

S GENERAL FINANCIAL POLICIES

S 04 Financial Operations and Environment

S 04 05 Role of Leadership in Financial Matters—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. This behavior is critical for building confidence in the overall Church organization. To sustain this confidence, open communication must take place among the employees of the organization, between management and the controlling board or executive committee, between the organization and its constituents and other stakeholders, and between the organization and higher organizations. 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.

S 04 10 Officers to Set Example—All officers of General Conference, division, union, local conference/mission/region/field station entities, and institutions/agencies/services shall set an example in economy by minimizing expenses without compromising the mission of the organization. This example will inspire confidence in the integrity of the organization.

S 04 15 Employ Church Members—In the employment of persons in every capacity, whether in the office or otherwise, great diligence shall be used to employ only persons who are members of the Church, in regular standing, and who exert a positive influence along spiritual lines for the upbuilding of the work.

S 04 20 Responsibility—The chief responsibility for the day to day operation of an organization rests with the officers of the organization. However, the board or controlling board or executive committee represents the constituency concerned and is also responsible for the financial viability of the organization.

S 04 25 Responsibility for Internal Controls—The controlling board or executive committee is responsible for ensuring internal controls which are adequate to the size and complexity of the organization. Those internal controls are to be designed, documented, implemented, communicated,

and monitored. The effectiveness of internal controls will be determined to a large degree by the tone set by those entrusted with leadership and governance of the organization.

S 04 30 Objectives and design of Internal Controls—The objectives of internal controls in an organization are to provide reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, the compliance with laws and regulations including denominational policies, the assurance that resources are used in accordance with approved purposes, and the protection of organizational assets from misuse.

1. In designing internal controls, the organization’s controlling board or executive committee shall analyze and identify risks that could result in financial statements that do not reflect the actual position of the organization.

2. The controlling board or executive committee shall establish policies and procedures to address adequate segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on performance.

3. The controlling board or executive committee shall oversee management’s documentation and communication of internal controls for the organization.

S 04 35 Monitoring Internal Controls—Internal controls must be monitored to determine their continued effectiveness. The controlling board or executive committee shall have an ongoing process to assess the effectiveness of internal controls and correct deficiencies.

S 09 Financial Planning and Budgeting Process

S 09 05 Mission Driven Resource Allocation—Each organization shall have a mission driven, broadly based consultative financial planning and budgeting process with a committee structure that can give detailed review to the ongoing financial planning and budgeting for the organization. In some cases, this may take the form of a finance committee. In other cases, the organization may be small enough that the process is handled directly by the governing body involved. If the organization’s controlling board or executive committee establishes a separate committee for this purpose, the responsibilities should include reviewing budget requests and the review of the annual operating budget

as well as a review of the organization's financial position as reflected in the financial statements. The approval of the budget and the review of the organization's financial statements would then be recommended to the controlling board or executive committee for action. In order to build a strong constituency, all conferences/missions/regions/field stations are encouraged to prioritize mission in the budgeting process.

S 09 10 Budgets—All denominational organizations shall use an annual budget which is approved by the controlling board or executive committee. It shall be the responsibility of the officers of each level of organization to require organizations located within their territory to use a budget. Guidelines for preparing budgets are included in the Seventh-day Adventist Accounting Manual.

S 09 15 Funding of Activities—All activities of a recurring nature for which denominational financial support is involved shall be funded without incurring debt. All funds necessary for such operations shall be in hand or provision shall be made before commencement of activities.

S 09 20 Operating Deficits—When an organization's monthly or yearly financial statements indicate operating deficits, the controlling board or executive committee shall take immediate steps to address the situation. An organization closing a financial year with an operating deficit, shall make provision for recovering the deficits when preparing budgets for the ensuing years, if the available working capital is less than 100 percent of the amount recommended by policy and liquid assets are inadequate to cover current liabilities and allocated funds. When such conditions exist, the higher organizations shall give counsel in resolving the difficulty.

S 09 25 Financial Obligations—The General Conference or any of the individual divisions composing it shall not be held financially responsible for any obligations it has not assumed by vote of its controlling boards or executive committees. This is also the general policy for unions, local conferences/missions/regions/field stations, and other organizations and institutions of the denomination.

S 09 30 Inter-Organizational Accounts—Organizations are expected to reconcile and settle their inter-organizational accounts on a monthly basis.

S 09 35 Authorization for Appropriations—In the use of General Conference, division, union, and local conference/mission/region/field

station funds, appropriations to subsidiary organizations shall be made only by specific action of the controlling board or executive committee.

S 14 Financial Borrowing

S 14 05 Borrowing Guidelines—As far as is possible, financial activities should be conducted without the use of borrowing. The preferred method for operating and/or financing capital projects is cash with a less preferred method being the use of funds from current revenue. The controlling board or executive committee of each General Conference institution and world division shall develop a policy, in consultation with General Conference Treasury, outlining the approval process for using borrowing as an option for conducting financial activities. The policy must be developed and implemented within the following guidelines and limitations:

1. The General Conference or any of the individual divisions composing it shall not be held financially responsible for any obligation it has not assumed by vote of its controlling board or executive committee. This is also the general policy for unions, local conferences/missions/regions/field stations, and other organizations and institutions of the denomination (see S 09 25).
2. No organization shall borrow for the purpose of reinvesting.
3. No organization shall borrow for the purpose of relending, except through a denominational revolving fund or similar method as approved by the division executive committee.
4. No organization shall borrow for the purpose of financing current operations, except in extremely unusual circumstances and in consultation with the next higher organization. Such borrowing shall not extend beyond one financial year. In cases where an organization seeks to obtain a line of credit to address seasonal operational cash flow issues, the line of credit, when permitted, must be approved by the controlling board or executive committee of the organization in consultation with the next higher organization. An annual report regarding the use of such loans or lines of credit must be made to the controlling board or executive committee and to the next higher organization.
5. Divisions and General Conference institutions, in their policy and borrowing, may allow for capital projects to be considered. The policy must include borrowing guidelines that clearly define the maximum

percentage of borrowing on any project and cash requirements before commencement of the project. The policy may set a single maximum percentage of borrowing for all capital projects or may outline different maximums for different categories of capital projects (i.e. conference offices, employee housing, primary schools, secondary schools, universities, dormitories, hospitals, churches, etc.). The maximum percentage of borrowing, if permitted, should take into consideration the difference between revenue-generating projects, projects that will be funded from ongoing operations, and projects that must be funded from donations or contributions.

6. Under normal circumstances, no organization shall pledge as collateral or encumber the assets owned or used by another organization for any loan. In those unusual circumstances where it is to the advantage of the organization to pledge as collateral or encumber the assets of another organization, the controlling board or executive committee of the organization whose assets will be pledged or encumbered must vote to authorize such pledges and encumbrances.

7. At the time new borrowing is proposed, full disclosure of current and outstanding loans must be presented to the controlling board or executive committee as part of the proposal. This full disclosure of all outstanding loans must include loans that the organization is proposing to borrow, has guaranteed, or cosigned. Further, the full disclosure shall indicate how the proposed loan when combined with any outstanding, guaranteed, or cosigned loans relates to any borrowing limits established by the respective General Conference institution or world division.

8. On an annual basis, the treasurer/chief financial officer of each organization shall present a report to the controlling board or executive committee with a copy to the next higher organization that enumerates all outstanding, guaranteed, or cosigned loans with a related list identifying all assets pledged as collateral or encumbered.

S 19 Financial Reports

S 19 05 Distribution—In order that controlling boards, executive committees, and responsible officers may be kept fully informed concerning the operations under their control, monthly financial statements should be furnished to the members of the responsible boards

and committees and to the officers of the next higher organization. Financial statements of institutions shall be furnished also to the officers of the higher organizations concerned. Monthly statements of the division shall be sent to the General Conference Treasury. To achieve this objective:

1. At least nine of the twelve monthly financial reports must be provided to the organization's administrative officers.
2. At least four of the twelve monthly financial reports, reasonably spaced throughout the year, must be provided to the controlling board, executive committee, and officers of the next higher organization.
3. In the case of relatively inactive organizations, quarterly financial reports are required (instead of monthly).

S 19 10 Analysis—Monthly financial reports showing the actual operating expenses and budgetary provision to date shall be prepared and studied by the organization's administrative officers. Controlling boards and executive committees should compare these statements with the approved budget and be prepared to act with the officers in increasing income and/or decreasing expenditures as may be necessary.

S 19 15 Presentation to Committees—When presenting financial reports in the accounting format generally accepted by the church, the treasurer/chief financial officer should use appropriate visual aids and explain all technical terms used to make sure the report is understandable to members with limited accounting background. Financial reports are to be comparative and include the following:

1. Statement of Financial Position
2. Statement of Financial Activities
3. Statement of Cash Flows
4. Footnote disclosures which are an integral part of the report
5. Other supplemental information, such as schedules showing further details of assets, liabilities, income, expenditures, and certain percentages or ratios.
6. If the financial report has been audited, the auditor's opinion should accompany the report.

S 19 20 Presentation to Constituency Sessions—Reports to the constituency sessions of organizations shall include audited comparative financial statements, as enumerated in S 19 15, showing each of the years in the reporting period. If it is not possible to have audited comparative financial statements prepared for the session's reporting period, each

year's financial statement, with the accompanying auditor's report, shall be presented separately. Any financial reports presented at constituency sessions that are not accompanied by an opinion from the auditor should clearly indicate that it is non-audited information. The auditor shall be invited to attend the constituency session at which the audit reports are presented. Whenever possible, the audit report is to be presented personally by the auditor (see GC C 30 20 and C 35 20.) However, under circumstances where legal requirements permit and conference facilities are deemed satisfactory to the client and the auditor, the auditor may choose to attend the constituency meeting via teleconference or videoconference.

S 19 25 Statistical Reports and Financial Statements—The annual statistical report of all divisions, including the work of all conferences/missions/regions/field stations, and institutions in their territory, as well as a report of languages in which denominational activities are conducted, should reach the General Conference Office of Archives, Statistics, and Research not later than February 28 for North American Division statistical reports and March 31 for reports from the other divisions.

One copy of the audited financial statement of each denominational organization shall be sent by General Conference Auditing Service (or the chief operating officer, in cases of organizations audited by other than the General Conference Auditing Service) to the General Conference Office of Archives, Statistics, and Research as outlined below. This statement shall include all supporting schedules and signed auditor's opinions and shall be accompanied by a summary on Form F-49 no later than one month after the audit report has been released.

S 19 30 Accounting Manuals Authority—Financial reports shall be prepared in accordance with applicable denominational accounting manuals prepared by the General Conference Treasury. All organizations shall adhere to the appropriate current denominational accounting manual as follows:

International Accounting Manual (effective prior to 2012)

Seventh-day Adventist Accounting Manual (effective January 1, 2012)

1. When country-specific accounting standards require a financial reporting framework that differs from the denomination's accounting manual, those country-specific standards take precedence and organizations are not required to maintain multiple sets of accounting

records to accommodate both country-specific standards and the accounting manual.

2. Entities are expected to comply with all relevant laws and regulations that require reporting of financial information to government agencies, which may be required to be in formats other than that used for general-use financial reporting. It is understood that such government-mandated reporting is in addition to the required general-use financial reporting to the organization's controlling board or executive committee.

3. Any other exceptions to application of the accounting manual shall be approved by General Conference Treasury.

S 24 Financial Ratios

S 24 05 Use of Ratios—Financial ratios are useful indicators of an organization's performance and financial situation. In order to have a basic measure of financial health, the Church has placed emphasis on comparing the actual working capital of an organization and amount of liquid assets on hand to a predetermined recommendation for various types of organizations. There are several other types of ratios that could prove useful for organizations in their process of performing financial statement analysis. Organizations are encouraged to determine and apply any relevant ratio that would be beneficial to that process. Financial ratios can be grouped into at least four categories:

1. *Liquidity Ratios*—Provides information about an organization's ability to meet its short term financial obligation.
2. *Asset Turnover Ratios*—Provides information on how efficiently an organization uses its assets.
3. *Financial Leverage Ratios*—Provides information about the long-term solvency of the organization.
4. *Profitability Ratios*—Provides information regarding the success of the organization at generating operating gains.

S 24 10 Working Capital—In order that adequate financial resources will be available for the sound and effective operation of all organizations, the following provisions are based on what has been considered historically adequate for denominational entities and are outlined below:

1. *Working Capital Definition*—Working Capital shall be defined as the amount of current assets in excess of current liabilities.
2. *Formulas*—The recommended working capital of organizations shall be as follows:

a. General Conference—40 percent of the latest fiscal year's unrestricted income or for interim statements, the latest 12 month actual unrestricted income, adding 1 percent per year, commencing in 2009, until a maximum of 50 percent is reached, plus 100 percent of long term payables, gross allocated funds, and Capital Additions Functions Balances.

b. Divisions—30 percent of the latest fiscal year's total operating expense or for interim statements, the latest 12 month actual operating expense plus 15 percent of operating appropriations to subsidiary organizations for the latest complete fiscal year, plus allocated funds. Some divisions may require a larger working capital.

c. Union Conferences/Missions—30 percent of the latest fiscal year's total operating expense, or for interim statements, the latest 12 month actual operating expense, plus allocated funds.

d. Local Conferences/Missions/Fields—20 percent of the latest fiscal year's total operating expenses, or for interim statements, the latest 12 month actual operating expense, plus allocated funds.

e. Conference/Mission/Field Associations/Corporations—10 percent of the current fund assets; and further, that one half of such working capital be maintained in liquid assets.

f. Home Health Education Service—Equivalent of net accounts receivable, merchandise inventories, and allocated net worth (reserves) based on the balance sheet for the latest complete fiscal year.

g. Adventist Book Centers—Equivalent of net accounts receivable, inventories, and allocated net worth (reserves).

h. Universities, Colleges, and Junior Colleges—20 percent of the operating expense, or for interim statements, the latest 12 month actual operating expense, of the latest complete fiscal year, plus allocated net worth (reserves).

i. Academies—15 percent of the operating expense of the latest complete fiscal year, or for interim statements, the latest 12 month actual operating expense.

j. Health Care Institutions—20 percent of the operating expense of the latest complete fiscal year, or for interim statements, the latest 12 month actual operating expense, plus allocated net worth (reserves).

k. Publishing Houses—Equivalent of net accounts receivable (excluding receivables from higher organizations), inventories and allocated net worth (reserves) based on the balance sheet for the latest complete fiscal year.

l. Adventist Risk Management, Incorporated, Including Branch Offices—40 percent of the annual operating expense (for interim statements, the latest 12 month actual operating expense), or as required by any relevant regulatory authorities.

m. Adventist Media Centers—20 percent of annual operating expense based on the Income Statement for the latest complete fiscal or for interim statements, the latest 12 month actual operating expense.

n. Adventist World Radio Institution—20 percent of the operating expense of the latest complete fiscal year, or for interim statements, the latest 12 month actual operating expense, plus allocated net worth (reserves).

o. Hope Channel—20 percent of the operating expense of the latest complete fiscal year, or from interim statements, the latest 12 months actual operating expense, plus allocated net worth (reserves).*

S 24 15 Liquidity—In order that adequate cash and cash equivalents will be available for meeting short-term financial obligations, the following provisions are based on what has been considered historically adequate for denominational entities and are outlined below:

1. *Liquid Assets*—Liquid assets equivalent to the current liabilities and certain allocated funds identified in the specific accounting manuals shall be maintained in the following:

- a. Cash
- b. S 85 35, S 85 40 items
- c. General Conference or other authorized unitized investment funds
- d. Accounts receivable from the next higher organization.

2. *General Conference Liquidity Formula*—The liquidity formula to be used by the General Conference shall be: Cash and Banks plus Securities and Investments divided by the total of current liabilities and gross allocated funds.

3. *Exception to Liquidity Requirement*—In unusual situations such as excessive and rampant inflation or highly unstable and rapidly devaluing currencies, substantial loss can result from holding cash or similar liquid assets in excess of basic minimal levels required for operating. Under these exceptional circumstances, and in counsel with and subject to approval

* Excludes temporarily restricted net assets that are associated with readily identifiable long-term assets.

from the division, or by the General Conference in the case of General Conference institutions, the strict liquidity provisions outlined in this policy may be temporarily suspended.

4. *Allocations*—Excess working capital at the end of the year may be transferred to allocated funds for specific purposes by action of the controlling board or executive committee, taking into consideration its source, whether tithe or non-tithe.

S 29 Financial Audits

S 29 05 Annual Audits—Each organization shall prepare its financial statements to be audited annually or receive some other level of service as approved by the General Conference Executive Committee.

S 29 10 Preparation for Annual Audit—The audit process is more efficient when an organization prepares well in advance. In preparing for an audit, the organization shall do the following:

1. Complete the recording of financial transactions and prepare the corresponding statements of financial position, financial activities, cash flows, and relevant footnote disclosures no later than 90 days after the end of the organization's financial year. The financial statements are to be prepared based on the Seventh-day Adventist Accounting Manual.

2. The principal officers of the organization shall sign an engagement letter with the auditor which enumerates the mutual expectations and responsibilities, the scope and timing of the work to be performed, and the associated fees.

3. The organization should provide the supporting material requested by the auditor in electronic form, wherever possible.

4. The principal officers, as required by S 90, shall furnish in writing to the auditor a set of assertions regarding the organization's compliance with denominational core policies.

S 29 15 Participation on the Annual Audit—The audit process is a collaborative effort on the part of the auditor and management of the organization. Management shall make the appropriate arrangements to be available during the course of the engagement and be responsive to requests made by the auditor. If at the close of scheduled audit procedures, management has not provided all the information requested by the auditor, the auditor shall inform management of the audit status and request a written engagement extension letter. At the close of the engagement, an

exit interview will be conducted. The auditor shall supply a draft of the audit report for management to review before it is finalized. Since the financial statements are the responsibility of the organization, it is important for them to be reviewed and understood.

S 29 20 Presentation of Audit Reports—Within 60 days of the close of the audit engagement, when all outstanding issues have been resolved, the auditor will provide to management of the organization and the chair of the Audit Committee the audit report which includes an opinion on the financial statements, a report on compliance with the core policies of the denomination, and an audit communication letter which includes any significant deficiencies identified in internal controls. Upon receipt of this report, the management of an organization shall do the following:

1. Provide to the Audit Committee a copy of the audit report along with their response to any findings within 60 days of receiving the report from the auditor.
2. Provide to the auditor a copy of their response to any findings they have shared with the Audit Committee.

S 34 Financial Oversight Committees

S 34 05 Audit Committee (formerly referred to as Financial Audit Review Committee)—The controlling board or executive committee of each organization shall establish a subcommittee known as the Audit Committee to meet at least annually and discharge the functions as outlined in the charter (terms of reference) provided to promote transparency and full disclosure on audit matters. These meetings may be held in person or via conference call where such facilities are available and if considered appropriate.

1. *Composition*—The Audit Committee shall consist of a minimum of three persons who are members of the controlling board or executive committee. In unusual circumstances, these persons do not have to be members of the controlling board or executive committee, provided the reasons are documented by action of the controlling board or executive committee. The treasurer/chief financial officer of a higher organization, who in many circumstances is already an ex officio member, may serve as member or chairperson. Committee members shall possess the following characteristics:

a. Independent—Not employed by the organization being audited or reviewed and, if possible, not denominationally employed. The member should not have any existing financial, family, or personal ties to the management of the organization.

b. Competent—Has proven knowledge in financial matters, including the ability to read and understand financial statements. At a minimum, one of the members should be considered a financial expert who understands the financial reporting framework in their country, is able to apply that framework to accounting matters, has experience in preparing and analyzing financial statements, understands internal controls, and understands the function of the Audit Committee.

c. Confident—Not afraid to ask relevant and probing questions.

2. *Charter (Terms of Reference)*—The following represents the expected responsibilities of the Audit Committee to be fulfilled each year. This charter should represent a working document that guides in managing the agenda of the committee.

a. Recommend to the controlling board or executive committee the selection of the auditor in those approved special circumstances when General Conference Auditing Service is not involved.

b. Agree upon the fees and scope of the audit engagement.

c. Maintain a direct and open line of communication with the auditor.

d. Receive and discuss with the auditor the audited financial statement, audit communication letter, and response from management.

e. Develop and review with management adequate internal controls.

f. Develop and review procedures for the receipt and resolution of confidential complaints regarding any unethical business practice.

g. Discuss with management their assertions made regarding compliance with core denominational working policies related to financial matters.

h. Identify, evaluate, and respond to any potential business and fraud risks.

i. Understand emerging trends in accounting standards and their impact on financial reporting for the organization.

j. Review any serious difficulties encountered during the course of the audit.

k. Provide oversight for the conflict of interest policy and address risks associated with any conflicts identified.

l. Hold an executive session where members of the management team, who may be attending as invitees, have been excused.

m. Present a report to the controlling board or executive committee at its next scheduled meeting regarding the results of the audit engagement, operational effectiveness of internal control, compliance with core policies, and potential business risks. This report should be accompanied by recommendations for the controlling board or executive committee to consider.

3. *Invitation to Auditor*—The auditor shall be invited to attend the Audit Committee meeting at which the audit reports and audit communication letter are studied, and the controlling board or executive committee meeting at which the Audit Committee makes its recommendations, if any. Under circumstances where legal requirements permit and conferencing facilities are deemed satisfactory to the client and the auditor, the auditor may choose to attend, via teleconference or videoconference, the meetings mentioned above.

4. *Representatives from Higher Organizations*—If there are official representatives from the higher organization present when an audit committee is being convened, who are not already members, they would be considered invitees with voice but no vote.

5. *Copy of Recommendations*—A copy of the recommendations of the Audit Committee, as approved by the controlling board or executive committee, shall be sent to the auditor and to appropriate officers of higher organizations.

S 34 10 Compensation Review Committee (formerly referred to as Salary Audit Committee)—The controlling board or executive committee of each organization shall establish a subcommittee known as a compensation review committee so it can be fully informed about compensation practices within the organization and ensure compliance with policies. This committee shall meet at least annually to discharge the functions as outlined in the charter provided to promote transparency and full disclosure on compensation matters. These meetings may be held in person or via conference call where such facilities are available and if considered appropriate.

1. *Composition*—The compensation review committee should be comprised as follows:

- a. Each member should typically be a member of the controlling board or executive committee.
- b. A majority should also be of persons not employed by the organization, should include laypersons, and should include any official representatives present from higher organizations.
- c. The chairperson shall be a representative from the higher organization or a member of the controlling board or executive committee who is not an employee of the organization.

2. *Charter (Terms of Reference)*—The following represents the expected responsibilities of a compensation review committee to be fulfilled each year. This charter should represent a working document that guides in managing the agenda of the committee.

- a. Review at a minimum the compensation and allowances/benefits paid to all officers and other board-appointed personnel during the previous year and determine its reasonableness and compliance with compensation policies of the denomination.
- b. Ask for and receive clarification on unusual items of compensation or allowance/benefits paid during the previous year.
- c. Review and report on the personal accounts/notes receivable balances that exceed one month of salary.
- d. Review and report on travel advances that are outstanding for more than three months for each traveling staff.
- e. Review and report on the travel expenses as compared to the approved budget for each traveling staff.
- f. Review and report on the compensation, personal accounts, and travel advances for officers of subsidiary mission organizations.
- g. To facilitate a meaningful review, the committee shall receive information in a spreadsheet format with separate columns for base salary, bonuses or contracted compensation, and for each allowance/benefit identifiable by individual (other presentation formats which provide similar details are acceptable). All compensation or allowance/benefits are to be included. However, no information shall be included which details any health care assistance by employee name.
- h. If the controlling board or executive committee so delegates, set the individual salary percentages/rates for the next financial year.
- i. Provide a statement to the controlling board or executive committee that indicates the compensation review committee has fulfilled

the expectations of its charter along with any recommendations relating to compensation matters which need to be addressed.

j. For organizations that follow the provisions of Y 05 45, “Variations for Commercial Business Organizations,” provide a complete report to the controlling board or executive committee of the actual salary and allowances/benefits (detailed separately including retirement contributions identifiable on an individual basis, value of insurance policies, etc.) paid to officers of the organization.

S 34 15 Financial Statement Review Committee—The General Conference, divisions, and unions shall each establish a subcommittee known as a financial statement review committee in order to be fully informed about the financial health of their respective subsidiary and affiliated organizations. This committee shall meet at least annually and discharge the functions as outlined in the charter provided to promote proactive responses to adverse financial trends. These meetings may be held in person or via conference call where such facilities are available and if considered appropriate.

1. *Composition*—The financial statement review committee should be comprised as follows:

a. Members of the respective General Conference, division, or union treasury teams.

b. The committee shall be chaired by the Treasurer/Chief Financial Officer or designee.

2. *Charter (Terms of Reference)*—The following represents the expected responsibilities of a financial statement review committee to be fulfilled each year. This charter should represent a working document that guides in managing the agenda of the committee.

a. Review audited or unaudited financial statements from subsidiary and affiliated organizations.

b. Identify adverse financial trends and discuss with the management team of that organization.

c. Evaluate the working capital and liquidity status of each organization and discuss with the management team plans to achieve and maintain recommended levels when deficiencies are noted.

d. Submit minutes of meeting to the Treasurer/Chief Financial Officer of the next higher organization to provide awareness of significant issues. In the case of the General Conference, those minutes should be provided to the General Conference officers.

S 34 20 Financial Survey Commissions—The General Conference, divisions, and unions are advised to appoint financial survey commissions to make a periodic on site review of subsidiary and affiliated organizations, especially those that are experiencing serious financial difficulties. The commission, depending on the type of organization being reviewed, should consist of enough members to perform the survey and who can provide helpful expertise. The commission shall make a careful study of the financial position of the organizations under review, study the relationship between office administrative expenditures and field/program expenditures in conferences/missions/regions/field stations, review the effectiveness of employees, and make recommendations to the controlling boards or executive committees.

S 37 General Conference Funds

S 37 05 Sources of Funds—1. The sources and plan of disbursement and handling of General Conference funds are defined in Articles XVII, XIX, and XX of the Bylaws.

2. The funds the General Conference receives are the following:
 - a. Ten percent of the tithe receipts of the union conferences/missions/fields and of the local conferences/missions/regions/field stations not included in union conferences/missions/fields.
 - b. Regular mission offerings.
 - c. Special donations.
 - d. Such percentage of the regular tithe of local conferences/missions/regions/field stations as provided for by policy.

S 37 10 Remittances to General Conference—Tithe and mission offerings are reported to the General Conference treasury each month by each division treasurer/chief financial officer. The reports and remittances from the North American Division shall reach the treasurer/chief financial officer's office not later than the twenty-fifth of the succeeding month, and those from other divisions by the twentieth of the second succeeding month.

S 37 15 Funds May Be Held by General Conference—Special appropriations to divisions may be held in trust by the General Conference until the funds are needed for the project concerned.