



**NORTH PACIFIC UNION CONFERENCE  
ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

SPECIAL-PURPOSE SCHEDULES  
DECEMBER 31, 2020 and 2019

## TABLE OF CONTENTS

---

Special-Purpose Schedules Opinion	1 - 2
Special-Purpose Schedules of Financial Position	3
Special-Purpose Schedules of Changes in Net Assets	4
Special-Purpose Schedules of Cash Flows	5
Notes to the Special-Purpose Schedules	6-10



To the Board of Trustees  
North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund  
a department of North Pacific Union Conference Association of Seventh-day Adventists  
Ridgefield, Washington

We have audited the accompanying schedules of North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund (NPUCARF), a department of North Pacific Union Conference Association of Seventh-day Adventists (Association), which comprise the schedules of assets, liabilities, and net assets as of December 31, 2020 and 2019, and the related schedules of changes in net assets and cash flows for the years then ended, and the related notes to the schedules.

#### **Management's Responsibility for the Financial Schedules**

Management is responsible for the preparation and fair presentation of these schedules in accordance with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the schedules based on our audits. We conducted our audits in accordance with United States of America auditing standards generally accepted by the Seventh-day Adventist denomination. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, as internal auditors of the General Conference of Seventh-day Adventists, the schedules referred to above present fairly, in all material respects, the assets, liabilities, and net assets of North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund, a department of North Pacific Union Conference Association of Seventh-day Adventists, as of December 31, 2020 and 2019, and the changes in net assets and the cash flows of this department for the years then ended in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination.

## **Emphasis of Matter**

We draw attention to Note 7 to the schedules, which describes the basis of special presentation. The accompanying schedules were prepared to present only the accounts and activity of the NPUCARF, which is a department of the Association. Our opinion is not modified with respect to this matter.

## **Other Matter**

Our report is intended solely for the information and use of the officers of the Association and NPUCARF, their financial audit review committee, their governing committee, and the officers and their designees of higher denominational organizations. This report is not intended to be and should not be used by anyone other than these specified parties.

*General Conference Auditing Service*  
May 19, 2021

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS**  
**REVOLVING FUND**  
**Special-Purpose Schedules of Financial Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
	<b>Total</b>	<b>Total</b>
<b>ASSETS</b>		
<u>Current assets</u>		
Cash and cash equivalents (Note 2)	\$ 9,052,504	1,817,054
Investments (Note 3)	26,663,357	28,885,235
Accrued interest receivable	53,692	76,513
Notes receivable, net (Note 4)	27,320,814	24,432,389
Total current assets	<u>63,090,367</u>	<u>55,211,191</u>
Total assets	<u>\$ 63,090,367</u>	<u>55,211,191</u>
<b>LIABILITIES</b>		
<u>Current liabilities</u>		
Accounts payable	\$ 819	1,157
Notes payable (Note 5)	41,964,381	35,166,322
Total current liabilities	<u>41,965,200</u>	<u>35,167,479</u>
Total liabilities	<u>41,965,200</u>	<u>35,167,479</u>
<b>NET ASSETS</b>		
Unrestricted: allocated for revolving fund (Note 6)	8,486,824	8,088,603
Unrestricted: allocated for sinking fund (Note 6)	12,638,343	11,955,109
Total net assets without donor restrictions	<u>21,125,167</u>	<u>20,043,712</u>
Total net assets	<u>21,125,167</u>	<u>20,043,712</u>
Total liabilities & net assets	<u>\$ 63,090,367</u>	<u>55,211,191</u>

See accompanying notes.

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

**Special-Purpose Schedules of Changes in Net Assets  
For the years ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
	<b>Total</b>	<b>Total</b>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<u>Revenues and support without donor restrictions</u>		
Interest and dividend income	\$ 1,873,164	1,995,556
Realized capital gains (losses) (Note 3)	316,507	(224,700)
Unrealized capital gains (losses) (Note 3)	(125,554)	796,429
Other income	5,392	3,290
Total revenues and support without donor restrictions	<u>2,069,509</u>	<u>2,570,575</u>
 <u>Expenses and losses</u>		
<u>Program services functions</u>		
Bad debt expense	-	718,671
Interest expense	706,937	841,920
Other expense	14,316	9,752
Total program service functions	<u>721,253</u>	<u>1,570,343</u>
Total expenses and losses	<u>721,253</u>	<u>1,570,343</u>
 Net increase (decrease) from operations	<u>1,348,256</u>	<u>1,000,232</u>
 <b>NONOPERATING ACTIVITY WITHOUT DONOR RESTRICTIONS</b>		
Transfers to other funds	<u>(266,801)</u>	<u>(521,200)</u>
Increase (decrease) net assets without donor restrictions	<u>1,081,455</u>	<u>479,032</u>
 Increase (decrease) in net assets	1,081,455	479,032
 Net assets, beginning of year	<u>20,043,712</u>	<u>19,564,680</u>
 Net assets, end of year	<u>\$ 21,125,167</u>	<u>20,043,712</u>

See accompanying notes.



**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

**Special-Purpose Schedules of Cash Flows  
For the years ended December 31, 2020 and 2019**

	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 1,081,455	479,032
<u>Adjustments to reconcile net income to net cash provided</u> <u>by operating activities</u>		
Bad debt expense	-	718,671
Realized (gain) loss on sale of investments	(316,507)	224,700
Unrealized (gain) loss in value of investments	125,553	(796,428)
(Increase) decrease accounts receivable	22,823	18,408
Increase (decrease) accounts payable	(337)	584
Net cash provided (used) from operating activities	<u>912,987</u>	<u>644,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of investments	24,328,173	34,589,259
Purchase of investments	(21,915,342)	(35,381,064)
New notes receivable issued	(7,089,211)	(6,011,938)
Payments received on notes receivable	4,200,785	5,708,135
Net cash provided (used) from investing activities	<u>(475,595)</u>	<u>(1,095,608)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(3,894,973)	(3,293,006)
Proceeds from depositors	10,693,031	780,231
Net cash provided (used) from financing activities	<u>6,798,058</u>	<u>(2,512,775)</u>
Increase (decrease) cash and cash equivalents	7,235,450	(2,963,416)
Cash and cash equivalents, beginning	1,817,054	4,780,470
Cash and cash equivalents, ending	\$ <u>9,052,504</u>	<u>1,817,054</u>
<u>Supplemental cash flow data</u>		
Cash paid during the year for interest	\$ <u>706,936</u>	<u>841,919</u>

See accompanying notes.

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND  
Notes to the Special-Purpose Schedules  
For the years ended December 31, 2020 and 2019**

**Note 1 - Organizational description and summary of significant accounting policies**

Organization description

The North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund (NPUCARF) is operated by the North Pacific Union Conference Association of Seventh-day Adventists (Association) for the purpose of providing loans for building and other capital improvement activities to organizations affiliated with the Seventh-day Adventist Church (Church) located within the territory served by the North Pacific Union Conference of Seventh-day Adventists (Union), an unincorporated body affiliated with the Church.

The NPUCARF was established in 1978 and notes were issued to church members and church entities investing in the NPUCARF through December 31, 1988. From January 1, 1989, interest-bearing account certificates were issued to investors. Funds invested in the account certificates can be withdrawn 90 days after demand. The funds are loaned to churches, schools, and conferences in the Union. The NPUCARF is registered in the state of Oregon and is exempt from registration in the states of Alaska, Idaho, Montana, and Washington. A sinking fund is provided in accordance with the Working Policy of the General Conference of Seventh-day Adventists, North American Division.

The NPUCARF is a religious not-for-profit organization and is exempt from federal, state, and local income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and corresponding sections of applicable state and local codes, except for taxes on unrelated business income as described in sections 511-514 in the Internal Revenue Code.

Summary of significant accounting policies

(a) The significant accounting policies of the NPUCARF are essentially the same as generally accepted accounting principles for not-for-profit organizations as promulgated by the Financial Accounting Standards Board. The significant policies are described below to enhance the usefulness of the financial schedules. The financial schedules of the NPUCARF have been prepared on the accrual basis of accounting. In conformity with the accrual basis of accounting, the NPUCARF has evaluated events that occurred subsequent to the financial schedule date, up to May 19, 2021, which is the date the financial schedules were available to be issued.

(b) The preparation of the financial schedules in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial schedules and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and cash equivalents: cash equivalents are highly-liquid assets of the operating funds, which are readily convertible to cash and have a maturity date of less than three months from date of acquisition. Cash and investments of funds other than operating are not classified as cash and cash equivalents. The increase or decrease in nonoperating cash and investments is reported in the schedule of cash flows as proceeds or purchases of investments.

(d) Fair value of financial instruments: following are the major methods and assumptions used to estimate fair values:

Short-term financial instruments are valued at their carrying amounts included in the schedule of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This applies to cash, cash equivalents, accounts receivable, and certain current liabilities.

Investment securities are valued at quoted market prices or other reasonably obtainable market value estimates at the reporting date for those or similar securities. The difference between aggregate market value and historical cost for each type of security is recorded in a valuation account. The change in this account during each period is recognized as a gain or loss.



**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND  
Notes to the Special-Purpose Schedules  
For the years ended December 31, 2020 and 2019**

**Note 1 - Organizational description and summary of significant accounting policies (continued)**

Notes and loans receivable are valued at the amortized amount receivable as of the reporting date. Allowance has been made for notes and loans which are not expected to be collected. The net total approximates the discounted value of future cash flows expected to be received. Because of the difficulty and inherent subjectivity involved in determining fair values, which is not susceptible to independent substantiation, management has not attempted to estimate the fair value of notes and loans receivable from related or affiliated entities. Such notes and loans, by intent and practice, are expected to be held to maturity and are valued at face value.

Notes and loans payable are valued at the amortized amount payable as of the reporting date. The net total approximates the discounted value of the future cash flows expected to be paid. Because of the difficulty and inherent subjectivity involved in determining fair values, which is not susceptible to independent substantiation, management has not attempted to estimate the fair value of notes and loans payable to related or affiliated entities. Such notes and loans, by intent and practice, are expected to be held to maturity and are valued at face value. Further, because a reasonable estimate of fair value could not be made without incurring excessive costs, management has not attempted to estimate the fair value of any loans payable to creditors that are not related or affiliated entities.

(e) Current assets and liabilities: assets and liabilities are classified as current or long-term, depending on their characteristics. This excludes from current assets, cash and claims to cash that are restricted as to withdrawal or use for other than current operations, committee allocated, or held as agent for others. This excludes from current liabilities the long-term portion of all debt and amounts held as fiscal agent for others.

(f) Notes and loans receivable: the notes receivable to local Seventh-day Adventist churches and schools are co-signed by the local conference for all notes issued to entities within their local conference territory. Notes to other Seventh-day Adventist institutions may be secured by a recorded first lien on the property. The notes are variable rate, currently earning 4.5%. The rate is subject to change based upon the actions voted by the Association's Board of Trustees.

(g) Investment Income: ordinary income from investments, loans, and the like is accounted for in the fund owning the assets.

(h) Affiliated organizations: in carrying out its gospel mission, the NPUCARF operates through several organizations with which it is affiliated by reason of economic interest and/or shared membership on the respective governing committees. The financial statements of these other organizations are not consolidated with the NPUCARF's financial schedules. Inter-organization transactions carried on in the ordinary course of business are handled through current accounts receivable and payable, and are generally settled on a monthly basis. Other financial transactions involving loans are detailed in Notes 4 and 5 below. These other organizations are:

General Conference of Seventh-day Adventists (GC) and General Conference of Seventh-day Adventists, North American Division (NAD) - the GC is the world headquarters of the Seventh-day Adventist denomination and as such determines the operating and accounting policies to be followed by church institutions. The NAD is an administrative entity of the GC which supervises denominational activities in North America.

North Pacific Union Conference (Union) - the Union is an unincorporated entity which is the regional headquarters for the Seventh-day Adventist denomination in the states of Alaska, Idaho, Montana, Oregon, and Washington. The NPUCARF operates out of space provided to it free by the Association. The work of the NPUCARF is done through the management and accounting support services provided by the Union. The officers and directors of the NPUCARF are not otherwise compensated by the NPUCARF for their services. In general, each is an employee of, and is compensated by the Union.

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

**Notes to the Special-Purpose Schedules  
For the years ended December 31, 2020 and 2019**

**Note 1 - Organizational description and summary of significant accounting policies (continued)**

Constituent Conferences and Associations - the NPUCARF oversees loans for building and other capital improvement activities in the states of Alaska, Idaho, Montana, Oregon, and Washington. Activities in each region are administered by unincorporated Conferences and incorporated Associations. The President of each Conference is a member of the Union Executive Committee. The Union officers are invitees of each Conference's Executive Committee. These constituent Conferences and Associations are:

Alaska Conference and Corporation of Seventh-day Adventists  
Idaho Conference of Seventh-day Adventists, Inc.  
Montana Conference of Seventh-day Adventists, Inc.  
Oregon Conference and Western Oregon Conference Association of Seventh-day Adventists  
Upper Columbia Conference and Corporation of Seventh-day Adventists  
Washington Conference and Western Washington Corporation of Seventh-day Adventists

Walla Walla University (WWU) - WWU is a separately incorporated organization operated by its own board and formed by the Union to provide Seventh-day Adventist higher learning opportunities. The President of each Conference is a member of WWU's Board of Trustees and the President of the Union is the Chairman of the Board. Operating and capital appropriations are made to WWU by each Conference through the Union.

(i) Fund accounting: to ensure observance of limitations and restrictions placed on the use of resources available to the NPUCARF, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial schedules, the revolving and sinking funds have been combined into groups, and totals are presented for the NPUCARF as a whole. The sinking fund is a reserve fund established to protect the assets of the revolving fund and is financed by transfers from revolving fund net income. The sinking fund assets are invested in securities that give a maximum return while maintaining liquidity.

(j) Concentrations of risk: cash, which exceeded the federally insured limits from time to time during the year, is deposited with high-credit quality financial institutions. The NPUCARF's assets include \$27,320,814 of notes and loans receivable from Seventh-day Adventist affiliated organizations within its territory. These loans represent 43% of the NPUCARF's total assets. Management's estimate of the collectability of these loans could be subject to economic conditions that could cause loss of income among church members and entities, and could also be subject to change if any significant number of individuals cease to be active members of these church entities.

(k) Changes in presentation: certain amounts in the prior year's financial schedules have been reclassified to conform with the current year's presentation.

**Note 2 - Cash and cash equivalents**

	2020	2019
	<u>Total</u>	<u>Total</u>
Checking accounts	\$ 4,116,860	1,584,747
Money market accounts	4,935,644	232,307
Total cash and cash equivalents	<u>\$ 9,052,504</u>	<u>1,817,054</u>

**Note 3 - Investments**

	2020			2019		
	Cost	Fair Value	Unrealized Appreciation (Decline)	Cost	Fair Value	Unrealized Appreciation (Decline)
<u>Carrying amount and fair value</u>						
<u>Investments held for operating</u>						
Time deposits (longer than 3 months) \$	1,962,000	2,002,180	40,180	10,492,000	10,522,759	30,759
U.S. government bonds	21,313,724	20,882,838	(430,886)	9,593,962	17,638,212	8,044,250
Debt securities	1,862,475	1,275,781	(586,694)	584,815	724,264	139,449
Mutual funds	52,577	60,000	7,423.00	-	-	-
Equity securities	2,222,869	2,442,558	219,689	-	-	-
Totals for operating	<u>\$ 27,413,645</u>	<u>26,663,357</u>	<u>(750,288)</u>	<u>20,670,777</u>	<u>28,885,235</u>	<u>8,214,458</u>

The carrying amount is stated at fair value.

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

**Notes to the Special-Purpose Schedules  
For the years ended December 31, 2020 and 2019**

**Note 3 - Investments (continued)**

Composition of investment return

	2020	2019
	<u>Total</u>	<u>Total</u>
Investment income (interest and dividends)	\$ 634,408	782,624
Realized gain (loss) on sale of investments	316,507	(224,700)
Unrealized gain (loss) on sale of investments	(125,554)	796,429
Net gain (loss) on investments for which carrying value is fair value *	190,953	571,729
Total investment return	<u>\$ 825,361</u>	<u>1,354,353</u>

\* NPUCARF did not have any gain or loss on investments for which carrying value is not fair value.

NPUCARF is subject to accounting principles that require disclosure about the information used to determine fair values of assets and liabilities on either a recurring or non-recurring basis. This information is separated into three "levels" of inputs, as follows:

Level 1: observable quoted market price in active markets for identical assets or liabilities.

Level 2: direct or indirect observable market data, such as quoted prices in inactive markets for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and other observable market data correlated to identical or similar assets or liabilities.

Level 3: unobservable inputs and assumptions based on judgment and the best information available to the entity.

NPUCARF used the following inputs to determine fair values of assets valued on a recurring basis.

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Time deposits (longer than 3 months) \$	-	2,002,180	-	-	10,522,759	-
U.S. government bonds	20,882,838	-	-	17,638,212	-	-
Debt securities	1,275,781	-	-	724,264	-	-
Mutual funds	60,000	-	-	-	-	-
Equity securities	2,442,558	-	-	-	-	-
Totals	<u>\$ 24,661,177</u>	<u>2,002,180</u>	<u>-</u>	<u>18,362,476</u>	<u>10,522,759</u>	<u>-</u>

**Note 4 - Notes and loans receivable**

Constituent Conferences, 4.5%\*, due 90 days from demand  
All other entities, 4.5%\*, due 90 days from demand  
Total notes and loans receivable

	2020		
	Current	Long-term	Total
\$	610,169	-	610,169
	26,710,645	-	26,710,645
\$	<u>27,320,814</u>	<u>-</u>	<u>27,320,814</u>

Constituent Conferences, 5%, due 90 days from demand  
All other entities, 5%, due 90 days from demand  
Total notes and loans receivable

	2019		
	Current	Long-term	Total
\$	658,698	-	658,698
	23,773,691	-	23,773,691
\$	<u>24,432,389</u>	<u>-</u>	<u>24,432,389</u>

\* Effective May 1, 2020 the interest rate was lowered to 4.5%

Impaired notes:

NPUCARF has purchased seven American Eagle Mortgage, LLC promissory notes, which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments could not be collected. The carrying amount of those is as follows:

American Eagle Mortgage, LLC, in receivership  
Allowance for uncollectible notes  
Total impaired notes receivable

	2020		
	Current	Long-term	Total
\$	-	718,671	718,671
	-	(718,671)	(718,671)
\$	<u>-</u>	<u>-</u>	<u>-</u>

American Eagle Mortgage, LLC, in receivership  
Allowance for uncollectible notes  
Total impaired notes receivable

	2019		
	Current	Long-term	Total
\$	-	718,671	718,671
	-	(718,671)	(718,671)
\$	<u>-</u>	<u>-</u>	<u>-</u>

For these purchased credit impaired notes disclosed above, NPUCARF increased the allowance for notes receivable by \$718,671 during 2019. No allowances for note losses were reversed during 2020.

**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS  
REVOLVING FUND**

**Notes to the Special-Purpose Schedules  
For the years ended December 31, 2020 and 2019**

**Note 5 - Notes and loans payable**

North Pacific Union Conference and Association, 1.75%\*, due 90 days from demand  
Constituent Conferences and Associations, 1.75%\*, due 90 days from demand  
All other entities, 1.75%\*, due 90 days from demand  
Total notes and loans payable

2020		
	Current	Long-term
\$	1,218,000	-
	8,994,549	-
	31,751,832	-
\$	41,964,381	-
		41,964,381

North Pacific Union Conference and Association, 2.25%, due 90 days from demand  
Constituent Conferences and Associations, 2.25%, due 90 days from demand  
All other entities, 2.25%, due 90 days from demand  
Total notes and loans payable

2019		
	Current	Long-term
\$	1,218,000	-
	7,020,925	-
	26,927,397	-
\$	35,166,322	-
		35,166,322

\* Effective May 1, 2020 the interest rate was lowered to 1.75%

**Note 6- Allocated net assets**

	Balance 2019	Allocation Made	Transfers between funds	Allocation Released	Balance 2020
Revolving fund	\$ 8,088,603	2,055,293	(455,794)	1,201,278	8,486,824
Sinking fund	11,955,109	624,336	443,900	385,002	12,638,343
Total allocated net assets	\$ 20,043,712	2,679,629	(11,894)	1,586,280	21,125,167

Net assets without donor restrictions: The Board of Trustees of the North Pacific Union Conference Association has several standing policies that affect the presentation of committee designations on net assets. Management maintains reserves for the revolving fund. Additionally, a sinking fund is provided in accordance with the Working Policy of the General Conference of Seventh-day Adventists, North American Division.

**Note 7 - Basis of special presentation**

The accompanying schedules include only the accounts and activity of NPUCARF, which is a department of North Pacific Union Conference Association of Seventh-day Adventists (Association). Compliance with FASB Accounting Standards Codification 958-210-45 would require the whole organization to be included in general use financial statements. The Association believes this special presentation is useful to analyze this department apart from the rest of the entity.

**Note 8 - Commitments**

As of December 31, 2020, the Association's Board had approved loans to Seventh-day Adventist affiliated churches, schools, and other organizations for which cash withdrawals had not yet been made. The total amount of these commitments was approximately \$2,914,262. The total commitment amount does not necessarily represent future cash requirements, since the borrower's cash draws under the terms of the loan at a specific time may not total the full amount agreed to be loaned by the Association. Other circumstances could arise prior to funding a draw on the loans, resulting in the Board changing its approval for, or the terms of, these loans. The terms, conditions, and interest rates for these loans are comparable to those given to existing borrowers.

**Note 9 - Impact of COVID-19**

The COVID-19 outbreak in the United States has caused disruption of operations through mandated and voluntary closings of many businesses and non-profits, various "stay at home" orders, and significant unemployment. COVID-19's impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on investment performance, ability of loan holders to pay, depositors need for funds and withdrawal requests, and demand for loans, all of which are uncertain and cannot be predicted. Therefore, while the NPUCARF expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.



# REPORT TO GOVERNANCE 2020

NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF  
SEVENTH-DAY ADVENTISTS REVOLVING FUND



# TABLE OF CONTENTS

---

<b>Executive Summary</b>	1
<b>Analysis of Performance and Position</b>	
Financial Summary	2
Financial Trends	3
Financial Ratios	4
<b>Key Findings and Analysis</b>	
Audit Opinion	5
Policy Compliance Report	6
Deficiencies in Internal Control	7
<b>Audit Adjustments and Unadjusted Differences</b>	8
<b>Emerging Issues</b>	9
<b>The Audit Process</b>	10
<b>About Your Auditors</b>	11
<b>Required Communications with Governance</b>	12





EXECUTIVE SUMMARY

1

SCOPE

- We conducted an audit of the special-purpose financial schedules of North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund, a department of North Pacific Union Conference Association of Seventh-day Adventists, in order to express an opinion for the year ended December 31, 2020.
- Our audit was conducted in accordance with United States of America auditing standards adopted by the Seventh-day Adventist denomination.
- Those standards require us to plan and perform the audit to obtain reasonable assurance whether the special-purpose financial schedules are free from material misstatement.

MATERIALITY

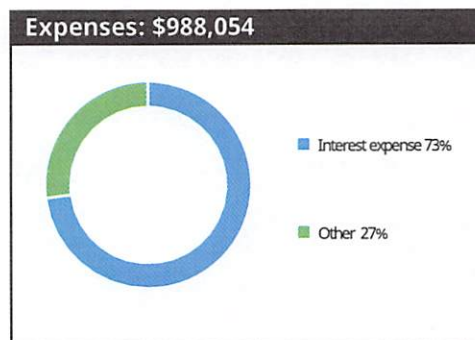
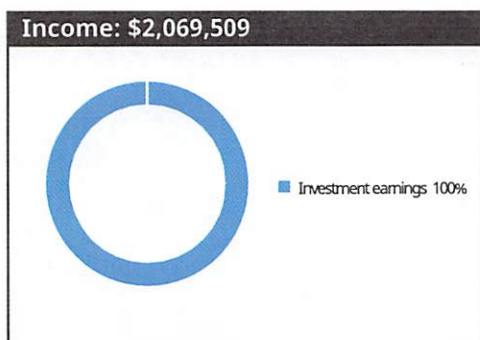
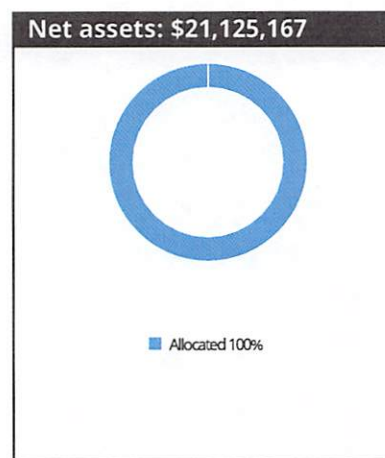
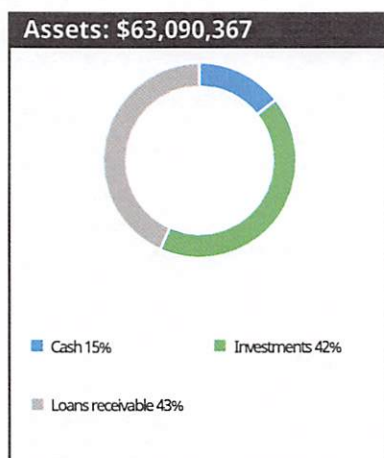
- Materiality is the size of a misstatement or omission that could be expected to influence the decisions of the financial statements' users.
- Our audit was conducted based on a materiality which was calculated using the benchmark of a combination of total assets and total revenue after considering qualitative and quantitative factors. Materiality benchmarks were selected to represent the measure most relevant to users of the financial statements.

RESULTS

Opinion	Unmodified
Policy Compliance Report	Standard
Internal control deficiencies	Not present
Significant audit adjustments	Not present

## FINANCIAL SUMMARY

2

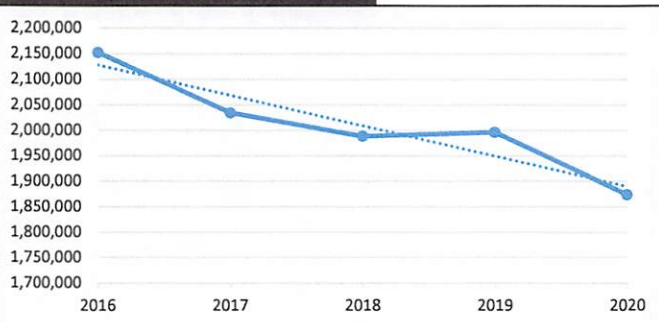




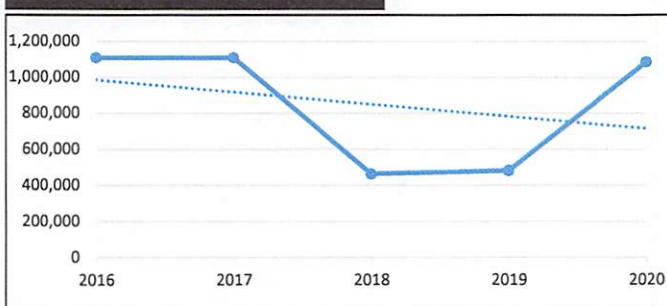
## FINANCIAL TRENDS

3

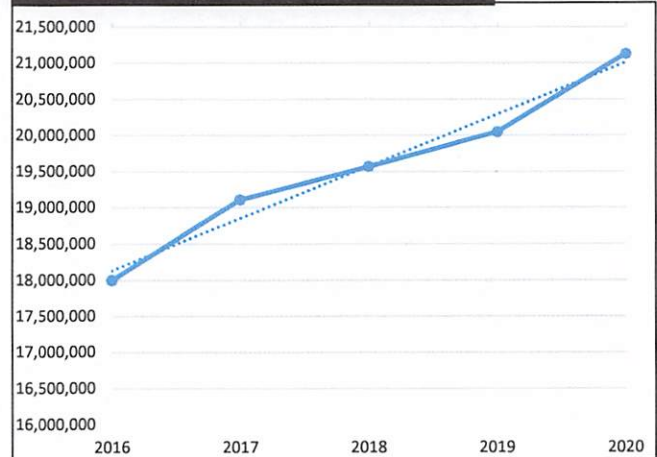
### Investment income



### Net income



### Net assets



## FINANCIAL RATIOS

4

			2020	2019	2018
<b>Debt percentage</b>	<i>Lower ratio indicates more capacity to meet commitments</i>	$\frac{\text{Operating liabilities}}{\text{Operating net assets}}$	199%	175%	193%
<b>Net asset percentage</b>	<i>Higher percentage indicates greater proportion of assets available for operations</i>	$\frac{\text{Net assets}}{\text{Total assets}}$	33%	36%	34%

## AUDIT OPINION

5

### RESULTS

Unmodified opinion

### DEFINITION

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

### OTHER INFORMATION

Emphasis of matter

*Special-purpose nature of the financial schedules*

Other matter

*Use restricted to specified users*



*Please refer to the auditor's opinion attached to the audited financial schedules for more detail.*

May 19, 2021

To the Board of Trustees  
North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund, a department of  
North Pacific Union Conference Association of Seventh-day Adventists

We have audited, in accordance with United States of America auditing standards adopted by the Seventh-day Adventist denomination, the special-purpose financial schedules of North Pacific Union Conference Association of Seventh-day Adventists Revolving Fund (NPUCARF), a department of North Pacific Union Conference Association of Seventh-day Adventists, which comprise the special-purpose schedule of financial position as of December 31, 2020, and the special-purpose schedule of changes in net assets and schedule of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. We have issued our special report thereon dated May 19, 2021. Our special report includes an Emphasis of Matter paragraph about the special-purpose nature of the financial schedules and an Other Matter paragraph about the use restricted to specified users.

In connection with our audit, as internal auditors of the General Conference of Seventh-day Adventists, nothing came to our attention that caused us to believe that the NPUCARF failed to comply with the Working Policy of the General Conference of Seventh-day Adventists, North American Division insofar as it relates to those policies designated as "core" policies. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

*General Conference Auditing Service*

NADWP S 60 05 (4) requires auditors to inform the governing committee whether the provisions of insurance coverage are in harmony with working policy.

INSURANCE COVERAGE	FINDINGS
NADWP S 60 05 (4) – Applicable insurance coverage meets established minimums	No noted noncompliance with insurance coverage

## MATERIAL WEAKNESSES IN INTERNAL CONTROLS

7

The purpose of the audit was to express an opinion on the financial statements and included consideration of internal control over financial reporting to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control, therefore we do not express an opinion on the effectiveness of internal control.

Our consideration of internal control was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A **material weakness** is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

No material weaknesses were noted

# AUDIT ADJUSTMENTS AND UNADJUSTED DIFFERENCES | 8

DESCRIPTION	ASSETS	LIABILITIES	BEGINNING NET ASSETS	REVENUE	EXPENSE	NET INCOME
<i>Significant audit adjustments accepted by management:</i>  We did not propose any significant audit adjustments for 2020						
<i>Unadjusted differences considered by management to be immaterial:</i>  There were no misstatements aggregated by us during the audit which were not corrected						

### **Accounting for leases**

- The FASB issued ASU 2016-02, Leases, in February 2016. This new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to the lease, the lessee and the lessor. This new standard was to be effective for most not-for-profit organizations for fiscal years beginning after December 15, 2019, but has now been deferred for that group of organizations until December 15, 2021. Under the pre-existing standard, a majority of leases have not been reported on a lessee's balance sheet. This new standard requires a lessee to recognize assets and liabilities for the rights and obligations created by leases, thereby causing most leases to be reported on a lessee's balance sheet in the future.





### Agree

Develop and agree on written terms of engagement with the client

### Obtain

Obtain information about client's accounting and financial reporting system

### Assess

Assess the risk of material misstatement, whether due to error or fraud

### Perform

Design and perform audit procedures based on assessed risk of material misstatement

### Conclude

Analyze results, draw conclusions, and form an opinion about the financial statement

### Report

Prepare and issue audit opinion and other communications to prescribed recipients



## ABOUT YOUR AUDITORS

11

GCAS provides assurance and related services to organizations of the Seventh-day Adventist church. With approximately 275 professionals, operating from 45 regional offices, we make delivering excellence our signature every day.

**We serve God by delivering excellent audit services to the Seventh-day Adventist Church!**

The auditor responsible for the 2020 audit is:



Melissa Reynolds  
Regional Manager

[ReynoldsM@gcasconnect.org](mailto:ReynoldsM@gcasconnect.org)

Melissa Reynolds, MSA, CPA, CGMA serves GCAS as the Regional Manager for the North Pacific Office. Melissa joined GCAS in 2010. She is a Certified Public Accountant licensed in the State of California, and is a Chartered Global Management Accountant. She is a member in good standing of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.



**VISIT US AT GCASCONNECT.ORG**

## REQUIRED COMMUNICATIONS WITH GOVERNANCE

12-1

### MATTERS TO BE COMMUNICATED

#### Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the NPUCARF are described in Note 1 to the financial schedules.

### AUDITOR'S RESPONSE

No new accounting policies were adopted and the application of existing policies was not changed during 2020. We did not note any transactions the NPUCARF entered into during the year that were both significant and unusual, about which professional standards require us to inform you.

#### Restriction on distribution and use of report

This report is intended solely for the information and use of the officers of the NPUCARF, its audit committee, its governing committee, and the officers and their designees of higher denominational organizations, and is not intended to be, and should not be, used by anyone other than these specified parties.

## REQUIRED COMMUNICATIONS WITH GOVERNANCE

12-2

### MATTERS TO BE COMMUNICATED

### AUDITOR'S RESPONSE

#### Management judgment and accounting estimates

Fair value of investments - It is management's responsibility to make estimates about the fair value of investments, based on observable and unobservable market indicators, including quoted market prices and other information provided by investment managers and other market participants.

We evaluated the factors used by management to develop these estimates to determine whether they are reasonable in relation to the financial schedules taken as a whole.

Net realizable value of loans receivable - It is management's responsibility to make estimates of the net realizable value of loans receivable, based on terms of the loans, collection history, and knowledge of the financial condition of the debtors, especially debtors that are affiliated denominational entities.

We evaluated the factors used by management to develop these estimates to determine whether they are reasonable in relation to the financial schedules taken as a whole.





## North Pacific Union of Seventh-day Adventists

May 19, 2021

General Conference Auditing Service  
201 NE Park Plaza Drive, Suite 248  
Vancouver, WA, 98684

We are providing this letter in connection with your audit(s) of the statement(s) of financial position of North Pacific Union Conference Association Revolving Fund as of December 31, 2020 and 2019, and the related statements of changes in net assets and cash flows for the then ended. Your audits were for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of North Pacific Union Conference Association Revolving Fund in conformity with United States of America accounting generally accepted by the Seventh-day Adventist denomination. We confirm that we are responsible for fair presentation in the financial statements of the financial position, changes in net assets, and cash flows in conformity with United States of America accounting generally accepted by the Seventh-day Adventist denomination. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of May 19, 2021, the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination, and include all assets and liabilities under the organization's control.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of North Pacific Union Conference Executive Committee and Association Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We understand that fraud can take either of two forms; the misrepresentation of data in financial reports or the misappropriation of assets.
6. We have no knowledge of any fraud or suspected fraud (either misrepresentation of data or misappropriation of assets) affecting the Organization involving:
  - a. Management,

5709 N 20TH ST, RIDGEFIELD, WASHINGTON 98642 • 360.857.7000 • NPUC.ORG

ALASKA • IDAHO • MONTANA • OREGON • UPPER COLUMBIA • WASHINGTON

- b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud (either misrepresentation of data or misappropriation of assets) affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
8. Receivables recorded in the financial statements represent valid claims against debtors for charges and transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
9. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
- a. Identity of related parties, and summarized related party transactions and balances, including revenues, expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
13. North Pacific Union Conference Association Revolving Fund is an exempt organization under the Internal Revenue Service 501(c)3. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status have been disclosed to you. [Any activities subject to tax on unrelated business income or excise or other tax have been disclosed to you.] All required filings with tax authorities are up to date.
14. There are no:
- a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Un-asserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted by the Seventh-day Adventist denomination.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted by the Seventh-day Adventist denomination.
  - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.



- e. Instances in which the Organization or its subsidiaries have been named as a potential responsible party by any government environmental regulatory agency.
15. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
17. Except as outlined in the auditor's Report to Governance, the financial operations of the Organization were in conformity, in all material respects, with applicable policies of the Seventh-day Adventist denomination.
18. To the best of our knowledge and belief, no events have occurred subsequent to the date of the financial statements and through the date of this letter that would require adjustment to, or disclosure in, the financial statements, that is not already reflected therein.

**We have examined the audited financial statements and make the following representation by checking one of the boxes below.**

- ☐ We have examined the audited financial statements for North Pacific Union Conference Association Revolving Fund for the years ended December 31, 2020 and 2019. They are materially correct. Please provide final copies (in the format noted below) to our administrative officers, as required by policy.
- ☒ We have examined the audited financial statements for North Pacific Union Conference Association Revolving Fund for the years ended December 31, 2020 and 2019. Please make the corrections or adjustments to the financial statements described below. Please consider the suggested changes to the Report to Governance described below. Then please provide final copies (in the format noted below) to our administrative officers, as required by policy.

***Please see the attached email from Jay Graham, dated May 13, 2021 regarding four (4) items needed to be corrected.\_\_\_\_***

**Final report release process:** Electronic copies of the audit reports will be provided in two PDF portfolios.

- The **management portfolio** includes all reports and letters resulting from the audit.
- The **committee portfolio** includes the financial statement and opinion, Report to Governance, with management response, if any, client representation letter, and F-49. Denominational policy requires our CFO to distribute this portfolio to our audit committee and our governing committee.

The next meeting of our Audit Review Committee is scheduled a few weeks before August 25, 2021.

The next meeting of our North Pacific Union Conference Executive Committee and Association Board is scheduled for August 25, 2021

We plan to respond to the Report to Governance: ☐ Yes ☒ No

Signed: Mark D. [Signature] Title: CFO/TREASURER Date: 5/19/2021

Signed: Jay Graham Title: ASSOCIATE TREASURER Date: 5/19/2021  
Assn

Signed: John C. Freedman Title: President Date: 5/19/2021

Ben McClellan VP for Administration 5/19/2021

---

**From:** [Jay Graham](#)

**Sent:** Thursday, May 13, 2021 4:41 PM

**To:** [Dee Smith-Rivera](#); [Mark Remboldt](#)

**Cc:** [Melissa Reynolds](#)

**Subject:** RE: Draft Release: North Pacific Union Conference Association Revolving Fund 2020

Melissa/Dee,

I reviewed these FS and only have a few items for correction.

1. On note 1 (e) (pg 7), the last sentence, "Thus . . . . NPUCARF reflects working capital of only the operating funds." I'm not sure of what this means because the fund itself is the operating fund. When we do the combined funds for the Assn, we actually do have an 'operating fund'. Maybe this is where I'm getting confused. It's no big deal.
2. On note 1 (f) (pg 7). I think that should be 4.5% not 5% on the current rate on the notes.
3. On note 1 (j) (pg 8), I think the \$24,432,389 should be \$27,320,814. It looks like according to note 4 the \$24M is 2019's amount. According to my calculations, it should be 43% instead of 44%. Looks like 44% was last year's amount.
4. On note 3, the formatting for 'Mutual Funds' amounts need to have the decimals removed to be consistent with the other numbers.

That is all the changes that I see. Thanks for all your work on the audit and putting this report together.

Jay