presented to governing board each year



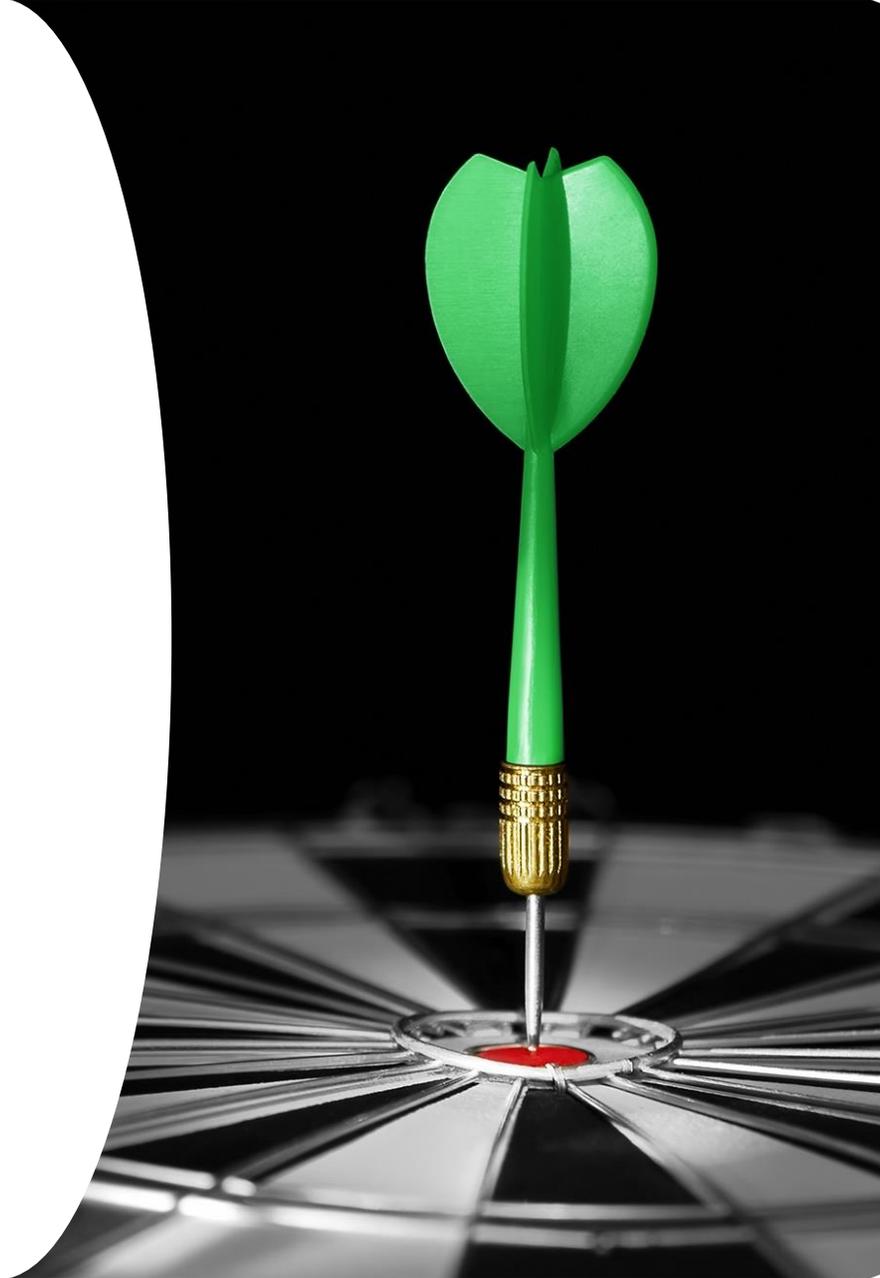
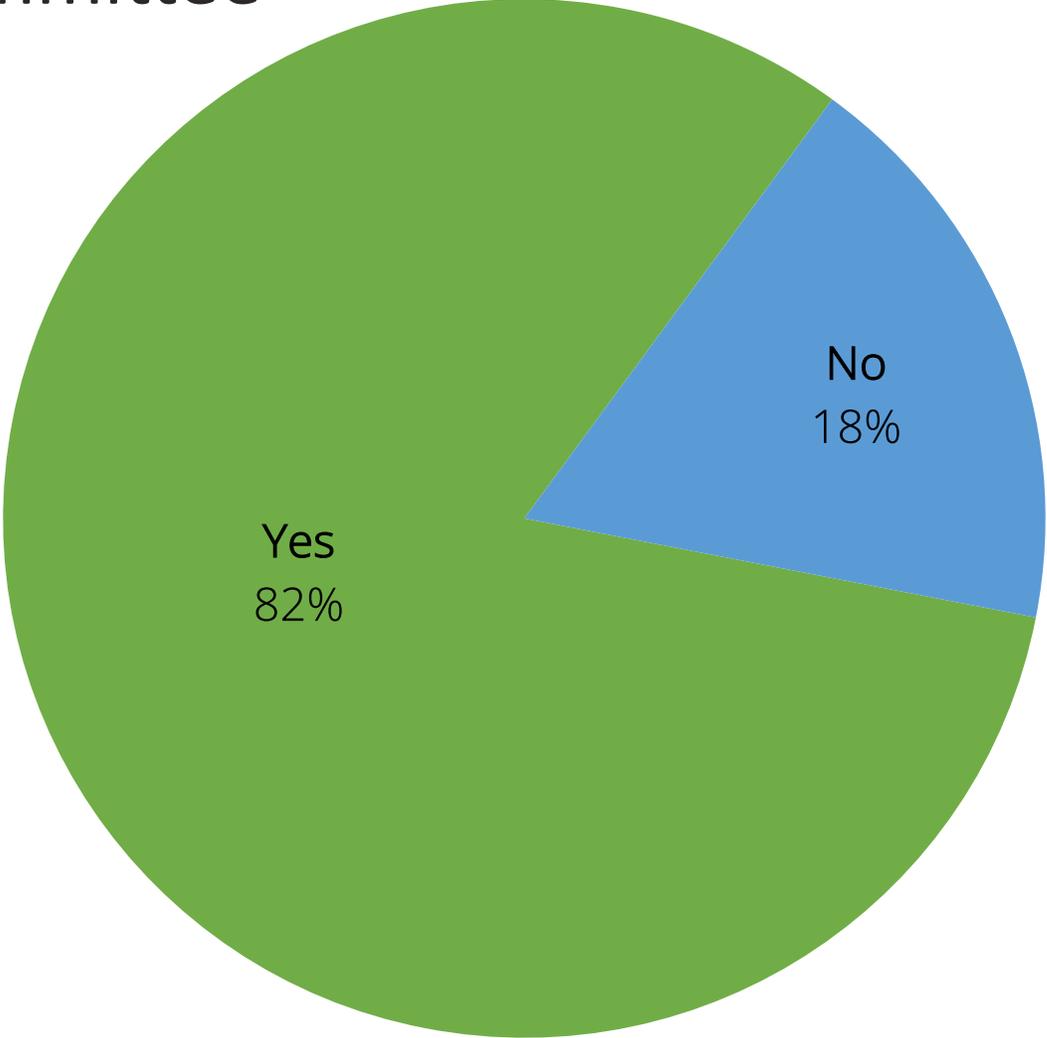


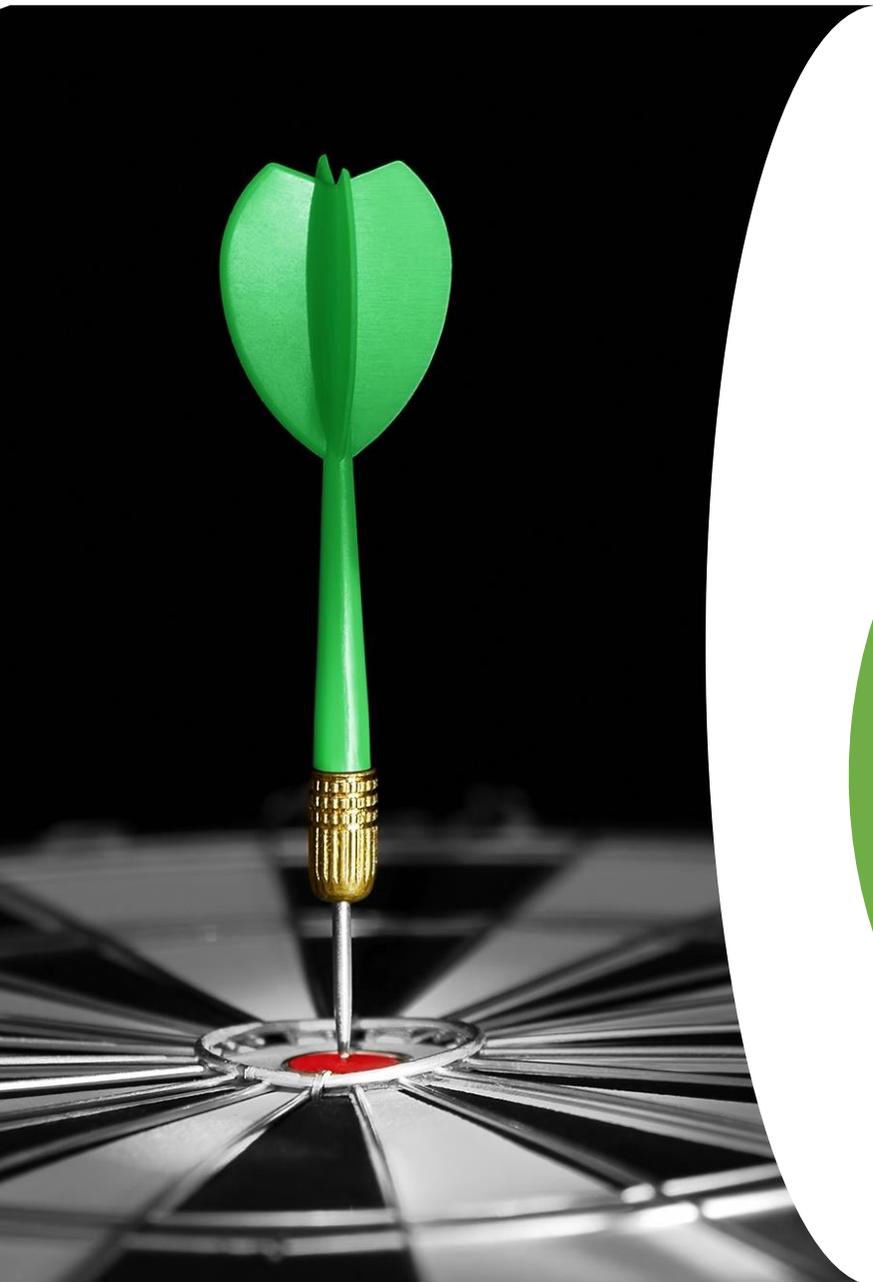
CFO Survey Results [selected]

# Extent to which financial reports are used for decision making

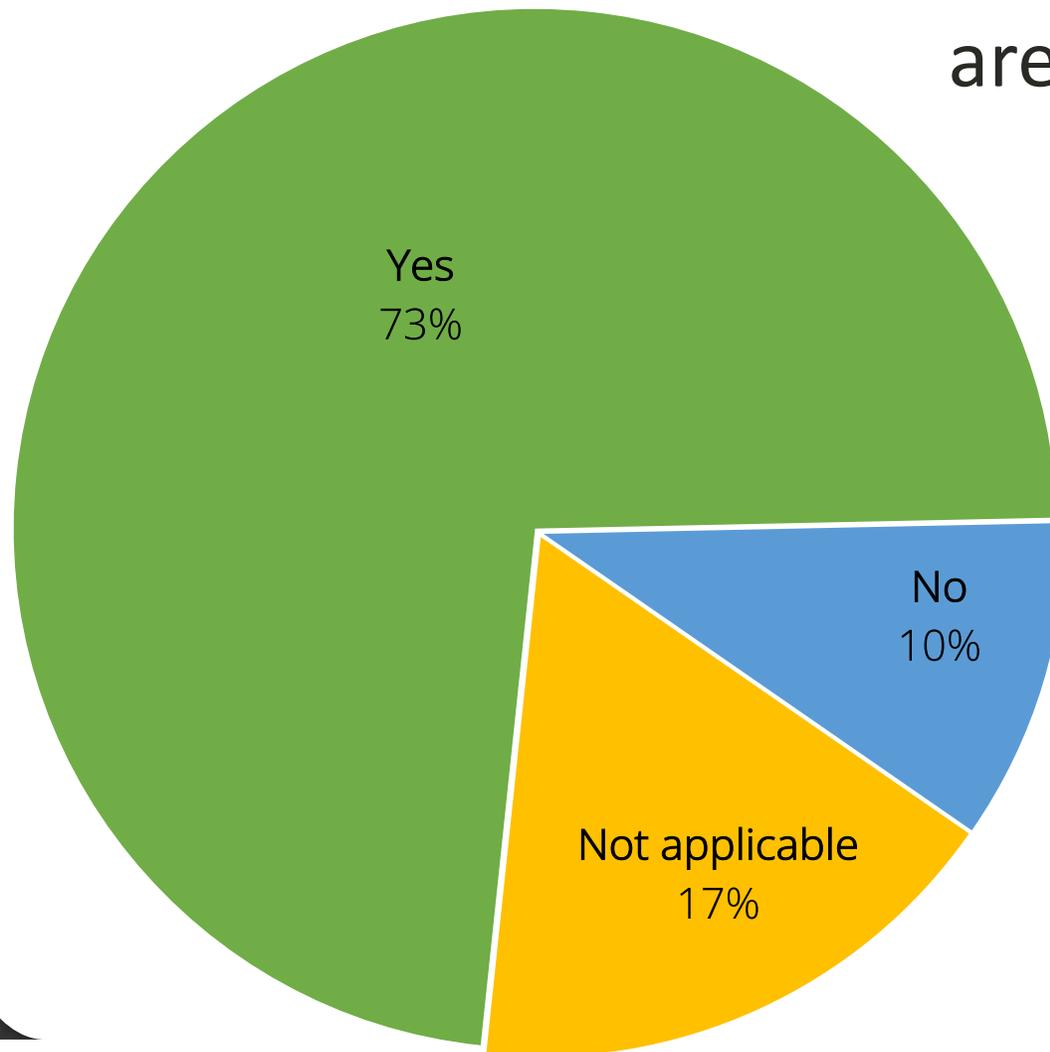


# Organizations with an audit committee



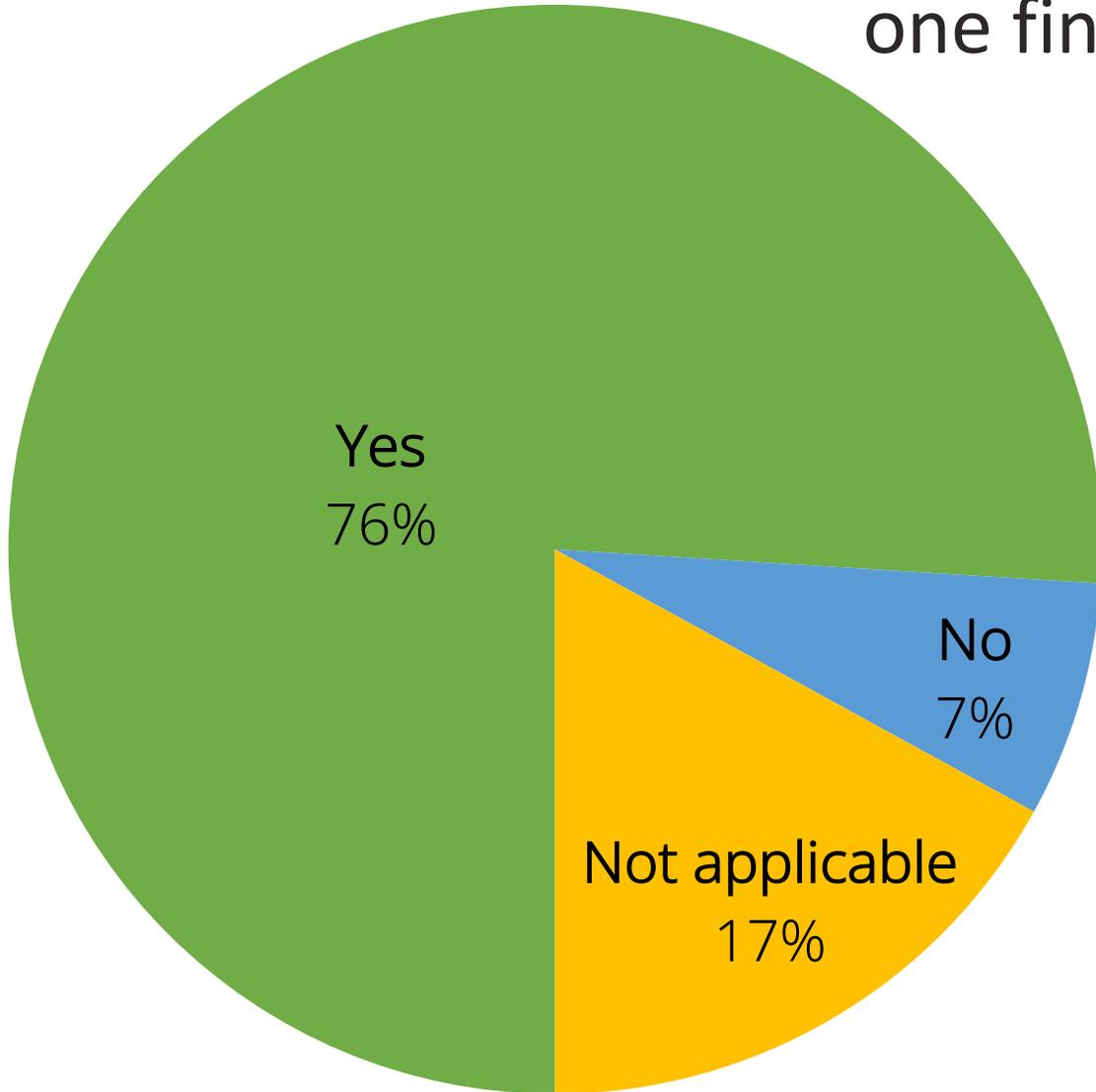


CFO Survey Results [selected]



Audit committee  
comprised of at least  
three persons who  
are not employees

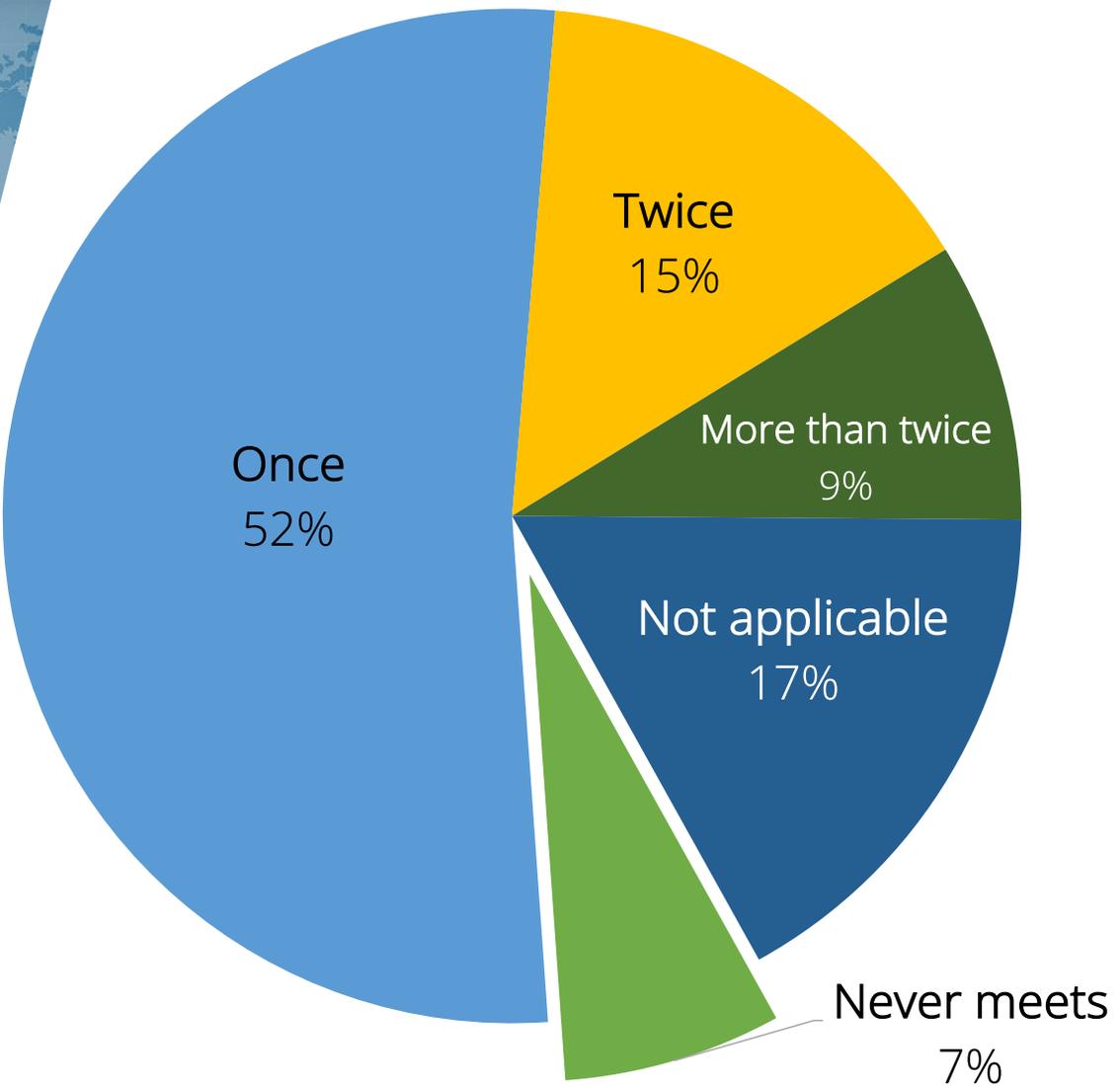
# Audit committee comprised of at least one financial expert



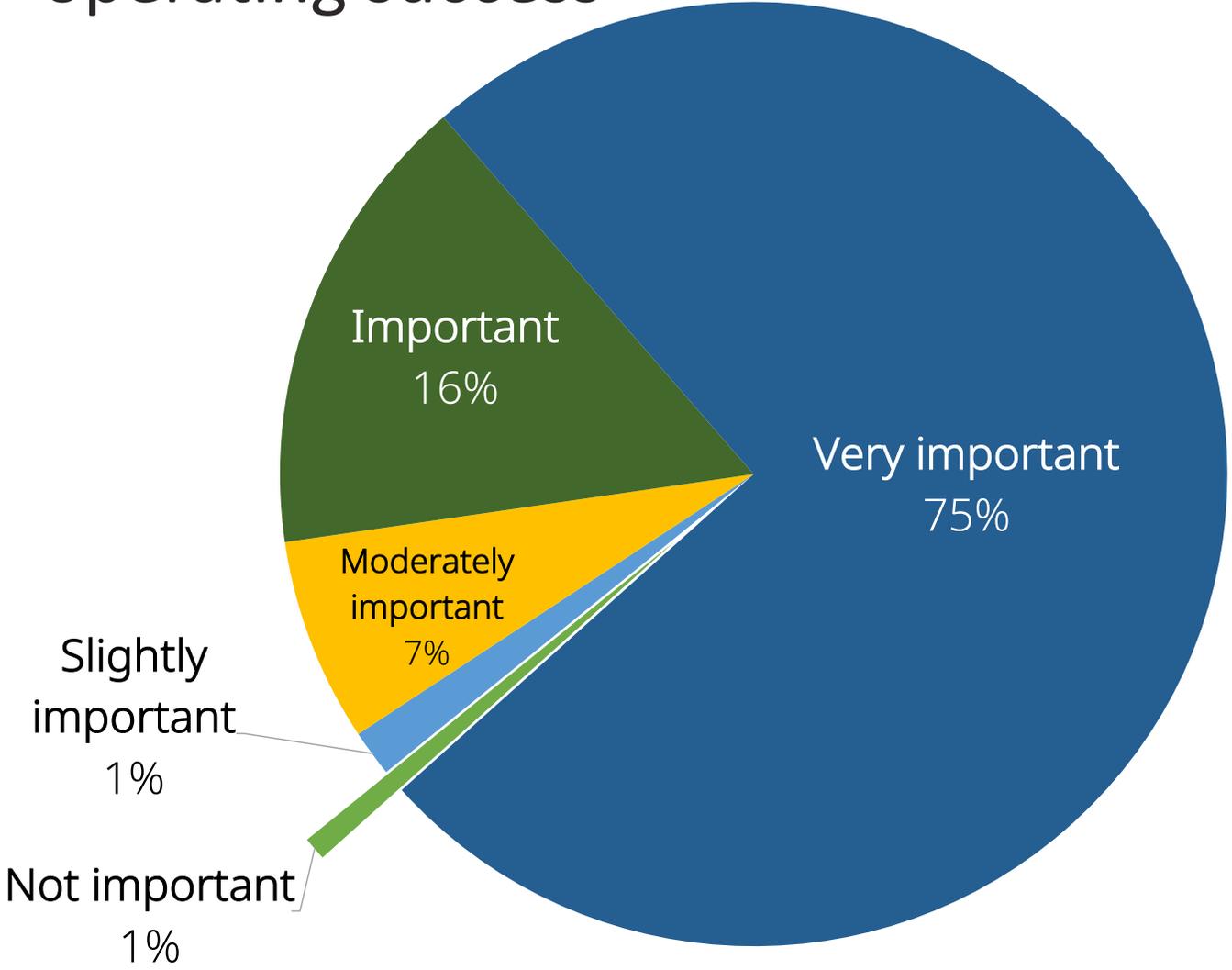
## CFO Survey Results [selected]



# Frequency of audit committee meetings in a year



# Importance of compliance with denominational financial policies to operating success



# Recommendations

# Recommendation

1

Emphasize the application of the SDA Financial Oversight System as a substantive and sustainable approach to promote organizational financial health

# Recommendation

2

Examine all financial policies and determine which have the greatest impact on organizational financial health and merit being tested as core policies by auditors

# Recommendation

3

Expect all leaders to become familiar with financial policies so their collaborative approach to mission-driven activities can be informed by best practices for collectively managing financial resources

# **Demands Measured by Influence**

Heaven is watching to see how those occupying positions of influence fulfill their stewardship. The demands upon them as stewards are measured by the extent of their influence.

