

A Worldwide Treasury Perspective

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NAD New Treasurers Orientation

June 27, 2022



Overview

- Context
- Resource sharing
- Cash flows
- What happens when circumstances change?



What Holds Us Together?

- Mission
- Fundamental Beliefs
- Structure
 - Policies
 - Financial System
- Voluntary acceptance of the decisions of the group
- Trust



Financial System



Financial System

- Accounting Manual
- Accounting Systems
- Accounting Personnel
- Auditing
- Funding Sources
- Cash Flows



Financial System: Accounting Manual

- Standardization of training
- Standardization of accounting systems
- Comparable financial data across the system
 - Without which meaningful comparisons would be impossible
 - Resulting in questions regarding sharing of financial resources



Financial System: Accounting Systems

- Cost savings in acquisition/maintenance/support
- Cost savings in training
- Easier to generate comparable reports
- Lower learning curve in personnel transfers



Financial System: Accounting Personnel

- Employment assumes membership
- Belief and Buy-in to Mission
- Adventist Colleges & Universities provide qualified personnel
- Access to qualified personnel across boundaries at lower cost



Financial System: GC Auditing Service

- Pool of excellent recruits
- Essentially independent visibility into entity finances
- Vital contributor to trust in the financial system



Financial System

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- Cash Flows



Funding Sources



Offering Plans

GCWP V 25



Offering Plans: GCWP V 30 05

- Calendar of Offerings Weekly Appeal
- Personal Giving Plan
- Combined Offering Plan



Tithe Sharing

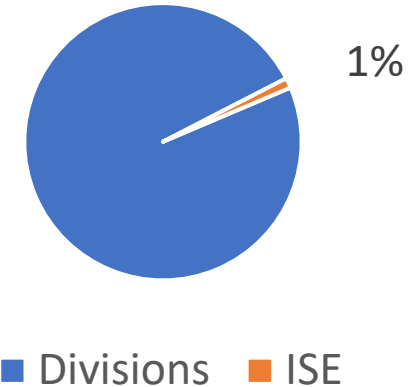
GCWP V 09



Sources of Tithe – GC

(GCWP V 09 05 5)

- Regular Tithe Percentages
 - From Divisions and Attached Fields
- ISE Tithe
 - On GC portion of ISE remuneration
- For purposes of anonymity
 - Receipted but forwarded anonymously to local conference



Sharing Financial Resources

(GCWP V 09 05 1)

- Principles of Tithe-sharing
 - Collaboration in accomplishing the Gospel Commission
 - Strong helping the weak
 - All blessed when participating (Lk 21:1-4)
- Policy framework determined by GC Executive Committee
 - Provides flexibility so as to fit within existing offering and appropriations systems



Sharing Financial Resources

(GCWP V 09 05 2)

- Regular Tithe Percentages
 - Churches/Companies send 100% to Conference
 - Conference sends minimum of 7%* to Union
 - Conference sends maximum of 20%* to Division
 - Conference sends percentage to GC as per table
 - NAD sends additional 0.85%^ to GC

* specific rate is established by division executive committee

^ representing benefit from AU and LLU to NAD territory



% of Gross Tithe

| Year | Other divisions | NAD | NAD (add'l) | NAD Total |
|-----------------|-----------------|-------|-------------|-----------|
| 2019 | 2.00% | 5.25% | 0.85% | 6.10% |
| 2020 | 2.00 | 5.00 | 0.85% | 5.85 |
| 2021 | 2.10 | 4.50 | 0.85% | 5.35 |
| 2022 | 2.20 | 4.00 | 0.85% | 4.85 |
| 2023 | 2.30 | 3.50 | 0.85% | 4.35 |
| 2024 | 2.40 | 3.00 | 0.85% | 3.85 |
| 2025 | 2.50 | 3.00 | 0.85% | 3.85 |
| 2026 | 2.60 | 3.00 | 0.85% | 3.85 |
| 2027 | 2.70 | 3.00 | 0.85% | 3.85 |
| 2028 | 2.80 | 3.00 | 0.85% | 3.85 |
| 2029 | 2.90 | 3.00 | 0.85% | 3.85 |
| 2030 and onward | 3.00 | 3.00 | 0.85% | 3.85 |



Maintaining Global Balance

(GCWP V 09 10 2)

- Tithe and Nontithe funds are normally kept in balance through appropriations
- In the case of divisions that don't receive significant appropriations, a request for a balancing transaction may be made

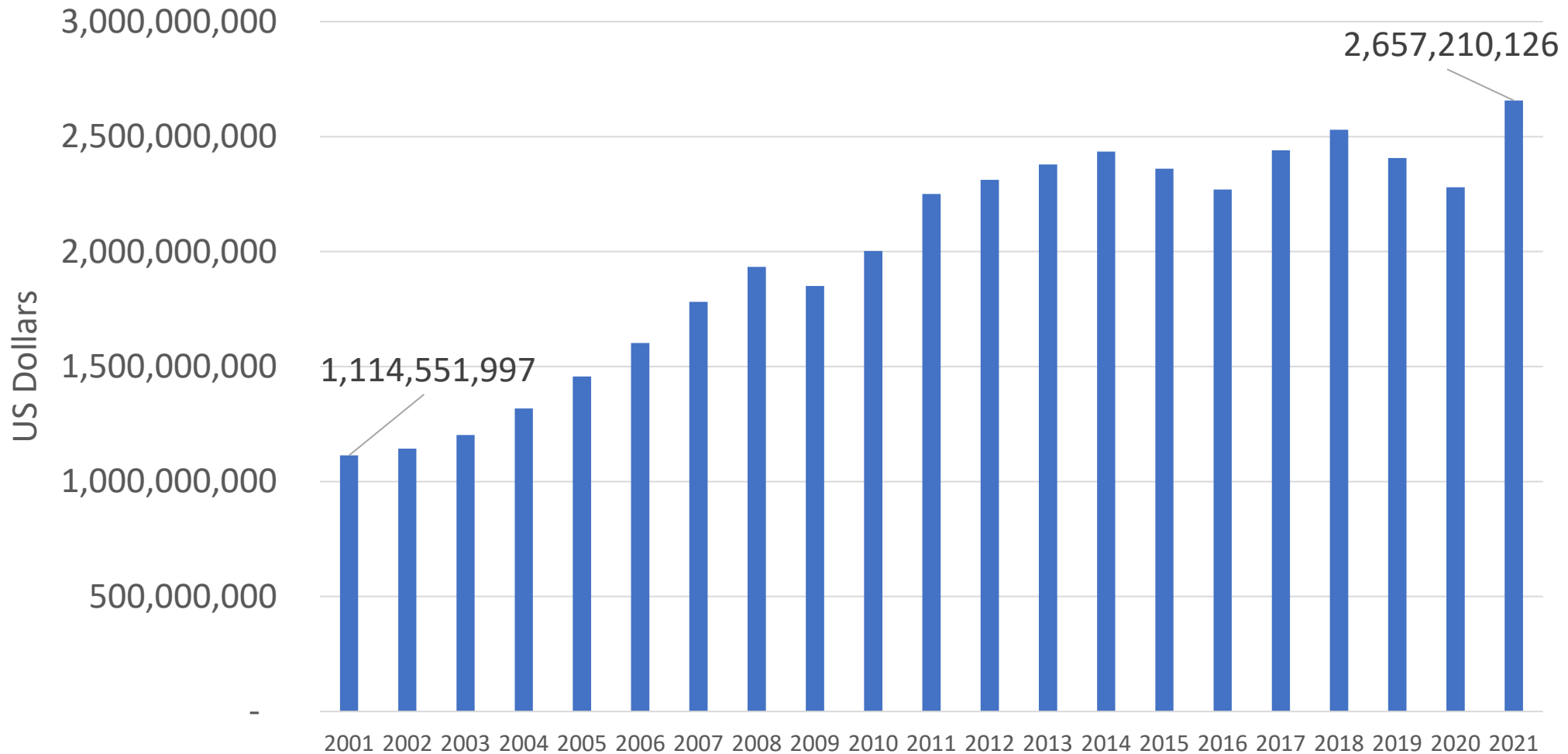


Important Relationships

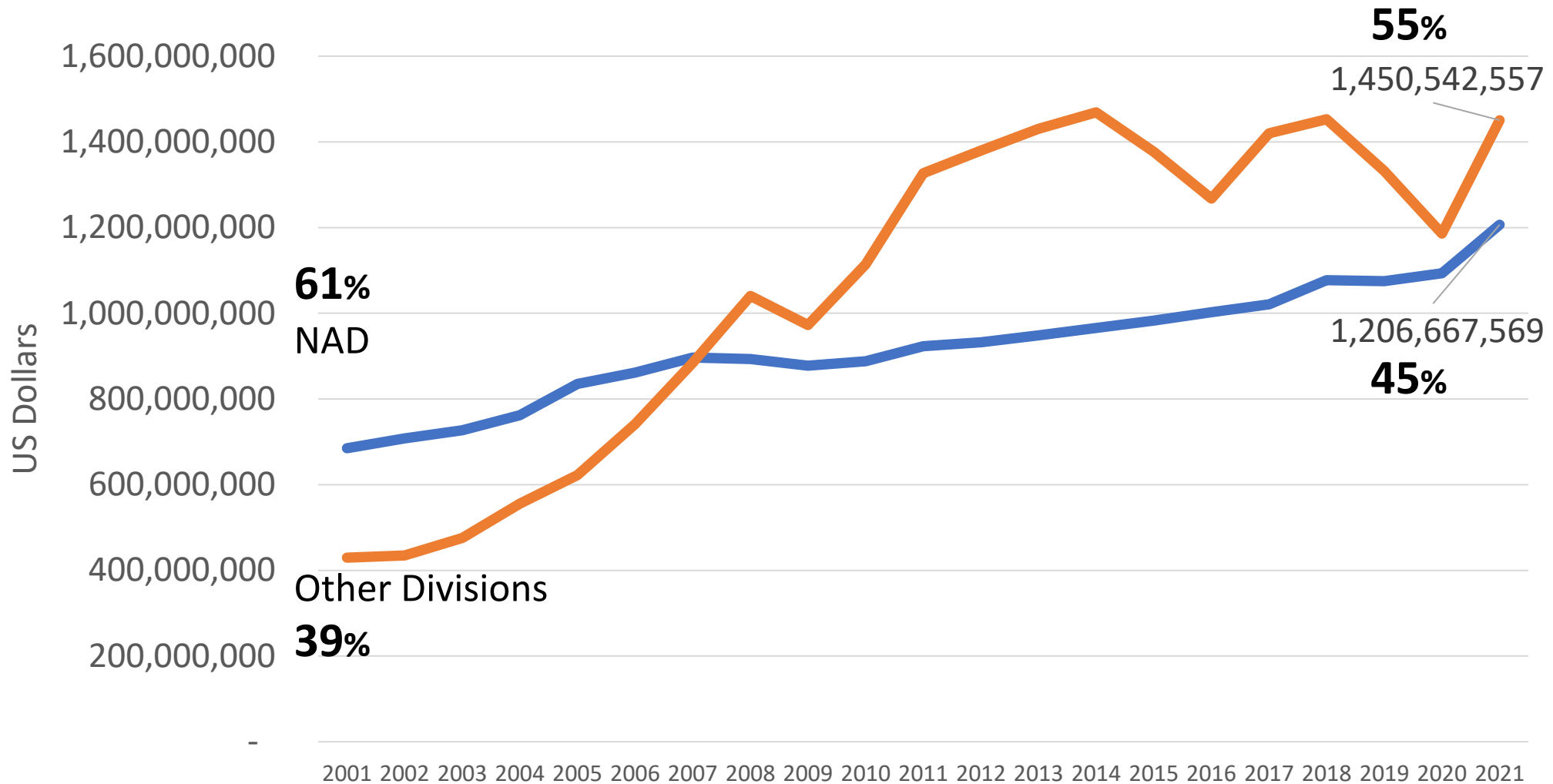
Tithe & World Mission Offerings



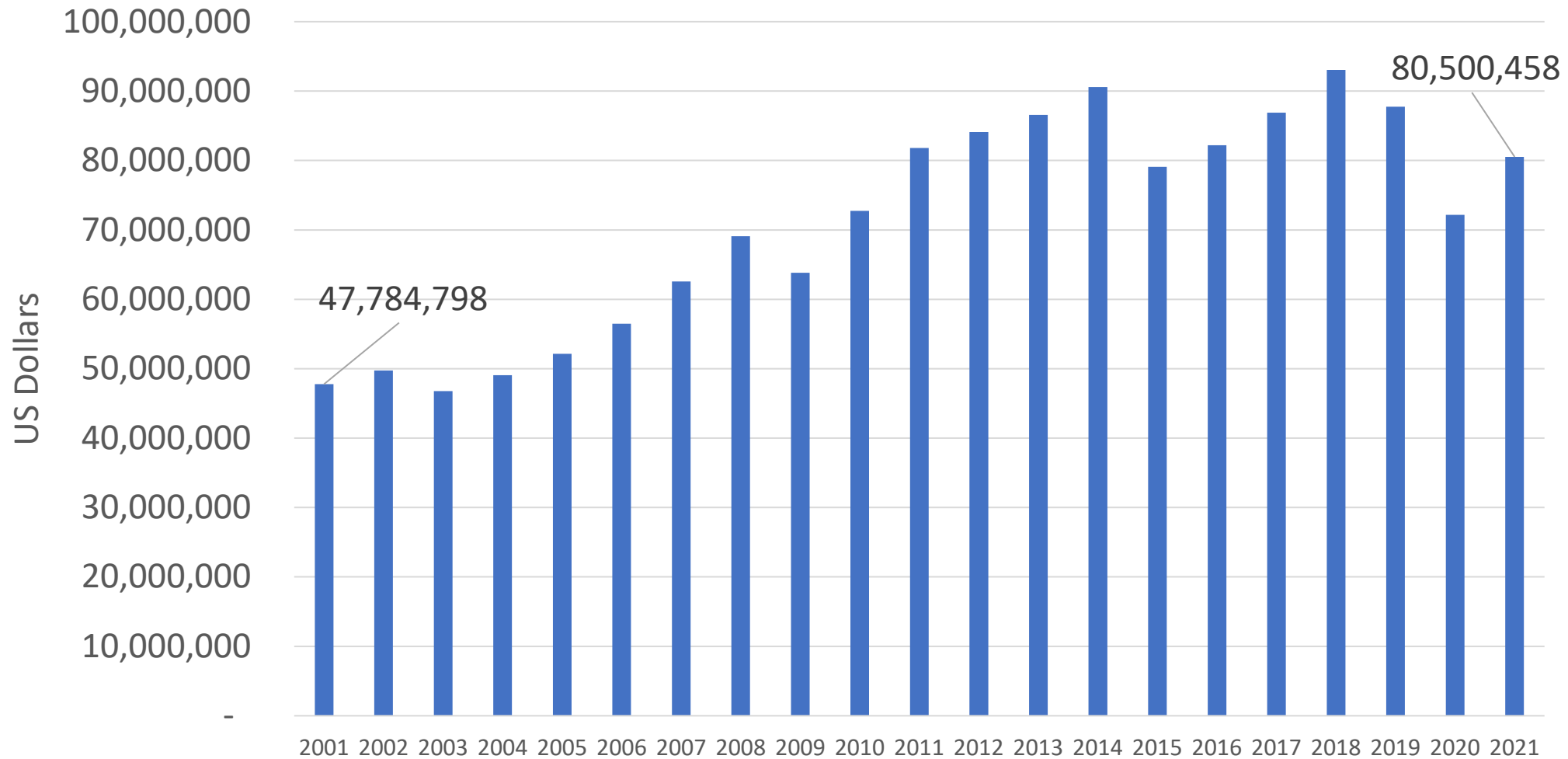
Global Tithe



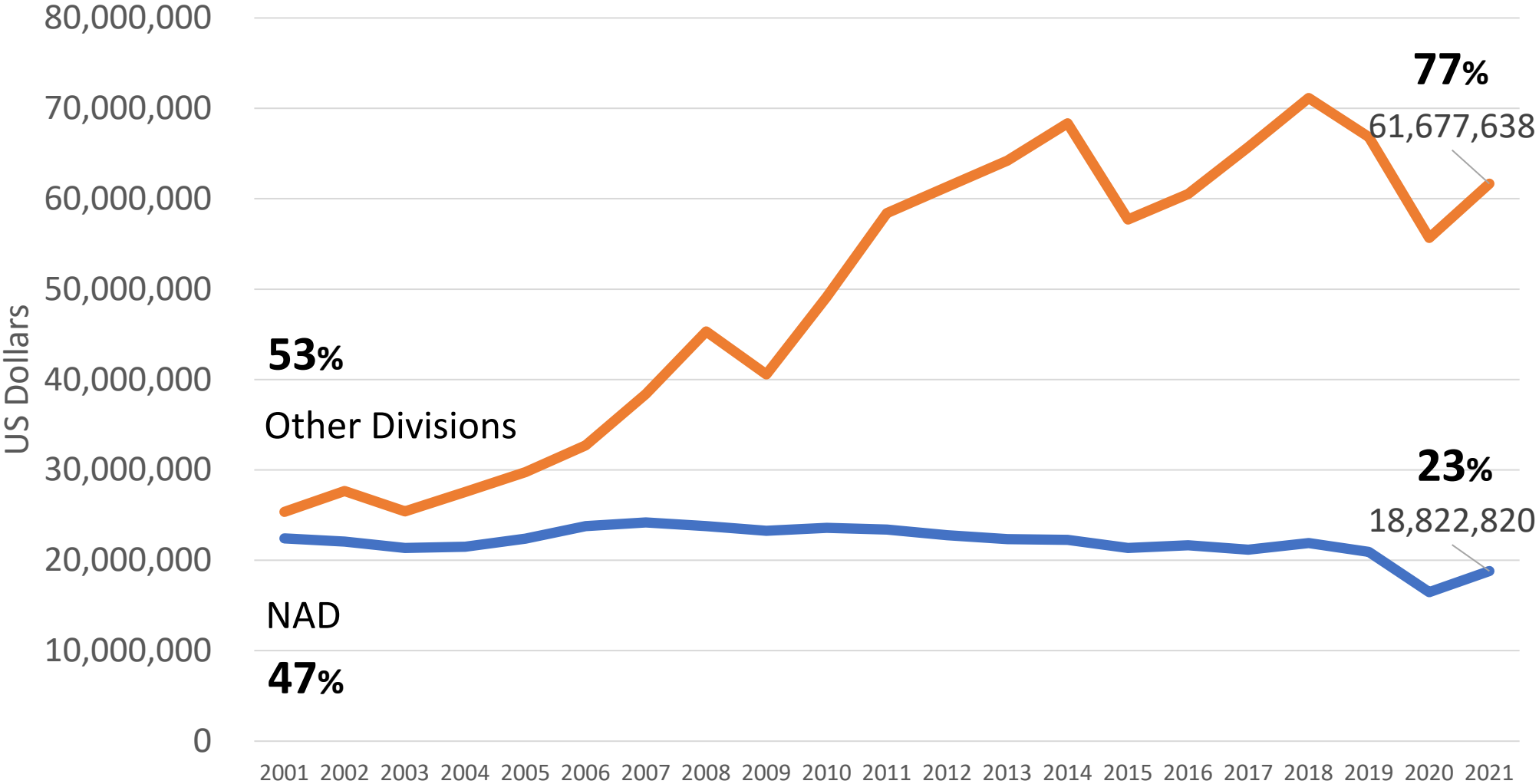
Global Tithe



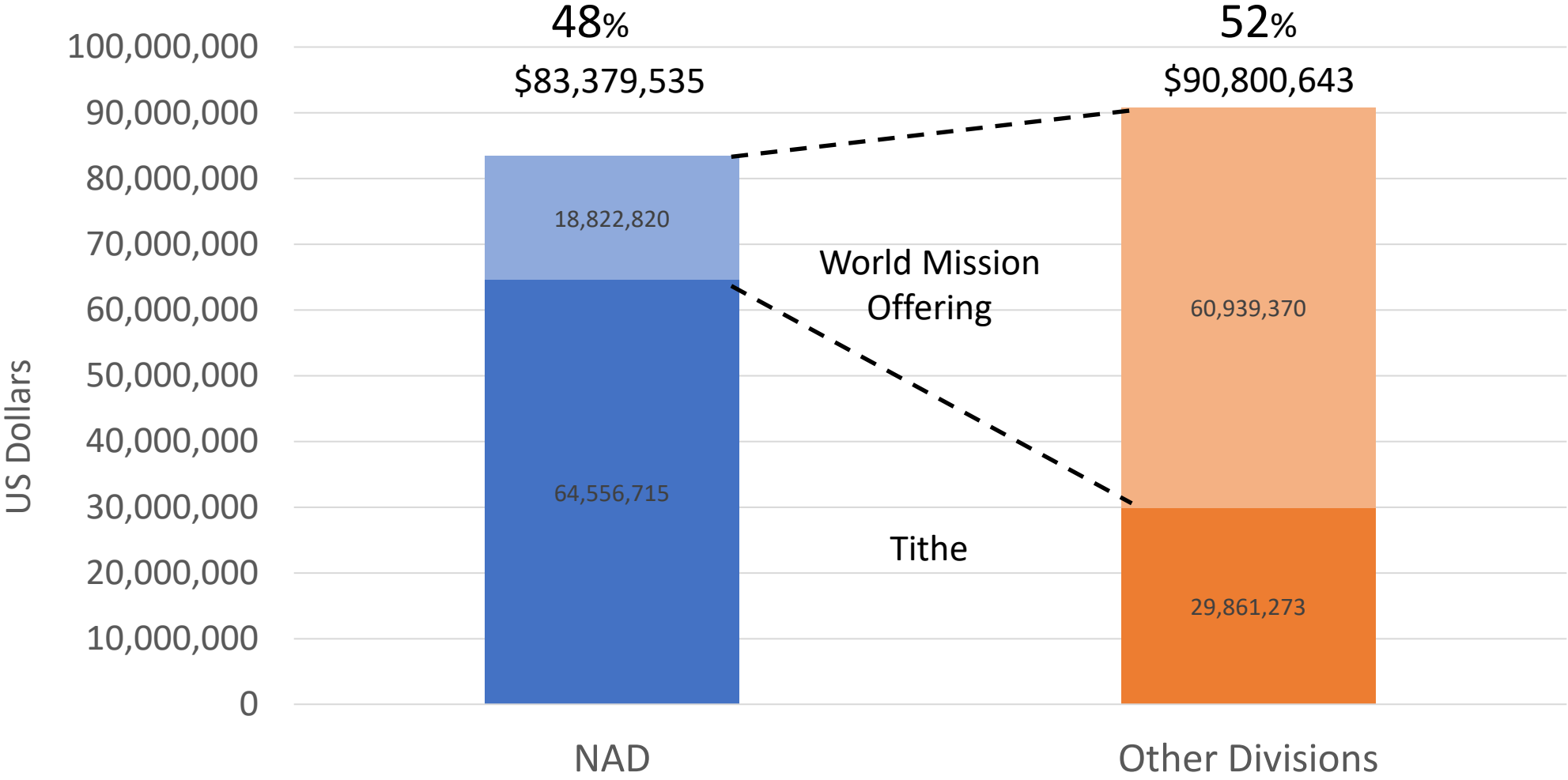
World Mission Offering



World Mission Offering



Tithe & WMO to GC - 2021



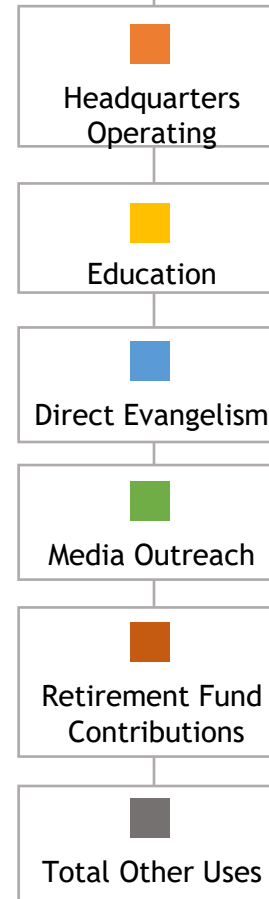
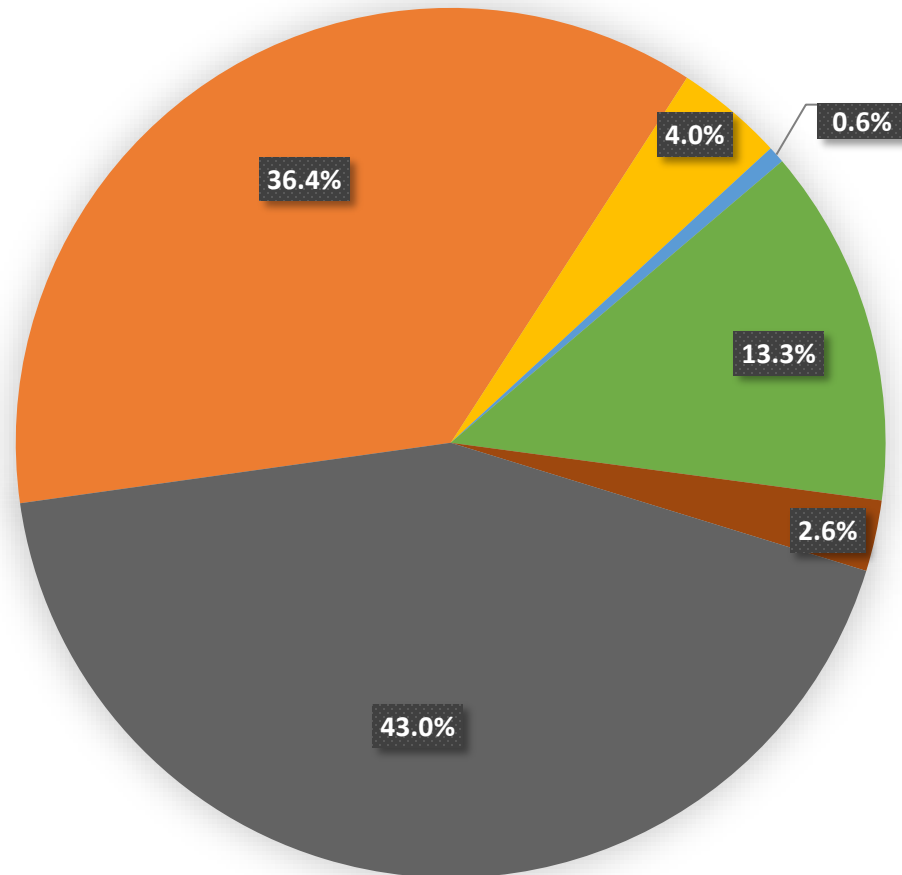
Accountability for the Use of Tithe

GCWP 20

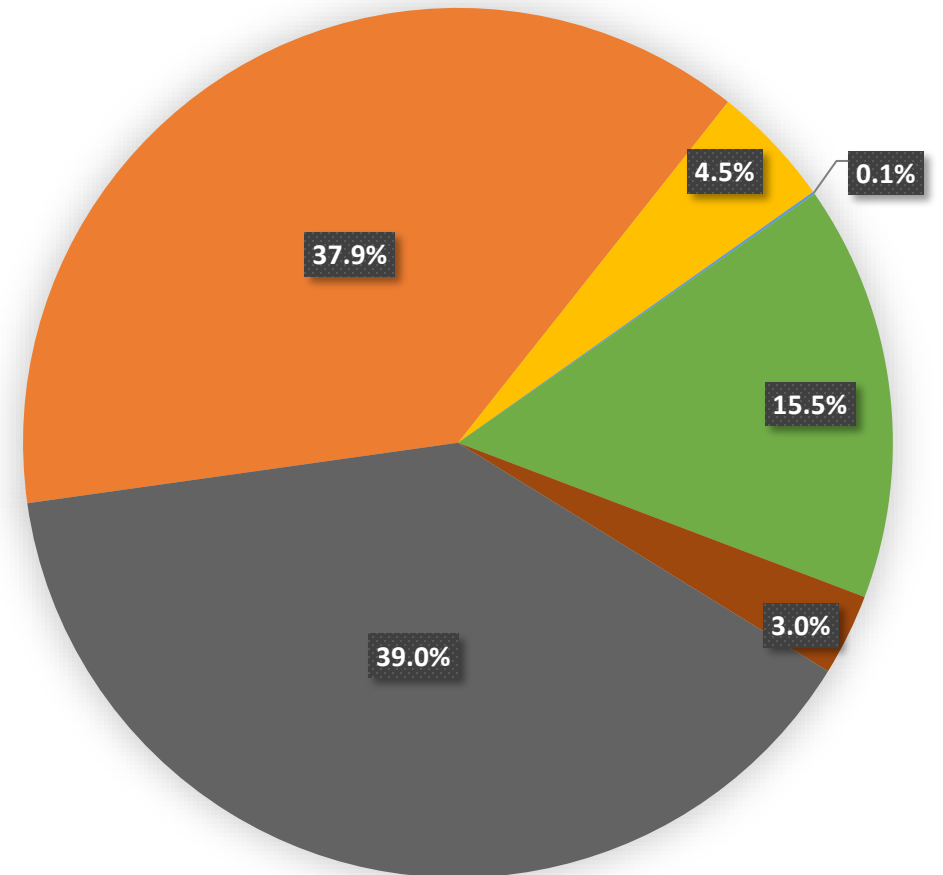


General Conference

2019

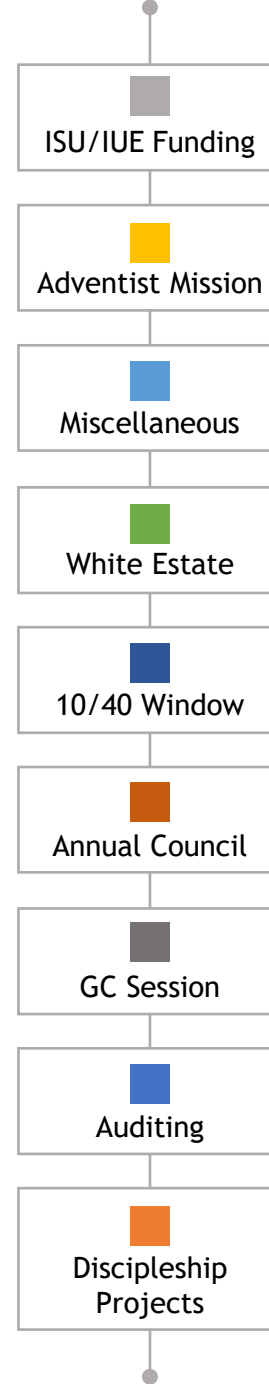
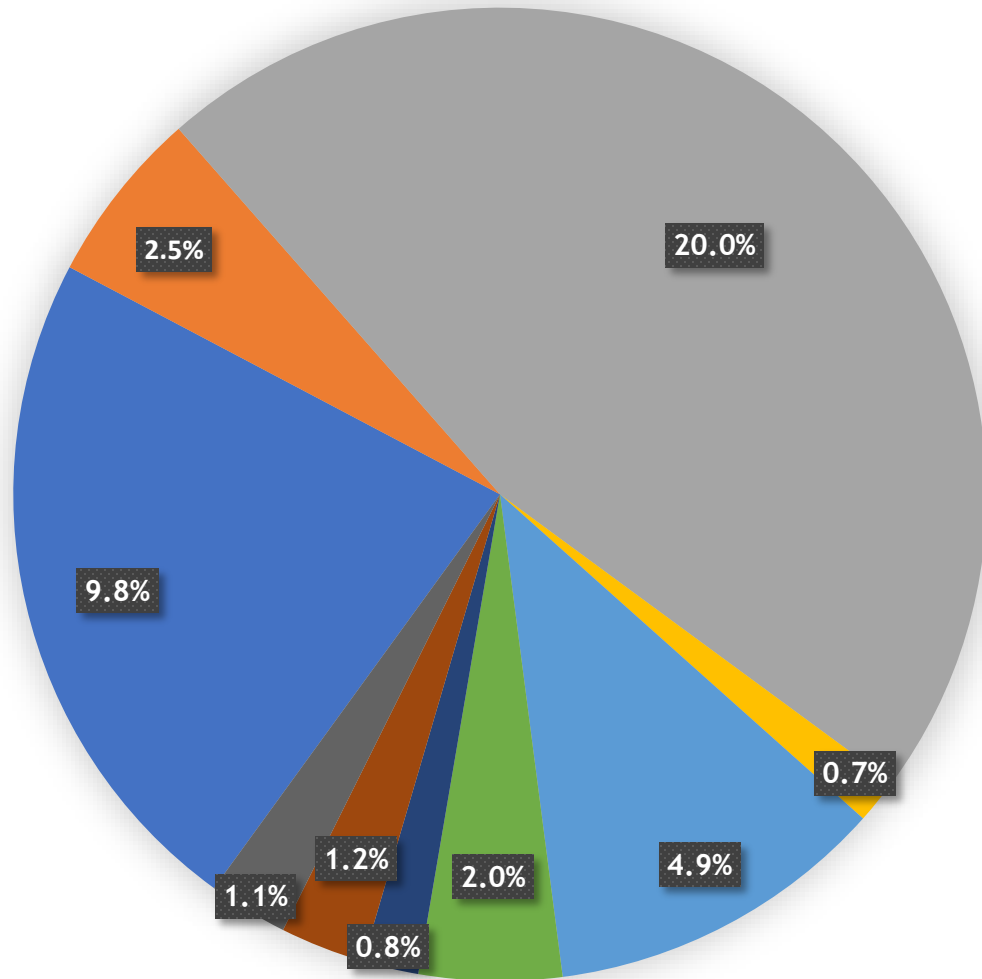


2020

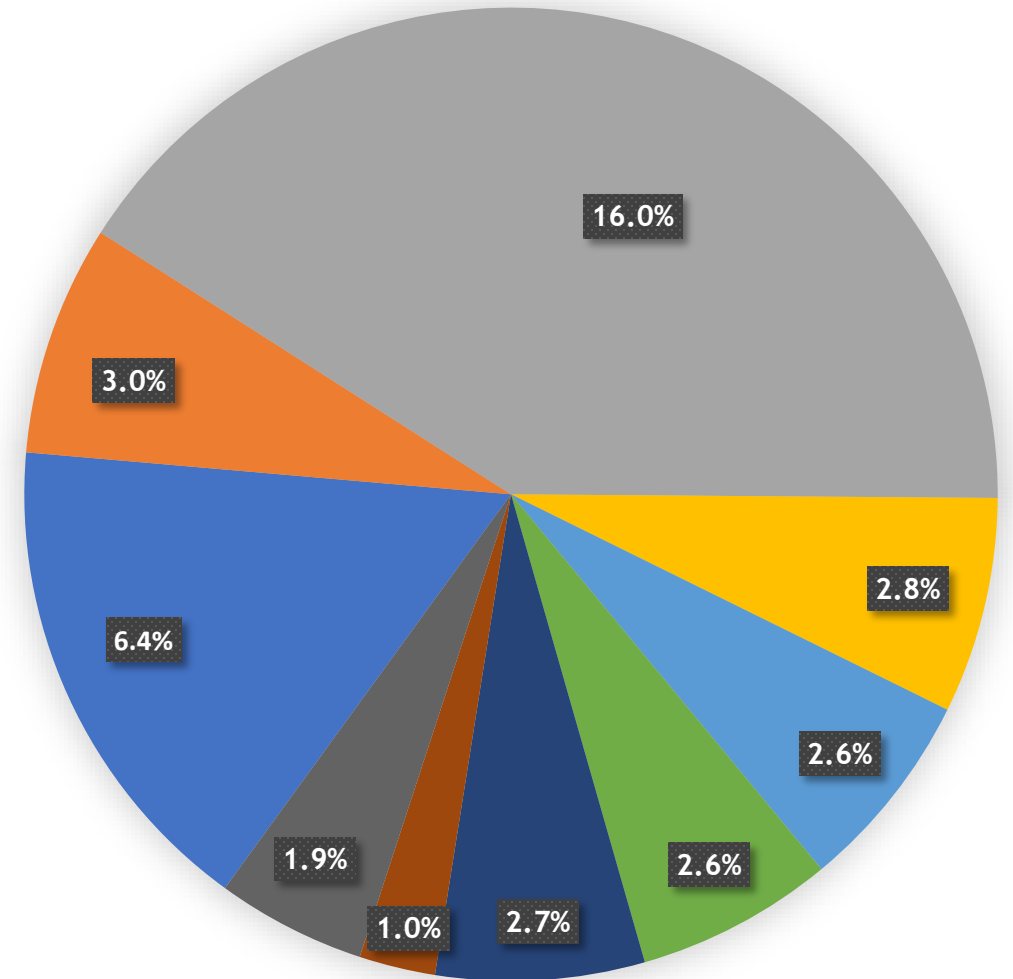


GC Other Uses

2019 = 43.0%

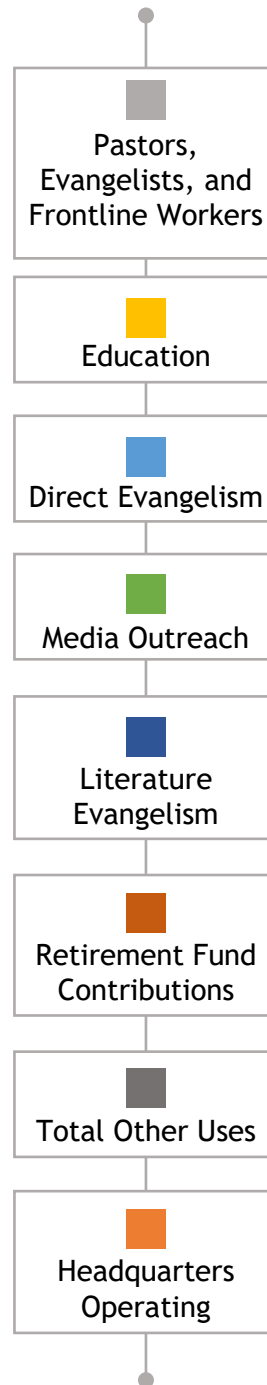
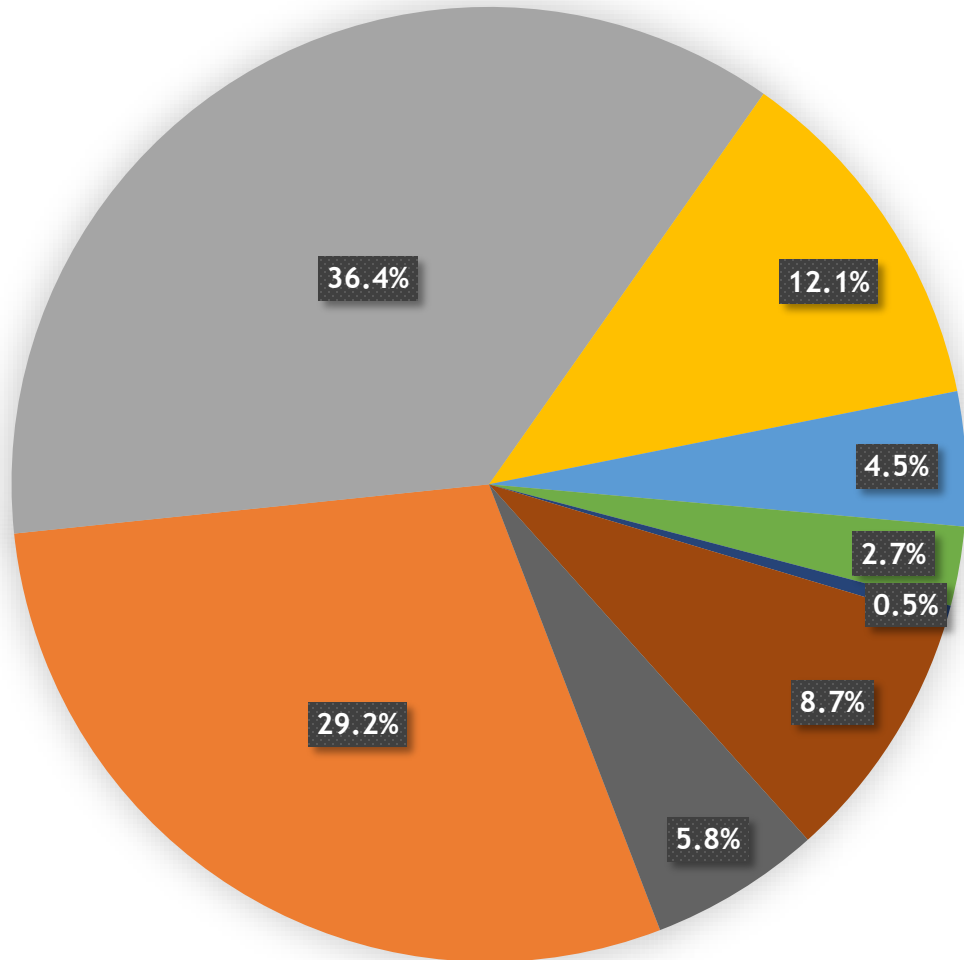


2020 = 39.0%

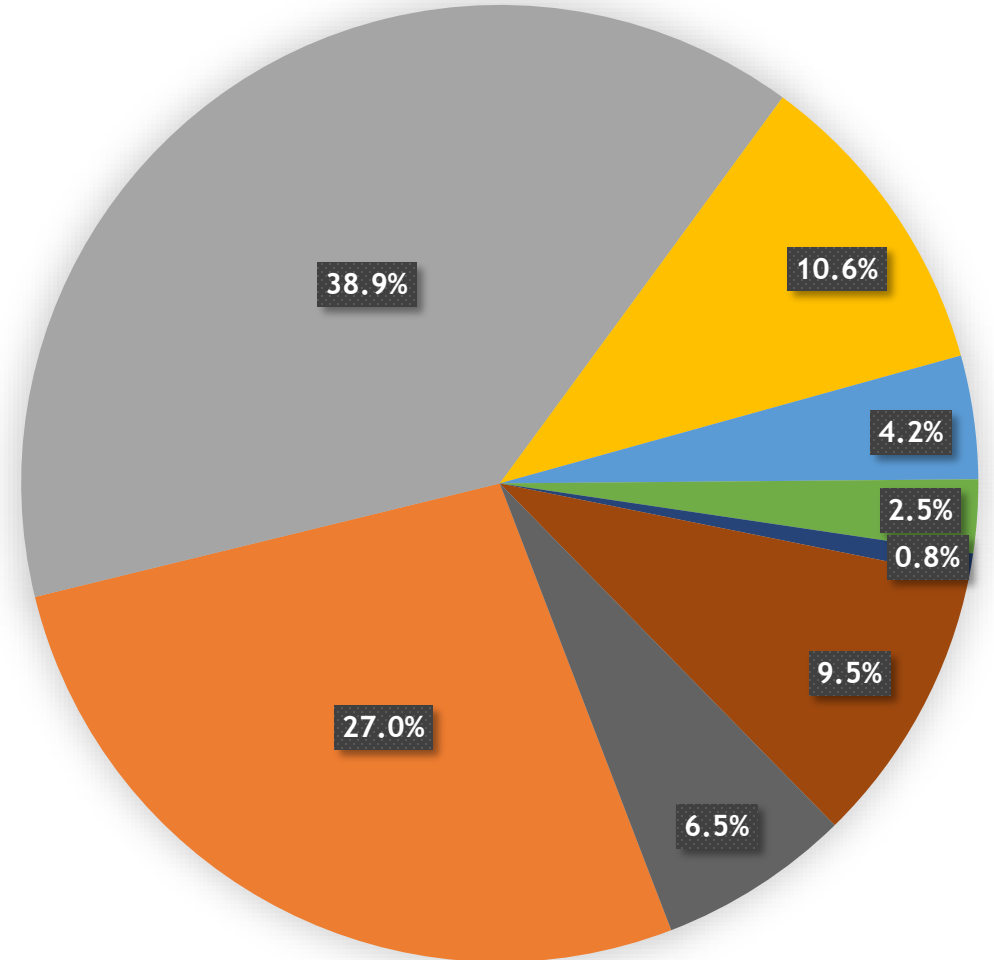


All Tithe-based Entities

2019



2020



Financial System

- Accounting Manual
- Accounting Systems
- Accounting Personnel
- Auditing
- Funding Sources
- **Cash Flows**



Cash Flows



Blocked Currency



Blocked Currency: Definition

“refers to a currency that can’t be converted freely on the foreign exchange... (FX) market because of exchange controls”

<https://www.investopedia.com/terms/>



Blocked Currency: Examples

- Lack of currency market
- Lack of USD
- Economic protectionism
- Mechanism of political control
- Social protectionism
- Taxation/Charitable Giving
- Political Sanctions



Blocked Currency: Environment - 1

- Origination of the Church in this country was providential
 - Religious Liberty perspective
 - Ease of travel
 - Free flow of funds



Blocked Currency: Environment - 2

- Contextual changes in the last 40 years
 - Drug money
 - Terrorist financing
 - Challenges to US Dollar as the basis for international trade
 - Crypto currencies
 - Chinese Yuan (CNY)
 - Digital capabilities



Blocked Currency: Environment - 3

- US Government involvement
 - Know Your Customer rules (KYC)
 - Has created a context of indirect government visibility and control
 - Certain specific requirements of financial institutions
 - Relies on the legal compliance department of financial institutions to ask questions and to know their customers in a manner that the US Government would never be allowed to do
 - Depends on fear of being shut down or curtailed in ability to operate in the US



Managing Blocked Currency - 1

- GC recognizes the income only when funds are recovered
 - Gross amount shown in annual reports
 - Unrecovered portion treated as “contra” income
- Net Cash Flows
 - Enabled by the Debit/Credit Memo system
 - Net Recipients
 - Net Contributors



Managing Blocked Currency - 2

- Wait it out?
- US-based organization maintains custody of funds until they can be used
- Create new ministry to the benefit of the world
- Create a new ministry entity

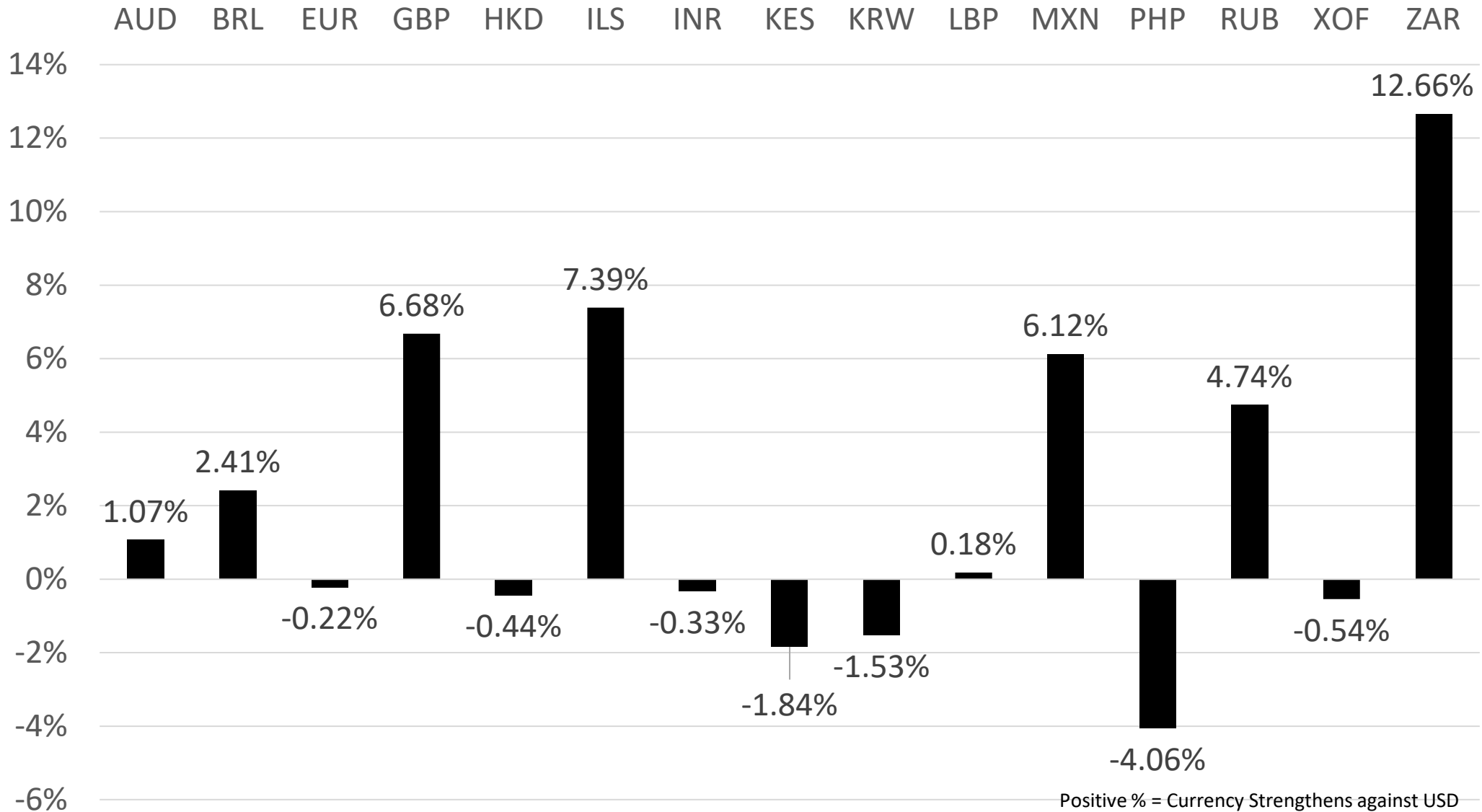


Currency Exchange Rates



Currency Fluctuations against USD

(Rate used in 2021 Budget Vs 2022 Projection)



Impact of Currency Fluctuations on GC Finances

| | | |
|-----------------|----------------------|------------------|
| Net Contributor | EUD, NSD, SSD | SAD, SPD, IAD |
| Net Recipient | SUD, ECD ESD, SID | TED, WAD |
| | USD Strengthen | USD Weakens |



Appropriations



Direct Appropriations

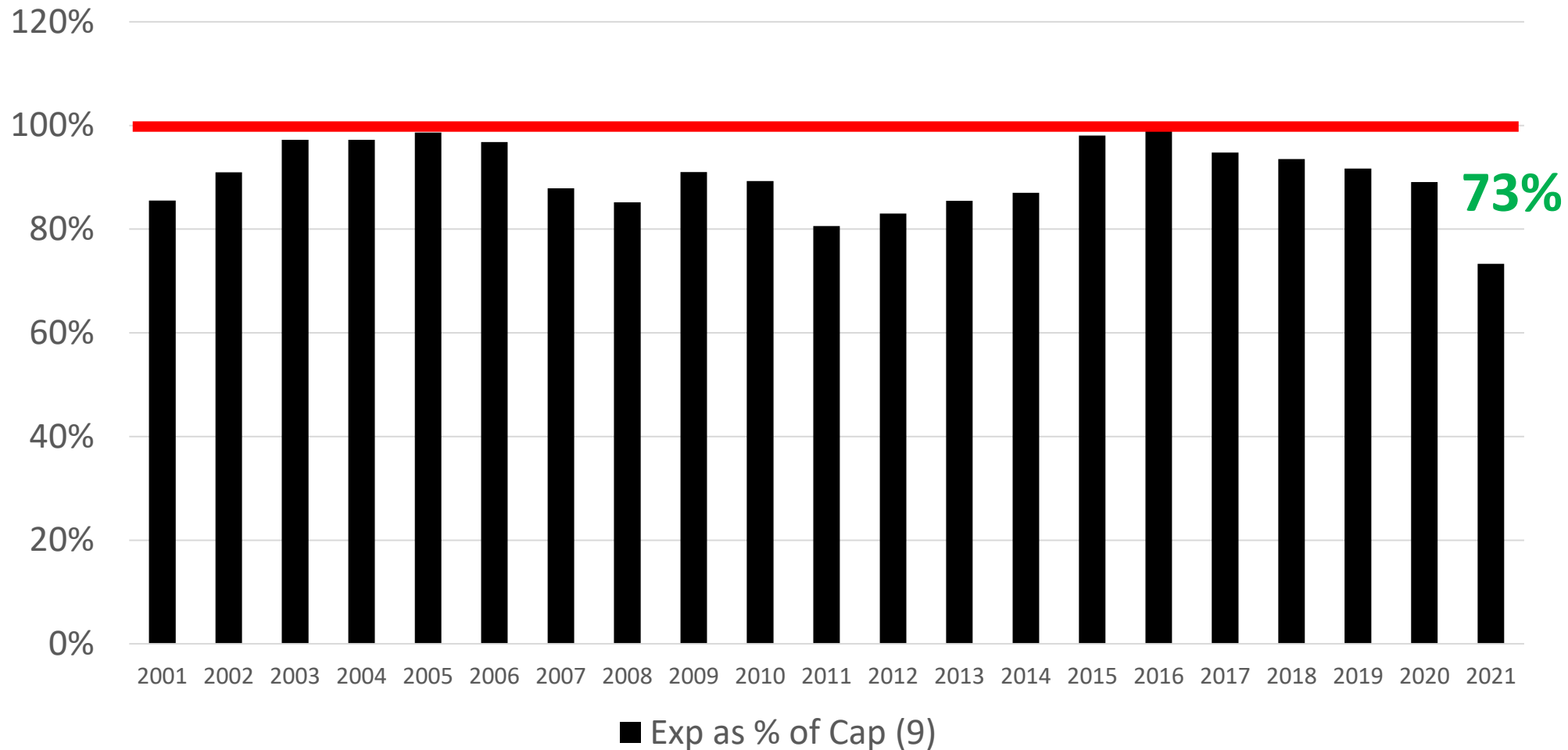
- Quinquennial Appropriations Review Team
 - Analysis of the financial health of each Division, Attached Field and Institution
 - Mission needs of these entities
 - Financial status of the General Conference
- Report to be approved by 2023 Annual Council
 - To be implemented in January 2025



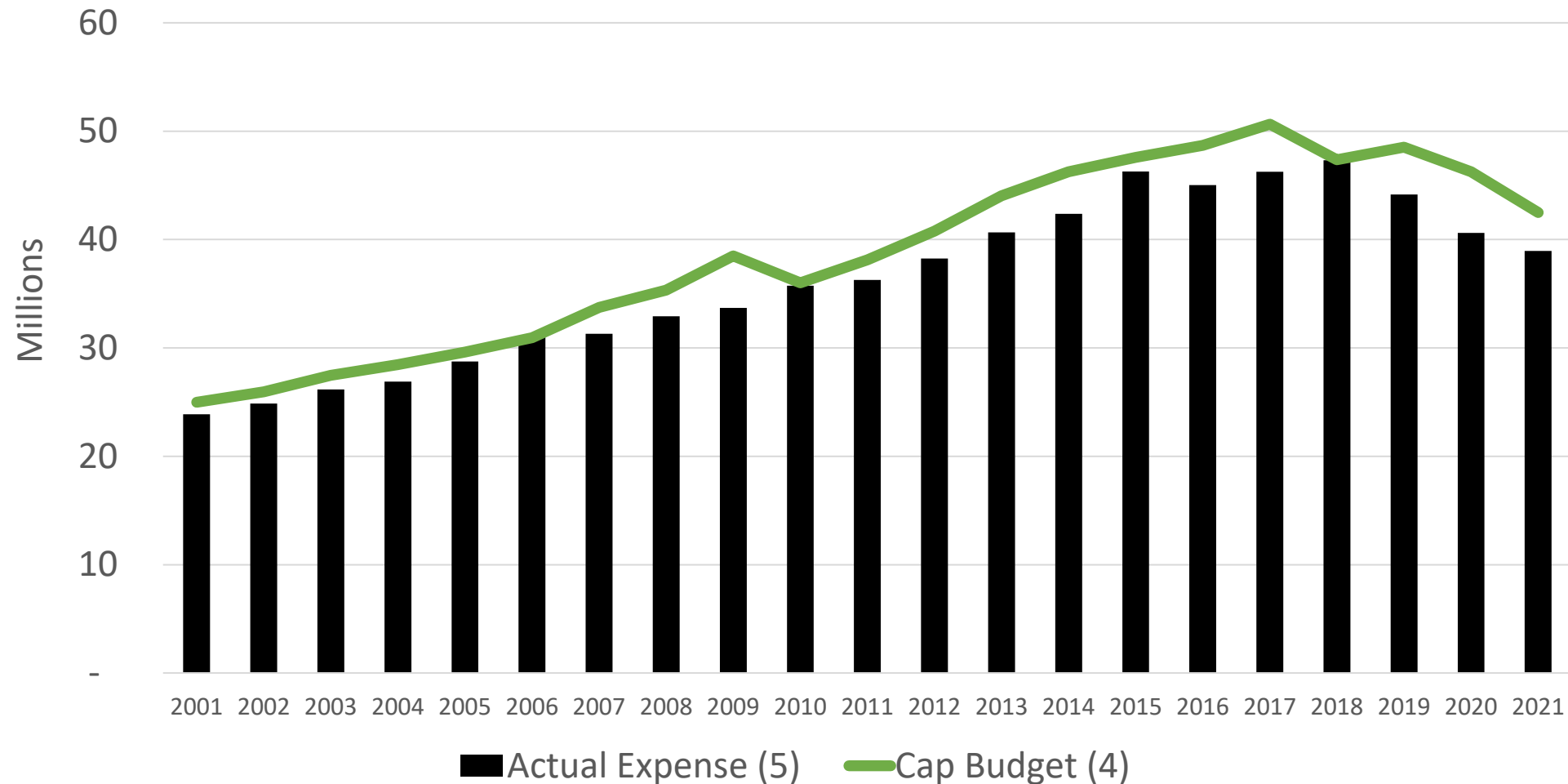
Operating Cap



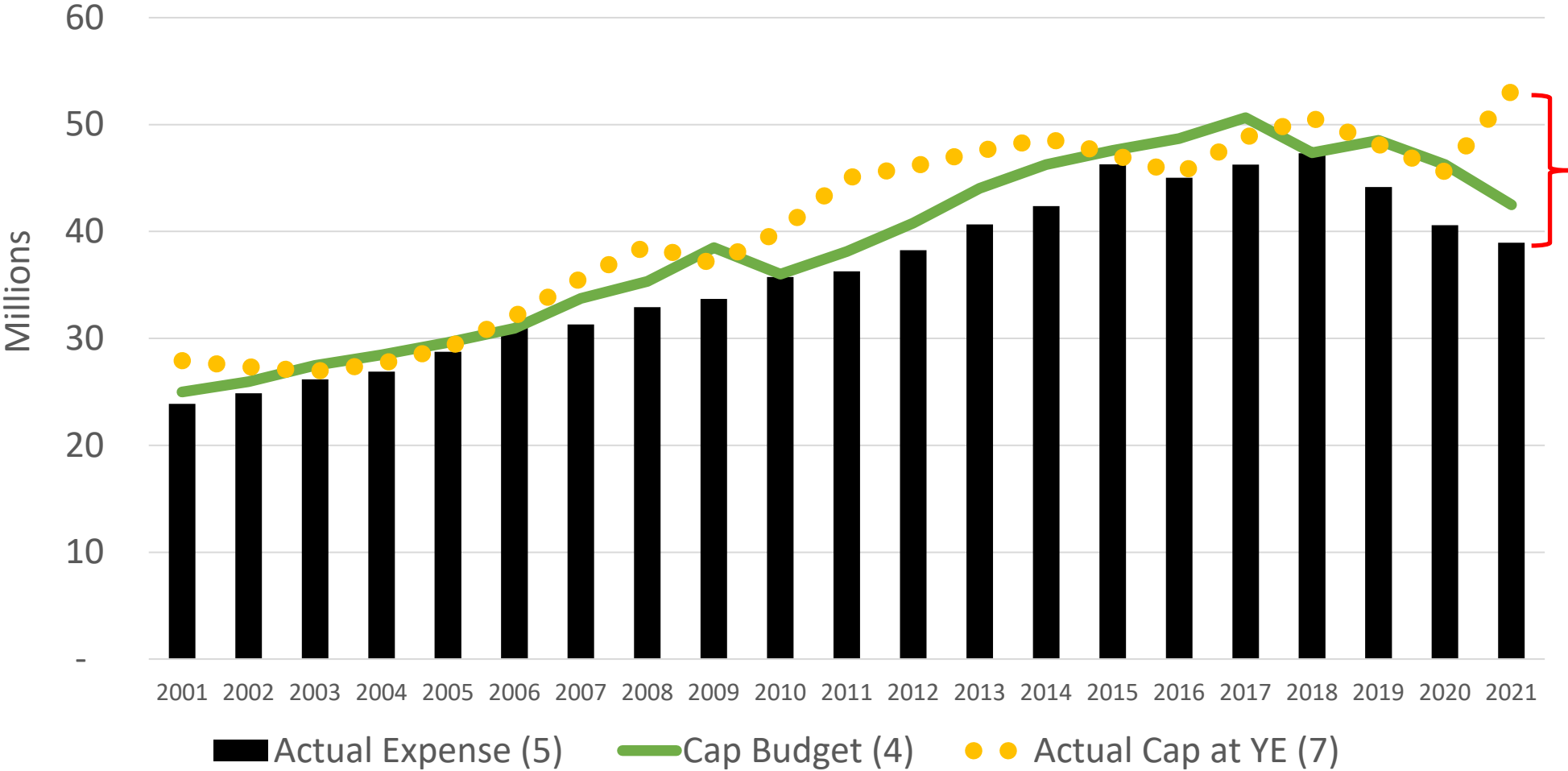
Expense as % of Cap at YE



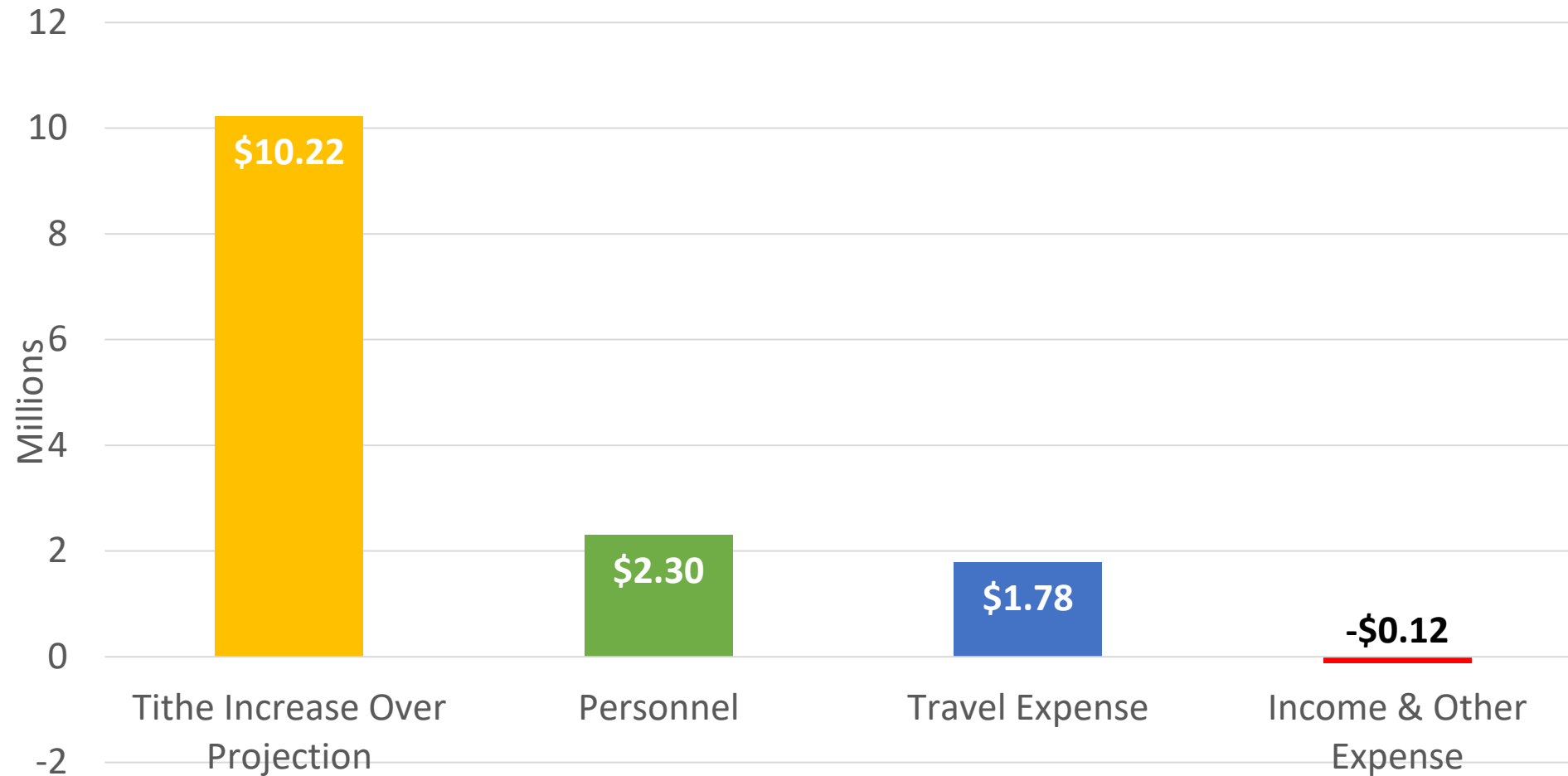
Budgeted Cap to Actual Expense



Budgeted Cap to Actual Cap at YE



Analysis of Expense Under Cap: \$14,186,657



War in Ukraine



Statistics from Ukraine (GC Session)

- 10,000 members fled Ukraine
- 14,400 members displaced within Ukraine
- 7 members killed, 25 wounded, 19 missing (41,159 total)
- 10 Churches damaged/destroyed (751 total)
- 200 houses of members damaged/destroyed
- 29 evangelistic series with 2,000 baptisms
- Bucha



Impact

- Union removed from ESD – attached to GC
 - Will be reassessed in October 2022 at Annual Council
- Ukrainian Union Conference Oversight Committee
- T&O through UUCOC to GC
- Will continue to monitor status:
 - to assess cost to rebuild
 - Impact on operating budgets due to membership/pastoral transitions



Questions?

