



**NORTH PACIFIC UNION CONFERENCE OF
SEVENTH-DAY ADVENTISTS AND
NORTH PACIFIC UNION CONFERENCE
ASSOCIATION OF SEVENTH-DAY ADVENTISTS**

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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To the Executive Committee
North Pacific Union Conference of Seventh-day Adventists, and
The Board of Trustees
North Pacific Union Conference Association of Seventh-day Adventists
Ridgefield, Washington

We have audited the accompanying combined financial statements of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of changes in net assets and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, 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 combined financial statements 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 combined financial statements.



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 combined financial statements referred to above present fairly, in all material respects, the financial position of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination.

General Conference Auditing Service

July 2, 2019

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Combined Statement of Financial Position; page 1 of 2
December 31, 2018 and 2017

	2018	2017
	Total	Total
ASSETS		
<u>Current assets</u>		
Cash and cash equivalents (Note 2)	\$ 2,569,930	3,881,171
Cash held for agency funds (Note 2)	165,319	227,368
Investments (Note 3)	3,022,308	3,247,274
Accounts receivable, net (Note 5)	7,273,965	7,032,195
Notes receivable (Note 6)	34,000	34,000
Inventories and prepaid expense	95,345	82,773
Total current assets	<u>13,160,867</u>	<u>14,504,781</u>
 <u>Plant assets, net (Note 7)</u>	 <u>6,187,276</u>	 <u>6,326,915</u>
 <u>Other assets</u>		
Notes receivable (Note 6)	688,500	722,500
Real estate and miscellaneous	9,584	9,584
For other than operating funds:		
Cash and investments (Note 3)	51,665,686	52,851,363
Accounts receivable (Note 5)	146,533	149,454
Notes receivable (Note 6)	25,995,937	27,869,553
Real estate held for unconditional trusts	4,107,001	3,873,001
Total other assets	<u>82,613,241</u>	<u>85,475,455</u>
Total assets	<u>\$ 101,961,384</u>	<u>106,307,151</u>

See accompanying notes.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Combined Statement of Financial Position; page 2 of 2
December 31, 2018 and 2017

	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
LIABILITIES		
<u>Current liabilities</u>		
Accounts payable (Note 8)	\$ 6,045,366	6,368,462
Agency accounts	165,319	227,368
Total current liabilities	<u>6,210,685</u>	<u>6,595,830</u>
<u>Other liabilities</u>		
Accrued retirement allowances	182,651	158,052
For other than operating funds:		
Accounts payable (Note 8)	132,468	1,177
Notes payable (Note 9)	36,461,097	38,358,612
Present value income distributions to primary beneficiaries (Note 20)	8,788,744	9,896,652
Remainder interest for residual trust beneficiaries (Note 22)	9,731,767	9,859,940
Annuities held for others (Note 17)	1,704,097	2,398,283
Present value, annuity liability (Note 19)	3,295,650	3,627,115
Total other liabilities	<u>60,296,474</u>	<u>64,299,831</u>
Total liabilities	<u>66,507,159</u>	<u>70,895,661</u>
<u>Net assets</u>		
Unrestricted: unallocated	3,487,706	4,312,765
Unrestricted: allocated	22,083,201	21,890,340
Unrestricted: net invested in plant	5,542,727	5,044,340
Total net assets without donor restrictions	<u>31,113,634</u>	<u>31,247,445</u>
Temporarily restricted (Note 11)	4,300,591	4,124,045
Permanently restricted (Note 11)	40,000	40,000
Total net assets with donor restrictions	<u>4,340,591</u>	<u>4,164,045</u>
Total net assets	<u>35,454,225</u>	<u>35,411,490</u>
Total liabilities and net assets	<u>\$ 101,961,384</u>	<u>106,307,151</u>

See accompanying notes.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Combined Statement of Changes in Net Assets; page 1 of 2
For the Years Ended December 31, 2018 and 2017

	2018	2017
	Total	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Revenues and support without donor restrictions</u>		
Gross tithe income	\$ 8,788,490	8,862,780
Tithe percentages passed on	(883,550)	(868,682)
Net tithe income	7,904,940	7,994,098
Tithe exchanged with General Conference	(1,208,700)	(1,208,700)
Non-tithe funds from General Conference	1,208,700	1,208,700
Revolving Fund, net earnings (Note 15)	433,622	1,060,287
Matured trusts and wills without donor restrictions	-	142,458
Annuity fund (Note 16)	(60,668)	35,772
Appropriations without donor restrictions received	193,000	190,000
Investment earnings (Note 24)	25,573	94,926
Departmental fees and sales	649,601	739,260
Other income	158,449	188,944
Total revenues without donor restrictions	9,304,517	10,445,745
Released from net assets with donor restrictions (Note 11)	7,861,436	8,144,387
Total revenues and support without donor restrictions	17,165,953	18,590,132
<u>Expenses and losses</u>		
<u>Program services functions</u>		
Church ministries	2,919,292	2,978,324
Educational	7,383,673	7,386,573
Special services	1,561,512	1,403,473
Other	1,172,542	1,087,120
Total program services functions	13,037,019	12,855,490
<u>Supporting services functions</u>		
Administration - office resources	1,436,654	1,258,232
Conventions and meetings	445,686	75,118
Trust services	179,798	199,277
Other departments and services	928,960	915,024
Rental and miscellaneous	6,658	10,702
Retirement contribution to DB plan	1,298,836	1,280,973
Distributions and expenses of unconditional trusts (Note 21)	2,744,667	2,724,649
Total supporting services functions	7,041,259	6,463,975
Total expenses and losses (Note 13)	20,078,278	19,319,465
Net increase (decrease) from operations	\$ (2,912,325)	(729,333)

See accompanying notes.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Combined Statement of Changes in Net Assets; page 2 of 2
For the Years Ended December 31, 2018 and 2017

	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Net increase (decrease) from operations	\$ (2,912,325)	(729,333)
NONOPERATING ACTIVITY WITHOUT DONOR RESTRICTIONS		
Nonoperating revenue (Note 14)	107,845	107,845
Nonoperating expense (Note 14)	(74,000)	(133,000)
Net gain (loss) sales of assets (Note 14)	-	(721)
Released from net assets with donor restrictions (Note 11 and Note 14)	2,744,667	2,724,649
Total nonoperating activity increase (decrease)	2,778,512	2,698,773
Increase (decrease) net assets without donor restrictions	(133,813)	1,969,440
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Changes in net assets with temporary donor restrictions		
<u>Income with temporary donor restrictions</u>		
Subsidies	7,588,586	7,691,425
Offerings	3,220	3,806
Donations	370,601	271,186
Annuity fund (Note 16)	(1,775)	16,628
Unconditional trust agreements (Note 21)	2,822,019	2,554,070
Total restricted income received (Note 11)	10,782,651	10,537,115
Net assets released from restricted - operating (Note 11)	(7,861,436)	(8,144,387)
Net assets released from restricted - non operating (Note 11)	(2,744,667)	(2,724,649)
Increase (decrease) net assets with temporary donor restrictions	176,548	(331,921)
Changes in net assets with permanent donor restrictions		
Increase (decrease) in net assets with permanent donor restrictions	-	-
Increase (decrease) in net assets with donor restrictions	176,548	(331,921)
Increase (decrease) in net assets	42,735	1,637,519
Net assets, beginning	35,411,490	33,773,971
Net assets, ending	\$ 35,454,225	35,411,490

See accompanying notes.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Combined Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 42,735	1,637,519
<u>Adjustments to reconcile net income to net cash provided by operating activities</u>		
Depreciation and amortization	222,012	217,227
Gain on sale of plant assets	-	721
Realized (gain) loss on sale of investments	(905,494)	(778,981)
Unrealized (gain) loss in value of investments	2,891,929	(889,845)
Increase (decrease) present value liability of gift annuities	(1,024,106)	163,784
Increase (decrease) present value of income distributions	(1,107,908)	1,240,165
Increase (decrease) remainder interest to residual beneficiaries	(128,176)	(472,594)
(Increase) decrease - cash held for agency funds	62,049	16,845
(Increase) decrease - accounts receivable	(241,770)	(248,917)
(Increase) decrease - inventories and prepaid	(12,572)	20,633
(Increase) decrease - deposits and intangibles	-	11,989
(Increase) decrease - real estate and miscellaneous	(234,000)	(553,000)
Increase (decrease) - accounts payable	(193,097)	741,587
Increase (decrease) - accrued retirement allowances	24,599	7,538
Increase (decrease) - agency accounts	(62,049)	(16,845)
Net cash provided (used) by operating	<u>(665,848)</u>	<u>1,097,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	25,605,545	21,186,226
Purchase of investments	(26,181,329)	(22,432,828)
(Increase) decrease accounts receivable, other than operating	2,922	(304,294)
Increase (decrease) accounts payable, other than operating	(258)	264
Purchases of plant assets	(82,373)	(67,962)
New notes receivable issued	(2,800,481)	(2,893,925)
Payments received on notes receivable	4,708,096	6,045,602
Net cash provided (used) by investing	<u>1,252,122</u>	<u>1,533,083</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	868,255	951,299
Proceeds from depositors	(2,765,770)	(2,678,353)
Net cash provided (used) by financing	<u>(1,897,515)</u>	<u>(1,727,054)</u>
Net increase (decrease) cash and cash equivalents	(1,311,241)	903,855
Cash and cash equivalents, beginning of year	3,881,171	2,977,316
Cash and cash equivalents, end of year	<u>\$ 2,569,930</u>	<u>3,881,171</u>
<u>Supplemental cash flow data</u>		
Cash paid for interest	<u>\$ 855,426</u>	<u>893,639</u>

See accompanying notes.

**NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 1 – Organizational description and summary of significant accounting policies

Organization description

The North Pacific Union Conference of Seventh-day Adventists (Conference) and North Pacific Union Conference Association of Seventh-day Adventists (Association) (collectively, Organizations) are administrative entities within the General Conference of Seventh-day Adventists, North American Division (NAD). As such, the Organizations supervise the operation of all denominational activities within the states of Alaska, Idaho, Montana, Oregon, and Washington. Most of their dealings are with the constituent conferences and the NAD. The Association holds title to all of the Organizations' assets, and performs certain fiduciary duties.

The Organizations' primary purpose is to spread the gospel of Jesus Christ throughout their territory. They accomplish this by supervising the activities of constituent conferences (regional headquarters). The Organizations receive most of their revenue from contributions from the constituent conferences and the NAD.

The Organizations are religious not-for-profit organizations, and are 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 of the Internal Revenue Code. Washington State sales tax is applied for all purchases, as required by not-for-profit organizations in Washington State.

Summary of significant accounting policies

(a) Basis of accounting: The significant accounting policies of the Organizations 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 statements. The financial statements of the Organizations have been prepared on the accrual basis of accounting. In conformity with the accrual basis of accounting, the Organizations have evaluated events that occurred subsequent to the financial statement date, up to July 2, 2019, which is the date the financial statements were available to be issued.

(b) Use of estimates: The preparation of financial statements 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Restricted resources: The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(d) Plant assets and depreciation: Uses of operating funds for plant acquisitions and debt service payments are accounted for as committee approved transfers to plant funds. Such transfers include depreciation funding as well as additional movements of operating Funds. Restricted proceeds from sale of plant assets and restricted income from plant fund investments are recorded as restricted support. Both principal and interest payments made to retire plant fund indebtedness are recorded in the plant fund. Plant assets are recorded at cost when purchased or at fair market value at date of gift. Plant assets that cost less than \$1,000 are not capitalized, but are charged to expense. Depreciation of land improvements, buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense is recorded in the net invested in plant fund and reported by various program and supporting services in the Statement of Changes in Net Assets. The following ranges of estimates of useful lives are assigned to capital assets: Buildings: 40 years; Land Improvements: 10 years; Equipment: 3 to 20 years.

(e) Cash and equivalents: Cash equivalents are highly-liquid assets of the operating funds, which are readily convertible to cash and have a maturity date of three months or less 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 statement of cash flows as proceeds or purchases of investments.

(f) 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 statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, cash equivalents, accounts receivable, and certain other liabilities.

Notes and loans receivable are valued at the amortized amount receivable as of the reporting date. An allowance has been recorded based on an estimate of amounts which are not expected to be collected. The local conference shall make payments on loans over 60 days past due. Because these loans, by intent and practice, are expected to be held to maturity, the carrying amount 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 concluded that the amortized face value of loans receivable from related or affiliated entities approximates fair value.

Notes and loans payable are valued at the amortized amount payable as of the reporting date. Because these loans, by intent and practice, are expected to be amortized to maturity, the carrying amount 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 concluded that the amortized face of loans payable to related or affiliated entities approximates their fair 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.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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

Investments are valued at quoted market price or other reasonably obtainable market value estimate 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 valuation account is recognized as a gain or loss.

Real estate and other assets recorded in the Unconditional Trust Fund are valued at fair market value on the date they are transferred into trust.

(g) Inventory is stated at the lower of cost or fair market value, under the first-in, first-out method.

(h) 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 to use for other than current operations, or are committed allocated for the acquisition or construction of plant assets or for the liquidation of plant fund debt. This excludes from current liabilities the long-term portion of all debt, and plant fund debt payable within the next fiscal year to the extent covered by designated plant fund liquid assets. Working capital (current assets less current liabilities) for the Organizations usually reflects working capital of only the operating funds since usually no assets or liabilities of the plant fund are classified as current.

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

(j) Split-interest agreements: The Association acts as a trustee or is partial beneficiary in various kinds of trusts, annuities, and/or other split-interest agreements for which it acts as trustee or administrator. Other organizations are partial beneficiaries of some of these agreements. For those agreements that are irrevocable, assets are recorded by the Association at fair market value at the date of the gift or acceptance of the agreement. For agreements that designate other beneficiaries, liabilities are recorded for the present value of amounts due income beneficiaries and other remainder beneficiaries. Conservative discount rates are used to compute such present value amounts. Standard actuarial tables and conservative interest rates are used to compute liabilities due to annuitants. The Association's remainder interest is classified as temporarily restricted net assets until maturity of each agreement.

(k) Affiliated entities: The Organizations operate through several organizations with which they are affiliated by reason of membership on the respective governing boards of officers and other staff members of the Organizations. The financial statements of these other organizations are not combined with the Organizations' because they do not meet the criteria for consolidation. Inter-organization transactions carried on in the ordinary course of business are handled through current accounts receivable and payable, and are settled generally on a monthly basis. Other financial transactions involving appropriations, loans, and other long-term financing, are detailed in Notes 5, 8, 17, 22, 25, and 26 below. The specific organizations referred to above are:

The General Conference of Seventh-day Adventists (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.

The Organizations oversee denominational activities in the states of Alaska, Idaho, Montana, Oregon, and Washington. Activities in each region are administered by unincorporated and incorporated Conferences and Associations. The President of each Conference is a member of the Organizations' Executive Committee. The Organizations' officers are invitees of each Conference's Executive Committee.

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

(l) Fund accounting: To ensure observance of limitations and restrictions on resources available to the Organizations, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined into groups, and totals presented for the Organizations as a whole. The funds and fund groups are described in further detail below.

Operating funds: These consist of unrestricted and restricted resources available for current operations. This fund group reflects the combined operating activity of the Conference operating fund and the Association operating fund.

Plant funds: These consist of the unexpended plant and net invested in plant funds. The unexpended plant fund represents resources which were donor restricted or conference committee allocated for plant acquisitions. Since operating funds allocated by the conference committee can be returned to the operating funds by action of the committee, they are included in the unrestricted section of net assets, and appear as associated net assets. This balance includes the unused portion of funded depreciation, additional funds transferred for plant acquisitions, proceeds from sale of plant assets, and unrestricted plant fund investment earnings. The net invested in plant fund represents plant assets acquired, respective accumulated depreciation, and any respective debt.

Annuity fund: This represents funds subject to conditions of charitable gift annuity agreements. Assets are used to produce income to fund the life income payments to the annuitants. If the annuity is funded with real estate, annuity payments required under the agreements are guaranteed by the local institution which will receive the funds upon maturity. Such funds may only be used to meet regular annuity payments.

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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

Revolving Fund. The North Pacific Union Conference Association Revolving Fund was established in February 1978. Notes were issued to church members and church entities investing in the fund 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 North Pacific Union Conference (NPUC). The fund is registered in the State of Oregon and is authorized in the states of Alaska, Idaho, Montana, and Washington. A Sinking Fund is provided in accordance with General Conference policy.

Endowment fund: Represent funds that are subject to restrictions of gift instruments requiring that the principal be held in perpetuity, be invested, and only the income from such investments be used. The principal of true endowments is reported as Permanently Restricted Net Assets. Committee-directed quasi-endowments are reported as Allocated Unrestricted Net Assets.

Unconditional trust funds. An accounting entity for irrevocable trusts where assets are held in a trustee capacity.

(j) 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

	2018 Total	2017 Total
Imprest cash	\$ 310	310
Checking accounts	2,345,526	3,981,599
General Conference money fund	12,679	12,481
Money market funds	376,734	134,169
Less: cash held for agency	(165,319)	(227,368)
Total cash and cash equivalents	<u>\$ 2,569,930</u>	<u>3,881,171</u>

Note 3 – Investments

	2018		
	Cost	Market	Unrealized Appreciation (Decline)
<u>Investments held for operating</u>			
Certificates of deposit	\$ 1,216,000	1,194,328	(21,672)
Corporate bonds and notes	1,708,891	1,662,048	(46,843)
Preferred stock	167,444	165,932	(1,512)
Total operating investments at market value	<u>\$ 3,092,335</u>	<u>3,022,308</u>	<u>(70,027)</u>

	2017		
	Cost	Market	Unrealized Appreciation (Decline)
<u>Investments held for operating</u>			
Certificates of deposit	\$ 1,211,000	1,210,201	(799)
Corporate bonds and notes	1,772,955	1,751,143	(21,812)
Preferred stock	276,259	285,930	9,671
Total operating investments at market value	<u>\$ 3,260,214</u>	<u>3,247,274</u>	<u>(12,940)</u>

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 3 – Investments (continued)

	2018		
	Cost	Market	Unrealized Appreciation (Decline)
<u>Investments held for other than operating</u>			
<u>Cash</u>			
Petty cash	\$ 101	101	-
Checking accounts	5,881,300	5,881,300	-
Money market funds	1,100,424	1,100,424	-
Total cash	<u>6,981,825</u>	<u>6,981,825</u>	<u>-</u>
<u>Investments</u>			
Certificates of deposit	19,116,000	18,724,484	(391,516)
Corporate bonds and notes	6,760,429	5,912,602	(847,827)
Municipal bonds	-	-	-
US Government loan securities	2,596,679	2,554,656	(42,023)
Bond mutual fund	9,721,201	9,482,724	(238,477)
Equity mutual fund	6,957,655	6,771,259	(186,396)
Mutual funds	148,310	75,653	(72,657)
Common stock	77,335	68,317	(9,018)
Preferred stock	1,172,122	1,094,166	(77,956)
Total investments	<u>46,549,731</u>	<u>44,683,861</u>	<u>(1,865,870)</u>
Total other than operating investments at market value	<u>\$ 53,531,556</u>	<u>51,665,686</u>	<u>(1,865,870)</u>

	2017		
	Cost	Market	Unrealized Appreciation (Decline)
<u>Investments held for other than operating</u>			
<u>Cash</u>			
Petty cash	\$ 101	101	-
Checking accounts	5,467,056	5,467,056	-
Money market funds	708,445	708,445	-
Total cash	<u>6,175,602</u>	<u>6,175,602</u>	<u>-</u>
<u>Investments</u>			
Certificates of deposit	19,221,000	19,094,032	(126,968)
Corporate bonds and notes	8,225,704	7,604,573	(621,131)
Municipal bonds	103,089	108,553	5,464
US Government loan securities	1,101,899	1,067,629	(34,270)
Bond mutual fund	9,180,334	9,762,287	581,953
Equity mutual fund	6,416,169	7,445,501	1,029,332
Mutual funds	148,310	88,298	(60,012)
Common stock	77,335	80,469	3,134
Preferred stock	1,202,431	1,424,419	221,988
Total investments	<u>45,676,271</u>	<u>46,675,761</u>	<u>999,490</u>
Total other than operating investments at market value	<u>\$ 51,851,873</u>	<u>52,851,363</u>	<u>999,490</u>

The market value of investments changes with economic conditions.

Note 4 – Fair value measurement

The Organizations are subject to accounting provisions that require disclosure about the information used to determine fair values for assets and liabilities that are subject to fair value accounting either on a recurring or non-recurring basis. This information is separated into three "levels" of input as follows:

Level 1: Observable quoted market prices 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 the best information available to the entity.

2018	Level 1	Level 2	Level 3	Total
Assets recorded at fair value				
Certificates of deposit	\$ -	19,918,812	-	19,918,812
Debt securities	19,612,030	-	-	19,612,030
Equity securities	8,175,327	-	-	8,175,327
Total assets recorded at fair value	<u>\$ 27,787,357</u>	<u>19,918,812</u>	<u>-</u>	<u>47,706,169</u>

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Note 4 – Fair value measurement (continued)

2017	Level 1	Level 2	Level 3	Total
Assets recorded at fair value				
Certificates of deposit	\$ -	20,304,233	-	20,304,233
Debt securities	20,294,185	-	-	20,294,185
Equity securities	9,324,617	-	-	9,324,617
Total assets recorded at fair value	<u>\$ 29,618,802</u>	<u>20,304,233</u>	<u>-</u>	<u>49,923,035</u>

Note 5 – Accounts receivable

	2018 Total	2017 Total
<u>Accounts receivable held for operating</u>		
Accrued interest	\$ 2,483	2,354
GC/NAD	922	943
Local conference	7,052,647	6,965,004
Miscellaneous	217,913	80,206
Total accounts receivable	7,273,965	7,048,507
Less: allowance for uncollectable accounts	-	(16,312)
Net accounts receivable	<u>\$ 7,273,965</u>	<u>7,032,195</u>
	2018 Total	2017 Total
<u>Accounts receivable held for other than operating</u>		
Accrued interest	\$ 146,533	149,454
Total other than operating accounts receivable	<u>\$ 146,533</u>	<u>149,454</u>

Note 6 – Notes receivable- all funds

	2018 Current	2018 Long-term	2018 Total
<u>Notes receivable held for operating</u>			
Secured loan receivable, from the sale of real property 1/2 interest, 0% interest	\$ 34,000	688,500	722,500
Total operating funds notes receivable	<u>\$ 34,000</u>	<u>688,500</u>	<u>722,500</u>

	2017 Current	2017 Long-term	2017 Total
<u>Notes receivable held for operating</u>			
Secured loan receivable, from the sale of real property 1/2 interest, 0% interest	\$ 34,000	722,500	756,500
Total operating funds notes receivable	<u>\$ 34,000</u>	<u>722,500</u>	<u>756,500</u>

	2018 Current	2018 Long-term	2018 Total
<u>Notes receivable held for other than operating</u>			
Unsecured pooled mortgage loans receivable, interest only 8.00% to 9.00% interest, balloon payments due 2018 to 2023	\$ 593,672	124,999	718,671
Secured mortgage loans receivable, \$400 to \$8,528 per month 3.00% to 10.00% interest, balloon payments due 2019	1,015,075	59,483	1,074,558
Revolving Fund loans to conferences, churches, and schools, 5.00% interest, due 90 days from demand	24,202,708	-	24,202,708
Total other than operating notes receivable	<u>\$ 25,811,455</u>	<u>184,482</u>	<u>25,995,937</u>

	2017 Current	2017 Long-term	2017 Total
<u>Notes receivable held for other than operating</u>			
Unsecured pooled mortgage loans receivable, interest only, 8.00% to 9.00% interest, balloon payments due 2018 to 2023	\$ 192,000	526,671	718,671
Secured mortgage loans receivable 3.00% to 10.00% interest, balloon payments due 2019	1,032,949	5,317	1,038,266
Revolving Fund loans to conferences, churches, and schools 5.00% interest, due 90 days from demand	26,112,616	-	26,112,616
Total other than operating notes receivable	<u>\$ 27,337,565</u>	<u>531,988</u>	<u>27,869,553</u>

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Note 7 – Plant assets

	Total Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Balances 2018				
Land	\$ 1,503,343	-	1,503,343	-
Land improvements	187,508	187,508	-	-
Buildings	6,466,110	1,946,156	4,519,954	163,828
Equipment	1,438,471	1,274,492	163,979	58,184
Total plant assets	\$ 9,595,432	3,408,156	6,187,276	222,012

	Total Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Balances 2017				
Land	\$ 1,503,343	-	1,503,343	-
Land improvements	187,508	187,508	-	5,197
Buildings	6,466,110	1,782,328	4,683,782	163,827
Equipment	1,356,098	1,216,308	139,790	48,203
Total plant assets	\$ 9,513,059	3,186,144	6,326,915	217,227

	Cost 2017	Additions	Deletions	Cost 2018
Changes in cost 2018				
Land	\$ 1,503,343	-	-	1,503,343
Land improvements	187,508	-	-	187,508
Buildings	6,466,110	-	-	6,466,110
Equipment	1,356,098	82,373	-	1,438,471
Total plant assets	\$ 9,513,059	82,373	-	9,595,432

	Accumulated Depreciation 2017	Additions	Deletions	Accumulated Depreciation 2018
Changes in accumulated depreciation 2018				
Land improvements	\$ 187,508	-	-	187,508
Buildings	1,782,328	163,828	-	1,946,156
Equipment	1,216,308	58,184	-	1,274,492
Total accumulated depreciation	\$ 3,186,144	222,012	-	3,408,156

	Cost 2016	Additions	Deletions	Cost 2017
Changes in cost 2017				
Land	\$ 1,503,343	-	-	1,503,343
Land improvements	187,508	-	-	187,508
Buildings	6,466,110	-	-	6,466,110
Equipment	1,290,538	67,962	2,402	1,356,098
Total plant assets	\$ 9,447,499	67,962	2,402	9,513,059

	Accumulated Depreciation 2016	Additions	Deletions	Accumulated Depreciation 2017
Changes in accumulated depreciation 2017				
Land improvements	\$ 182,311	5,197	-	187,508
Buildings	1,618,501	163,827	-	1,782,328
Equipment	1,169,786	48,203	1,681	1,216,308
Total accumulated depreciation	\$ 2,970,598	217,227	1,681	3,186,144

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Note 8 – Accounts payable

	2018 Total	2017 Total
<u>Accounts payable held for operating</u>		
Accrued audit fees	\$ 94,292	69,142
Accrued medical	18,662	16,901
Accrued wages and payroll tax	149,984	140,008
Commercial accounts	29,351	18,033
Estate distribution	-	500,014
General Conference remittance and other	5,282,862	5,304,379
Local conferences	143,119	162,006
Miscellaneous	150,597	17,092
North American Division	142,177	103,895
Pacific Press Publishing Association	32,204	31,835
Walla Walla University	2,118	5,157
Total operating accounts payable	<u>\$ 6,045,366</u>	<u>6,368,482</u>
<u>Accounts payable held for other than operating</u>		
Miscellaneous	\$ 132,468	1,177
Total other than operating accounts payable	<u>\$ 132,468</u>	<u>1,177</u>

Note 9 – Notes payable

Notes payable held for other than operating

Revolving Fund account certificates and demand
notes payable to church members and conference organizations, 2.25% interest
Total other than operating notes payable

	2018 Current	2018 Long-term	2018 Total
\$ 36,461,097	-	-	36,461,097
\$ 36,461,097	<u>-</u>	<u>-</u>	<u>36,461,097</u>

Notes payable held for other than operating

Revolving Fund account certificates and demand
notes payable to church members and conference organizations, 2.25% interest
Total other than operating notes payable

	2017 Current	2017 Long-term	2017 Total
\$ 38,358,612	-	-	38,358,612
\$ 38,358,612	<u>-</u>	<u>-</u>	<u>38,358,612</u>

Principal payments due on notes payable are as follows:

2019 \$ 36,461,097

Total \$ 36,461,097

Note 10 – Allocated net assets- operating funds

Conference operating fund

	Balance 2017	Allocation Made	Allocation Released	Balance 2018
Church & evangelistic programs	\$ 28,957	1,101,978	1,053,837	77,098
Education programs	14,531	2,146,670	2,200,087	(38,886)
Medical & health programs	10,261	-	1,299	8,962
Humanitarian programs	7,798	20,000	5,692	22,106
Other programs	25,648	1,338,210	1,394,514	(30,656)
Conventions & meetings	144,350	201,901	445,686	(99,435)
Employee hospital and health benefit	-	318,412	318,412	-
Employee DB Retirement Plan	-	1,298,836	1,298,836	-
General administration	5,000	2,178,440	2,183,440	-
Recommended working capital	2,564,527	-	594,176	1,970,351
Unexpended plant capital functions	(30,000)	82,173	82,173	(30,000)
Total allocated net assets- conference operating fund	<u>2,771,072</u>	<u>8,686,620</u>	<u>9,578,152</u>	<u>1,879,540</u>

Association operating fund

General administration	513,476	2,874	516,350	-
Conference auxiliary	756,500	-	34,000	722,500
Total allocated net assets- association operating fund	<u>1,269,976</u>	<u>2,874</u>	<u>550,350</u>	<u>722,500</u>

Total allocated net assets- operating funds \$ 4,041,048 8,689,494 10,128,502 2,602,040

Net assets without donor restrictions: The Executive Committee of the North Pacific Union Conference of Seventh-day Adventists and the Board of Trustees of the North Pacific Union Conference Association of Seventh-day Adventists have several standing policies that affect the presentation of committee designations on net assets. Donations and bequests, without donor restrictions, are designated for Unrestricted Allocated Funds. Additionally, management maintains an operating reserve for working capital in accordance with guidelines of the North American Division Working Policy.

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Note 11 – Net assets with donor restrictions

	Balance 2017	Restricted Income	Restrictions Released	Balance 2018
Temporary restrictions				
<u>Conference operating funds</u>				
Adventist Health System	\$ 37,810	-	5,000	32,810
ASI-Pacific NW Chapter	17,461	49,281	51,076	15,666
College and university operating	-	2,919,265	2,919,265	-
Creation ministries	4,778	4,591	9,369	-
Cultural project- Hispanic scholarships	-	77	77	-
Disaster response	20,738	18,000	15,358	23,380
General evangelism	812,008	1,529,065	1,613,809	727,264
Global mission	1,524	3,220	4,744	-
"Give them the keys" initiative	5,000	-	5,000	-
Hispanic capital	15,181	21,527	36,708	-
In-house operations	-	2,000	2,000	-
K-12 operations	-	2,196,486	2,196,486	-
Miscellaneous operating appropriation	-	273,540	273,540	-
Native American evangelism	-	8,076	8,076	-
Regional capital	66,148	79,720	2,945	142,923
Regional development fund	-	24,101	24	24,077
Regional ministries	700	6,965	7,665	-
Regional special assistance	129,286	206,899	224,835	111,350
Religious Liberty Association NW	8,023	13,299	21,322	-
Religious Liberty book project	33,539	-	33,539	-
Small conference assistance	154,245	414,140	393,224	175,161
Temperance	311	390	701	-
Trade show books	20,307	-	20,307	-
Women's ministries	-	10,763	10,763	-
Youth activities	-	80,000	-	80,000
Total Conference operating funds	<u>1,327,059</u>	<u>7,861,405</u>	<u>7,855,833</u>	<u>1,332,631</u>
<u>Association operating funds</u>				
Agreement per NAD	62,264	-	5,603	56,661
Education	311,312	50,500	-	361,812
Evangelism	492,161	50,500	-	542,661
Global mission	16,882	-	-	16,882
Total Association operating funds	<u>882,619</u>	<u>101,000</u>	<u>5,603</u>	<u>978,016</u>
Total operating funds	<u>2,209,678</u>	<u>7,962,405</u>	<u>7,861,436</u>	<u>2,310,647</u>
<u>Annuity funds</u>				
Education	347	(390)	-	(43)
Global mission	571	(1,385)	-	(814)
Total annuity funds	<u>918</u>	<u>(1,775)</u>	<u>-</u>	<u>(857)</u>
<u>Unconditional trust funds</u>				
Unconditional trusts	1,913,449	2,822,019	2,744,667	1,990,801
Total unconditional trust funds	<u>1,913,449</u>	<u>2,822,019</u>	<u>2,744,667</u>	<u>1,990,801</u>
Total other than operating funds- net assets with donor restrictions	<u>1,914,367</u>	<u>2,801,973</u>	<u>2,744,667</u>	<u>1,989,944</u>
Total net assets with temporary donor restrictions	<u>\$ 4,124,045</u>	<u>10,764,378</u>	<u>10,606,103</u>	<u>4,300,591</u>
Permanent restrictions				
<u>Association operating funds</u>				
Nelson evangelism endowment	\$ 40,000	-	-	40,000
Total net assets with permanent donor restrictions	<u>\$ 40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total net assets with donor restrictions	<u>\$ 4,164,045</u>	<u>10,764,378</u>	<u>10,606,103</u>	<u>4,340,591</u>

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Note 12 – Endowments

Administration has interpreted the Washington Prudent Management of Institutional Funds Act (WPMIFA) to require the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds (absent explicit donor stipulations to the contrary).

As a result of this interpretation, the Organizations classify as permanently restricted net assets:

- (a) The original value of gifts donated as permanent endowments,
- (b) The original value of subsequent gifts to the permanent endowment,
- (c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard prescribed by WPMIFA.

In accordance with WPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowments.

- (1) The duration and preservation of the endowment
- (2) The purposes of the Organizations and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organizations
- (7) The investment policies of the Organizations

Endowment investment policies - return objectives, risk parameters, and strategies

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowments that the Organizations must hold in perpetuity or for a donor-specified period, as well as committee-designated (quasi) endowments.

Under this policy, the endowment assets are invested in a manner that is intended to preserve capital with minimal risk. The Organizations have placed endowment assets in revolving fund deposits with an annual return of 2.25%.

Endowment spending policies and relation to investment objectives

The Organizations have adopted an endowment spending policy that directs them to appropriate for distribution each year all earnings, which equate to 2.25% of the endowment's value.

In establishing this policy, the Organizations considered the long-term expected return on their endowments. Accordingly, over the long term, the Organizations expect the current spending policy to allow their endowments to maintain their balance.

	Committee Designated	Temporarily Restricted	Permanently Restricted	2018 Total Donor Restricted
<u>2018 Endowment net asset composition</u>				
Donor-restricted endowments	\$ -	-	40,000	40,000
Committee-designated endowments	-	-	-	-
Total endowments	<u>\$ -</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<u>2018 Changes in endowment net assets</u>				
Net assets, beginning of year	\$ -	-	40,000	40,000
Contributions	-	-	-	-
Appropriation of assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>

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Note 12 – Endowments (continued)

	Committee Designated	Temporarily Restricted	Permanently Restricted	2017 Total Donor Restricted
<u>2017 Endowment net asset composition</u>				
Donor-restricted endowments	\$ -	-	-	-
Committee-designated endowments	-	-	-	-
Total endowments	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2017 Changes in endowment net assets</u>				
Net assets, beginning of year	\$ -	-	40,000	40,000
Contributions	-	-	-	-
Appropriation of assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<u>Composition of endowment net assets</u>				
<u>Permanently restricted net assets</u>				
Portion of perpetual endowments required to be retained permanently, either by explicit donor stipulation or by WPMIFA			\$ 40,000	40,000
Total Endowment assets classified as permanently restricted net assets			<u>\$ 40,000</u>	<u>40,000</u>

Note 13– Analysis of expenses

	<u>2018 Program Services</u>				
	Church Ministries	Educational	Special Services	Other	Total Program Services
Employee related expenses	\$ 738,232	433,731	555,952	357,442	2,085,357
Travel expenses	113,934	100,176	39,969	811	254,890
Appropriations	1,632,084	6,457,388	671,912	686,793	9,448,177
Office expenses	21,751	9,086	74,813	1,792	107,442
Program expenses	15,671	72,210	-	54,962	142,843
Administrative expenses	228,293	6,988	18,061	70,603	323,945
General expenses	43,450	232,878	177,811	139	454,278
Maintenance & depreciation	125,877	71,216	22,994	-	220,087
Total expenses	<u>\$ 2,919,292</u>	<u>7,383,673</u>	<u>1,561,512</u>	<u>1,172,542</u>	<u>13,037,019</u>
	<u>2018 Supporting Services</u>				
	Admin.	Retirement Contributions	Conventions & Meetings	Other Supporting Services	Total Supporting Services
Employee related expenses	\$ 1,043,983	1,293,070	-	250,877	2,587,930
Travel expenses	119,538	-	-	16,302	135,840
Appropriations	10,000	-	-	7,000	17,000
Office expenses	28,097	-	174	393,338	421,609
Program expenses	-	-	-	-	-
Administrative expenses	3,003	-	80,629	260,736	344,368
General expenses	85,527	5,766	364,883	2,800,282	3,256,458
Maintenance & depreciation	146,506	-	-	131,548	278,054
Total expenses	<u>\$ 1,436,654</u>	<u>1,298,836</u>	<u>445,686</u>	<u>3,860,083</u>	<u>7,041,259</u>
					<u>20,078,278</u>

Methods used for allocation of expenses among programs and supporting services

The financial statements report certain categories of expenses that are attributable to one program or supporting services of the Organizations. They are based on the actual functions of program and supporting services. No expenses are attributable to two or more program and supporting services of the Organizations. Health care expenses has its own function within supporting services. Health care expenses are allocated based on the percentage of employees working in each program or supporting service. Depreciation and maintenance are allocated on square footage and departmental use.

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Note 14 – Nonoperating activity without donor restrictions

	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
Interest income	\$ 7,845	7,845
Miscellaneous donations	100,000	100,000
Nonoperating revenue	<u>107,845</u>	<u>107,845</u>
Miscellaneous revenue	74,000	133,000
Nonoperating expense	<u>74,000</u>	<u>133,000</u>
Net value of plant assets sold	-	(721)
Net gain (loss) on sale of assets	<u>-</u>	<u>(721)</u>
Unexpended plant resources spent	(82,373)	(67,962)
Purchases added to net invested in plant	82,373	67,962
Net transfers between funds	<u>-</u>	<u>-</u>
Release from restrictions (Note 11)	2,744,667	2,724,649
Net nonoperating activity without donor restrictions	<u>\$ 2,778,512</u>	<u>2,698,773</u>

Note 15 – Revolving fund net earnings

	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
Investment earnings (Note 24)	\$ 1,305,032	1,970,251
Interest expense	(835,816)	(874,029)
Other expense	(35,594)	(35,935)
Total revolving fund net earnings	<u>\$ 433,622</u>	<u>1,060,287</u>

Note 16 – Annuity fund net earnings

	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
<u>Unrestricted activity</u>		
Gift annuities	\$ 25,000	-
Investment earnings (Note 24)	(7,278)	17,470
Miscellaneous income	813	2,153
Present value adjustment	(5,488)	69,822
Total unrestricted revenues, gains & other support	<u>13,047</u>	<u>89,445</u>
<u>Expenses and losses</u>		
Payments to annuitants	21,983	22,141
Matured distributions	-	30,829
Miscellaneous expenses	50,805	-
Investment expenses	927	703
Total expenses and losses	<u>73,715</u>	<u>53,673</u>
Increase (decrease) allocated unrestricted net assets	<u>\$ (60,668)</u>	<u>35,772</u>
<u>Activity with donor restrictions</u>		
Investment earnings (Note 24)	\$ (279)	1,255
Miscellaneous income	31	-
Present value adjustment	(476)	71,060
Net assets released from temporary restrictions	(1,051)	(55,687)
Increase (decrease) in temporarily restricted net assets	<u>\$ (1,775)</u>	<u>16,628</u>

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Note 17— Annuities held for others

Activity for annuities held for others is as follows

Unrestricted revenues and gains

	2018 Total	2017 Total
Investment earnings (Note 24)	\$ (244,584)	756,060
Miscellaneous income	78,111	-
Gift annuities	210,000	300,000
Present value adjustment	337,429	891,521
Total unrestricted revenues & gains	<u>380,956</u>	<u>1,947,581</u>

Expenses and losses

Annuity payments	579,017	606,013
<u>Matured annuity distribution</u>		
Oregon Conference	263,177	25,677
Upper Columbia Conference	114,045	224,302
Washington Conference	52,700	-
Other	35,053	55,676
Other expense	31,150	30,399
Total expenses and losses	<u>1,075,142</u>	<u>942,067</u>
Increase (decrease) annuities held for others	<u>(694,186)</u>	<u>1,005,514</u>
Beginning annuities held for others	<u>2,398,283</u>	<u>1,392,769</u>
Ending annuities held for others	<u>\$ 1,704,097</u>	<u>2,398,283</u>

Annuities held for others

Alaska Conference	\$ (404)	(141)
Idaho Conference	(6,502)	(6,860)
Montana Conference	18,215	24,715
Oregon Conference	895,464	1,193,186
Upper Columbia Conference	242,803	360,393
Washington Conference	309,599	451,767
Walla Walla University	87,575	105,155
Miscellaneous	157,347	270,068
Total annuities held for others	<u>\$ 1,704,097</u>	<u>2,398,283</u>

Note 18 – State reserve requirements for charitable gift annuities

State of Washington

The State of Washington requires the Association to maintain an reserves which are calculated by an independent actuary as required by RCW 48.38.020 of the Washington Insurance Code. The required reserve for annuities issued to Washington residents at December 31, 2018 and 2017, was \$1,881,288 and \$2,014,462, respectively. The total required reserve for all annuities, as of the same date was \$3,683,990 and \$3,989,826, respectively. The Association held assets for charitable gift annuities of \$4,985,816 and \$6,021,559 as of December 31, 2018, and 2017, respectively, which exceeded the reserves required the State of Washington.

Note 19 – Present value liability

Annuity fund

The annuity liability reflects the present value of the obligation due the annuitants. It is based on an assumed interest rate of 5.25% and the annuitants' life expectancy, which may vary from actual.

	2018 Total	2017 Total
Present value liability - current portion	\$ 671,445	755,561
Present value liability - long-term portion	2,624,205	2,871,554
Total present value liability	<u>\$ 3,295,650</u>	<u>3,627,115</u>

Unconditional trust fund

The income distributions to primary beneficiaries liability reflects the present value of the obligation due the income beneficiaries. It is based on an assumed interest rate of 5.25% to 6.00% and the annuitants' life expectancy, which may vary from actual.

Note 20 – Present value liability (continued)

	2018 Total	2017 Total
Present value liability - current portion	\$ 1,292,187	1,380,002
Present value liability - long-term portion	7,496,557	8,516,650
Total present value liability	<u>\$ 8,788,744</u>	<u>9,896,652</u>

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Note 21— Unconditional trusts' increase (decrease)

As of December 31, 2018 and 2017, respectively, the Organizations served as trustee for 59 and 75 irrevocable trusts which have been included in the financial statements, in accordance with the accounting standards. The activity for the Irrevocable Trusts is as follows:

	2018	2017
	<u>Total</u>	<u>Total</u>
<u>Restricted revenues and gains</u>		
Irrevocable trust agreement additions	\$ 1,418,318	666,146
Investment earnings (Note 24)	361,729	2,216,736
Other income	(194,112)	438,759
Total restricted revenue and gains	<u>1,585,935</u>	<u>3,321,641</u>
<u>Changes to restricted revenues and gains</u>		
Change in present value of income distributions to primary beneficiaries	1,107,908	(1,240,165)
Change in remainder interest to residual beneficiaries	128,176	472,594
Total changes to restricted revenues and gains	<u>1,236,084</u>	<u>(767,571)</u>
Net restricted revenues and gains	<u>2,822,019</u>	<u>2,554,070</u>
<u>Expenses and losses</u>		
Distributions to primary beneficiaries	663,582	623,293
Distributions to residual beneficiaries	1,564,264	1,668,544
Other expenses	516,821	432,812
Total unrestricted expenses and losses	<u>2,744,667</u>	<u>2,724,649</u>
Net unconditional trusts' increase (decrease)	<u>\$ 77,352</u>	<u>(170,579)</u>

Note 22 – Remainder interest for residual beneficiaries

	2018	2017
	<u>Total</u>	<u>Total</u>
<u>Unconditional trusts</u>		
Idaho Conference of SDA	\$ 581,483	696,645
Montana Conference of SDA	281,916	300,527
Oregon Conference and Western Oregon Conference Association of SDA	1,364,540	1,420,781
Upper Columbia Conference and Corporation of SDA	270,722	275,829
Washington Conference and Western Washington Corporation of SDA	30,424	73,351
Walla Walla University	1,835,608	1,803,779
Other Seventh-day Adventist entities	994,732	1,038,888
Other private/public charities	986,186	1,013,881
Individuals	216,481	201,179
Conditional trusts	<u>3,169,675</u>	<u>2,935,080</u>
Total remainder interest for residual beneficiaries	<u>\$ 9,731,767</u>	<u>9,859,940</u>

Note 23 – Revocable trust agreements

As of December 31, 2018 and 2017, the Organizations served as trustee of 4 and 7 revocable trusts, respectively. In accordance with accounting principles generally accepted by the Seventh-day Adventist denomination, these revocable trusts are not included in the financial statements. Generally, the Organizations are a remainder beneficiary of a portion of the trust assets.

The Organizations may be a beneficiary of wills or trusts administered by other trustees, of which the Organizations are not aware.

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Note 24— Investment earnings

	2018 Total	2017 Total
<u>Conference operating</u>		
Interest income	\$ 42,596	54,148
Unrealized capital gains (losses)	(27,058)	2,432
Total Conference operating	<u>15,538</u>	<u>56,580</u>
<u>Association operating</u>		
Interest income	38,680	38,439
Realized capital gains (losses)	(2,440)	(700)
Unrealized capital gains (losses)	(26,205)	607
Total Association operating	<u>10,035</u>	<u>38,346</u>
Total operating investment earnings	<u>\$ 25,573</u>	<u>94,926</u>
<u>Revolving fund</u>		
Interest income	\$ 1,941,191	1,966,917
Other income	7,945	7,233
Realized capital gains (losses)	14,431	8,598
Unrealized capital gains (losses)	(658,535)	(12,497)
Total revolving fund (Note 15)	<u>\$ 1,305,032</u>	<u>1,970,251</u>
<u>Annuity fund</u>		
<u>Annuity fund net earnings</u>		
<u>Unrestricted activity</u>		
Interest income	\$ 3,988	10,469
Realized capital gains (losses)	10,696	7,767
Unrealized capital gains (losses)	(21,962)	(766)
Total unrestricted activity (Note 16)	<u>(7,278)</u>	<u>17,470</u>
<u>Restricted activity</u>		
Investment income	152	527
Realized capital gains (losses)	409	391
Unrealized capital gains (losses)	(840)	337
Total restricted activity (Note 16)	<u>(279)</u>	<u>1,255</u>
Total annuity fund net earnings	<u>(7,557)</u>	<u>18,725</u>
<u>Annuities held for others</u>		
Interest income	133,994	130,571
Realized capital gains (losses)	359,387	336,142
Unrealized capital gains (losses)	(737,965)	289,347
Total annuities held for others (Note 17)	<u>(244,584)</u>	<u>756,060</u>
Total annuity fund	<u>\$ (252,141)</u>	<u>774,785</u>
<u>Unconditional trust fund</u>		
<u>Restricted activity</u>		
Interest income	\$ 896,048	1,011,819
Realized capital gains (losses)	543,621	453,288
Unrealized capital gains (losses)	(1,077,940)	751,629
Total unconditional trust fund (Note 21)	<u>\$ 361,729</u>	<u>2,216,736</u>

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Note 25 – Related party transactions

	2018 Total	2017 Total
<u>Appropriations received from</u>		
GC/NAD	\$ 4,571,626	4,521,653
Alaska Conference	77,237	67,164
Idaho Conference	197,368	205,780
Montana Conference	150,108	154,944
Oregon Conference	1,308,511	1,413,415
Upper Columbia Conference	1,224,681	1,245,755
Washington Conference	779,090	818,164
Miscellaneous organizations	70,258	47,768
Total appropriations received	<u>\$ 8,378,879</u>	<u>8,474,643</u>
	2018 Total	2017 Total
<u>Appropriations made to</u>		
Alaska Conference	\$ 626,170	630,343
Idaho Conference	554,767	515,804
Montana Conference	726,084	729,556
Oregon Conference	1,455,538	1,430,824
Upper Columbia Conference	1,186,099	1,070,902
Washington Conference	950,158	972,171
Miscellaneous organizations	355,941	198,658
Walla Walla University	4,181,513	4,193,330
Total appropriations made	<u>\$ 10,036,270</u>	<u>9,741,588</u>

Note 26 – Donated services

The NAD subsidizes the cost of auditing services within the NPUC territory. This subsidy was \$502,075 and \$568,330, for the years ended December 31, 2018 and 2017, respectively. The NPUC portion of this subsidy was \$49,958 and \$38,236 for the years ended December 31, 2018 and 2017, respectively. The NPUC pays the remainder of the cost of audits within its territory. This cost was \$250,491 and \$199,725 for the years ended December 31, 2018 and 2017, respectively. The NPUC has voted to bill local conferences for a portion of the audit costs. Local conferences were billed \$146,337 and \$220,957 for the years ended December 31, 2018 and 2017, respectively.

Note 27 – Pension and other post-retirement benefits

Defined benefit plans

The Organizations participate in the following non-contributory, defined benefit plans:

1. The defined benefit pension plan is known as the Seventh-day Adventist Retirement Plan of the North American Division (NADRP). This plan, which covers substantially all employees of the Organizations, is administered by the NAD, in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a "multiple-employer" plan of a church-related agency. This plan provides primarily monthly pension benefits based on years of service and other factors.

The NAD Committee voted to freeze accrual of service credit in NADRP effective December 31, 1999, except for employees who chose the career completion option, and to start a new defined contribution plan effective January 1, 2000. Certain employees will continue to be eligible for future benefits under this plan. The Organizations continue to make contributions to this plan, at rates determined annually by the plan.

2. The defined benefit health care plan is known as the General Conference of Seventh-day Adventist North American Division Retiree Auxiliary Healthcare Assistance and Death Benefit Plan (RAHAP). This plan, which covers substantially all employees of the Organizations, is administered by NAD in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a "multiple-employer" plan of a church-related agency. This plan provides primarily health-care benefits which supplement Medicare benefits. The extent of these benefits is based on years of service and the beneficiary's monthly contribution.

Accounting standards define these plans as "multiemployer" plans. As such, it is not required, nor is it possible, to determine the actuarial value of accumulated benefits or plan net assets for employees of the Organizations apart from other plan participants.

Information about the required contributions to these plans, the actuarial obligation for future benefits, and the funded status of these plans, are presented in the tables below. Because the following information is not publicly available, it is required to be disclosed on the basis of information received from each plan:

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Note 27 – Pension and other post-retirement benefits (continued)

Required contributions from the Organizations:

	<u>NADRP</u>	<u>RAHAP</u>	<u>TOTAL</u>
For the year ended December 31, 2018	\$ 1,004,817	263,655	1,268,472
For the year ended December 31, 2017	1,006,883	266,552	1,273,435

Total contributions received from all employers:

For the plan year ended December 31, 2018	Information not available	
For the plan year ended December 31, 2017	110,851,633	40,409,332

Whether the Organizations' contributions were more than or less than 5% of the total contributions

For the plan year ended December 31, 2018	Information not available	
For the plan year ended December 31, 2017	less than	less than

Plan net assets available for benefits:

For the plan year ended December 31, 2018	\$ Information not available	
For the plan year ended December 31, 2017	244,084,852	76,021,105

Actuarial obligation and funded status

	<u>NADRP</u>	<u>RAHAP</u>
Date of plan year-end for latest actuarial information	12/31/2016	12/31/2016
Actuarial liability for future benefits	\$ 1,549,579,512	504,418,761
Value of net assets available for benefits	\$ 221,751,327	60,247,027
Plan funded status as of date of last actuarial data	Less than 65%	Less than 65%

Risks and other information

The risks of participating in multiemployer plans are different from single-employer plans, in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organizations choose to stop participating in a multiemployer plan, the Organizations may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Other information about risks and contingencies related to these plans are as follows:

- Information about the plans is not publicly available, so no "certified zone status" has been determined.
- The Organizations' required contributions are not the subject of any collective bargaining agreement.
- No funding improvement plans or rehabilitation plans had been implemented or were pending.
- The Organizations have not paid any "surcharge" to either of the plans.
- No minimum contribution for future periods has been determined or required of the Organizations.

Defined contribution plan

Effective January 1, 2000, the Organizations participate in a defined contribution retirement plan known as "The Adventist Retirement Plan." This plan, which covers substantially all employees of the Organizations, is administered by NAD in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency. The Organizations contributed \$173,571 and \$169,040 to the plan for the years ended December 31, 2018 and 2017, respectively, based on a stated percentage of each employee's earnings and a stated matching percentage of certain employee voluntary contributions. Administration of the accumulated contributions designated for each employee is provided under an agreement between NAD Corporation and Great-West Life & Annuity Insurance Company.

Note 28 – Concentration of risk

The Organizations receive most of their revenue in the form of contributions from Seventh-day Adventist members, and contributions from the local constituent conferences. The amount of contributions is subject to changes in economic conditions that could cause loss of income to church members and local constituent conferences. The amount of contributions could also be subject to decrease if any significant number of individuals cease to be active members.

Cash, which exceeded the federally insured limits at certain times during the year and at year end, is deposited with high-credit-quality financial institutions.

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Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 29 – Liquidity and availability

Financial assets, at year-end*	2018
Less those unavailable for general expenditures within one year, due to:	\$ 95,678,763
<u>Contractual or donor-imposed restrictions:</u>	
Notes and loans receivable, noncurrent portion	(688,500)
Restricted by donor with time or purpose restrictions (Note 11)	(4,340,591)
Real estate held for unconditional trusts	(4,107,001)
<u>Board designations:</u>	
Funds allocated for specific operating purposes (Note 10)	(2,602,040)
Funds allocated for other funds liquidity	(19,481,161)
Financial assets available to meet cash needs for general expenditures within one year	\$ 64,459,470

* Total assets, less nonfinancial assets (e.g. PPE, inventory, prepaids)

As part of the Organizations' liquidity management, it invests cash in excess of daily requirements in short-term investments.

Note 30 – Working capital and liquidity

In order that adequate financial resources will be available for the sound and effective operation of all organizations, the Seventh-day Adventist denominational policy recommends organizations maintain specified levels of working capital and liquidity. This footnote summarizes the Organizations' operating fund working capital and liquidity as compared to the policy recommendation stated in the *North American Division of the General Conference of Seventh-day Adventists Working Policy* and the *Seventh-day Adventist Accounting Manual*.

	2018 Operating Funds	2017 Operating Funds
<u>Working capital</u>		
Total current assets	\$ 13,160,867	14,504,781
Less: total current liabilities	6,210,685	6,595,830
Total working capital	6,950,182	7,908,951
Recommended working capital	6,956,072	6,959,841
Working capital excess (deficit)	\$ (5,890)	949,110
Percent of recommendation	100%	114%
Current ratio	2.12 to 1	2.2 to 1
<u>Liquid assets</u>		
Cash	\$ 2,569,930	3,881,171
Cash held for agency	165,319	227,368
Investments	3,022,308	3,247,274
Accounts receivable - conference remittances	7,052,647	6,985,004
Accounts receivable - GC and NAD	922	943
Total liquid assets	12,811,126	14,321,760
<u>Less commitments</u>		
Current liabilities	6,210,685	6,595,830
Temporarily restricted net assets - operating	2,310,647	2,209,678
Total commitments	8,521,332	8,805,508
Liquid assets surplus (deficit)	\$ 4,289,794	5,516,252
Percent liquid assets to commitments	150%	163%
<u>Calculation of recommended working capital</u>		
50% of Conference unrestricted income	\$ 4,460,767	4,584,442
**20% of Association unrestricted income	2,007	7,669
Long term payables	182,651	158,052
***Temporarily restricted net assets - operating	2,310,647	2,209,678
Total recommended working capital	\$ 6,956,072	6,959,841

** Excluding amounts covered by specific non-current assets, and releases from restrictions.

*** Excluding matured trusts and wills.

Note 31 – Prior period restatement

During the year ended December 31, 2018, the financial statements of the prior period were restated to correct the recording of Donor Advised Funds that were incorrectly recorded as temporary donor restricted activity. Accordingly, the financial statements for 2017 have been restated to correct this error. The effect of the restatement was to decrease rental and miscellaneous expense, released from net assets with donor restrictions, and net assets released from restricted- non operating by \$133,000; increase nonoperating expense by \$133,000; decrease donations by \$107,845; increase nonoperating revenue by \$107,845; increase unrestricted: allocated net assets by \$649,527; and to decrease temporarily donor restricted net assets by \$649,527.

**NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 32 – Subsequent event

In May 2019, American Eagle Mortgage LLC, a subsidiary of American Equities, was placed in court-ordered receivership due to insolvency. The Association requested a full withdrawal of the funds from American Equities, which the company was unable to grant. The Association is working with outside legal counsel to seek recovery of the investment funds through the receivership process. The amount to be recovered from this process is still undetermined. The Association plans to return the \$718,671 to the five trustors affected by drawing from nonitthe funds in unrestricted accounts.



To the Executive Committee
North Pacific Union Conference of Seventh-day Adventists, and
The Board of Trustees
North Pacific Union Conference Association of Seventh-day Adventists
Ridgefield, Washington

Our audits of the financial statements of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists, which comprise the combined statements of financial position as of December 31, 2018 and 2017, were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This other financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, as internal auditors of the General Conference of Seventh-day Adventists, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

General Conference Auditing Service

July 2, 2019



NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS
Supplemental Statement of Financial Position
December 31, 2018

ASSETS	NPUC	NPUC	Eliminating Entries	Consolidated
<u>Current assets</u>				
Cash and cash equivalents (Note 2)	\$ 598,226	1,971,704	-	2,569,930
Cash held for agency funds (Note 2)	-	165,319	-	165,319
Investments (Note 3)	1,006,227	2,016,081	-	3,022,308
Accounts receivable, net (Note 5)	4,378	7,269,587	-	7,273,965
Notes receivable (Note 6)	34,000	-	-	34,000
Inventories and prepaid expense	-	95,345	-	95,345
Total current assets	<u>1,642,831</u>	<u>11,518,036</u>	<u>-</u>	<u>13,160,867</u>
<u>Plant assets, net (Note 7)</u>	<u>6,187,276</u>	<u>-</u>	<u>-</u>	<u>6,187,276</u>
<u>Other assets</u>				
Notes receivable (Note 6)	688,500	-	-	688,500
Real estate and miscellaneous	9,584	-	-	9,584
For other than operating funds:				
Cash and investments (Note 3)	51,665,686	-	-	51,665,686
Accounts receivable (Note 5)	146,533	-	-	146,533
Notes receivable (Note 6)	26,640,466	-	(644,549)	25,995,937
Real estate held for unconditional trusts	4,107,001	-	-	4,107,001
Inter-fund receivables	638,000	580,000	(1,218,000)	-
Total other assets	<u>83,895,790</u>	<u>580,000</u>	<u>(1,862,549)</u>	<u>82,613,241</u>
Total assets	<u>\$ 91,725,897</u>	<u>12,098,036</u>	<u>(1,862,549)</u>	<u>101,961,384</u>
LIABILITIES				
<u>Current liabilities</u>				
Accounts payable (Note 8)	\$ 43	6,045,323	-	6,045,366
Agency accounts	-	165,319	-	165,319
Total current liabilities	<u>43</u>	<u>6,210,642</u>	<u>-</u>	<u>6,210,685</u>
<u>Other liabilities</u>				
Accrued retirement allowances	-	182,651	-	182,651
For other than operating funds:				
Accounts payable (Note 8)	132,468	-	-	132,468
Notes payable (Note 9)	38,323,646	-	(1,862,549)	36,461,097
Present value income distributions to primary beneficiaries (Note 20)	8,788,744	-	-	8,788,744
Remainder interest for residual trust beneficiaries (Note 22)	9,731,767	-	-	9,731,767
Annuities held for others (Note 17)	1,704,097	-	-	1,704,097
Present value, annuity liability (Note 19)	3,295,650	-	-	3,295,650
Total other liabilities	<u>61,976,372</u>	<u>182,651</u>	<u>(1,862,549)</u>	<u>60,296,474</u>
Total liabilities	<u>61,976,415</u>	<u>6,393,293</u>	<u>(1,862,549)</u>	<u>66,507,159</u>
<u>Net assets</u>				
Unrestricted: unallocated	995,134	2,492,572	-	3,487,706
Unrestricted: allocated	20,203,661	1,879,540	-	22,083,201
Unrestricted: net invested in plant	<u>5,542,727</u>	<u>-</u>	<u>-</u>	<u>5,542,727</u>
Total unrestricted	<u>26,741,522</u>	<u>4,372,112</u>	<u>-</u>	<u>31,113,634</u>
Temporarily restricted (Note 11)	2,967,960	1,332,631	-	4,300,591
Permanently restricted (Note 11)	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total net assets with donor restrictions	<u>3,007,960</u>	<u>1,332,631</u>	<u>-</u>	<u>4,340,591</u>
Total net assets	<u>29,749,482</u>	<u>5,704,743</u>	<u>-</u>	<u>35,454,225</u>
Total liabilities and net assets	<u>\$ 91,725,897</u>	<u>12,098,036</u>	<u>(1,862,549)</u>	<u>101,961,384</u>

REPORT TO GOVERNANCE 2018



REPORT TO GOVERNANCE 2018

NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS
AND NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF
SEVENTH-DAY ADVENTISTS



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EXECUTIVE SUMMARY

SCOPE

- We conducted an audit of the combined financial statements of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists in order to express an opinion for the year ended December 31, 2018.
- 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 combined financial statements are free from material misstatement.

MATERIALITY

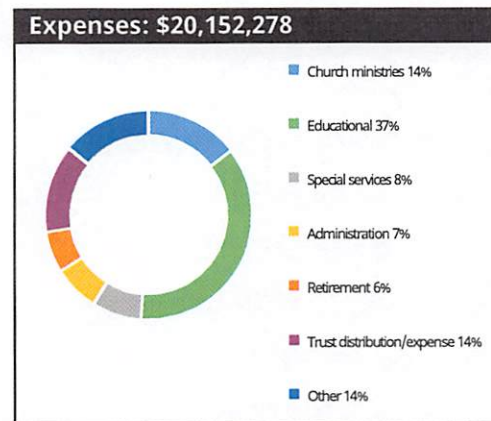
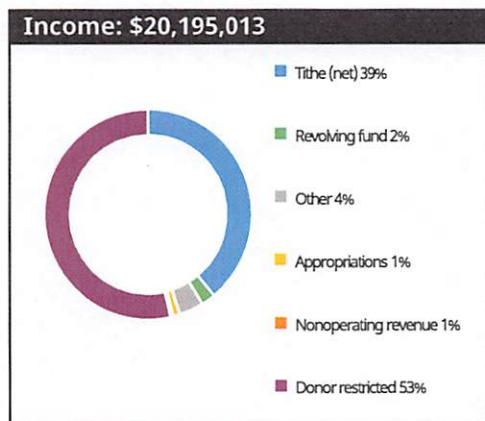
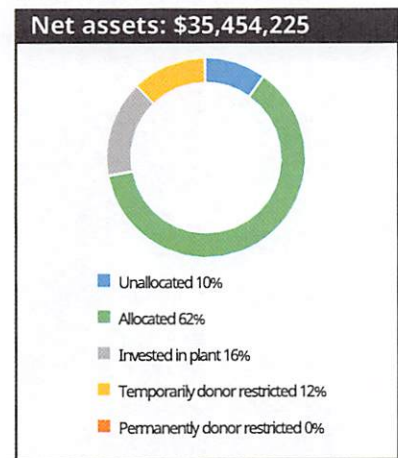
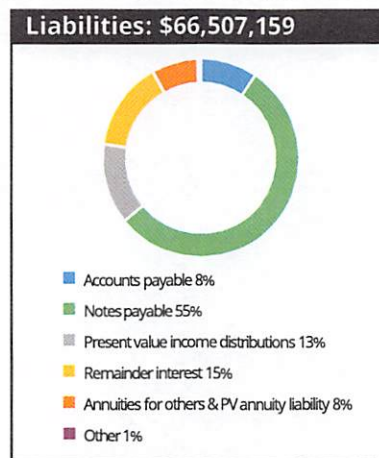
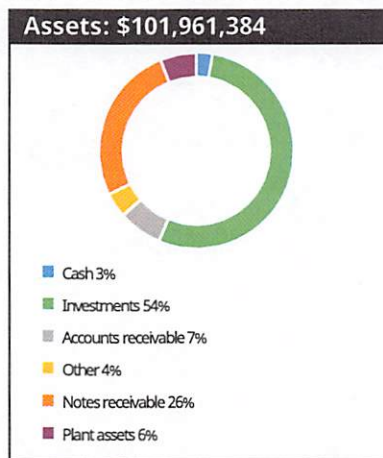
- Materiality is the size of a misstatement or omission that could be expected to influence the decisions of the financial statements' users.
- Our audit was conducted based on a materiality which was calculated using the benchmark of a combination of total assets and total revenue after considering 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	Present
Significant audit adjustments	Not present

FINANCIAL SUMMARY

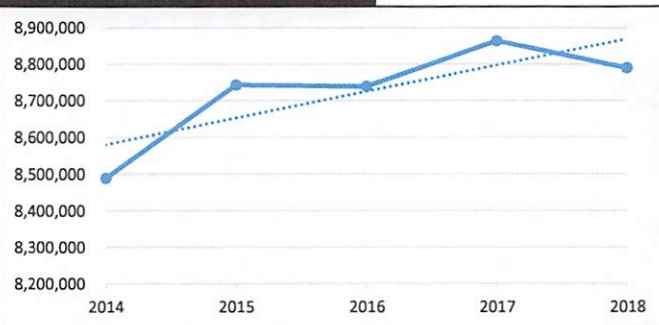
2



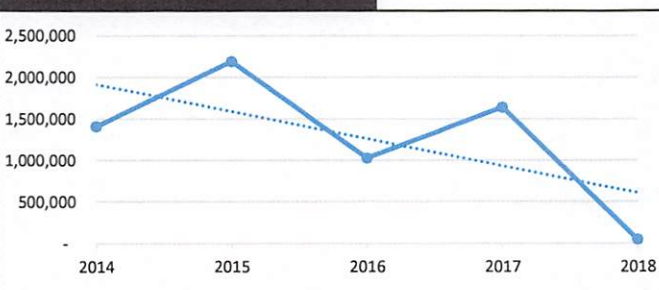
FINANCIAL TRENDS

3

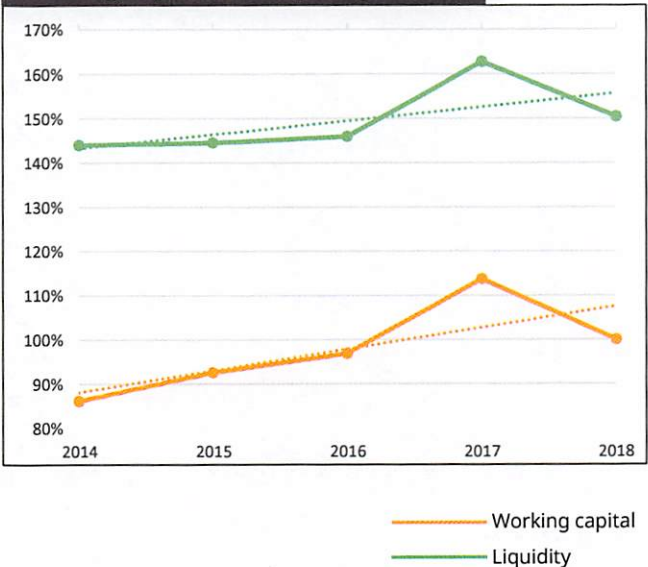
Tithe income



Net income



Working capital and liquidity



Key financial events

→ In 2018, net income was down due to unrealized investment losses

FINANCIAL RATIOS

4

			2018	2017	2016
Current ratio	<i>Higher ratio indicates greater ability to meet short-term obligations</i>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.12	2.20	2.27
Debt percentage	<i>Lower ratio indicates more capacity to meet commitments</i>	$\frac{\text{Operating liabilities}}{\text{Operating net assets}}$	74%	71%	63%
Net asset percentage	<i>Higher percentage indicates greater proportion of assets available for operations</i>	$\frac{\text{Net assets}}{\text{Total assets}}$	35%	33%	33%
Liquidity percentage	<i>Higher percentage indicates greater ability to pay obligations</i>	$\frac{\text{Liquid assets}}{\text{Total commitments}}$	150%	163%	146%
Working capital percentage	<i>Higher percentage indicates greater proportion of working capital recommended by policy</i>	$\frac{\text{Actual working capital}}{\text{Rec. working capital}}$	100%	114%	97%

AUDIT OPINION

5

RESULTS

Unmodified opinion

DEFINITION

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

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



POLICY COMPLIANCE

6

July 02, 2019

To the Executive Committee
North Pacific Union Conference of Seventh-day Adventists
To the Board of Trustees
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 combined financial statements of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists (Association) (collectively, Organizations), which comprise the combined statement of financial position as of December 31, 2018, and the combined statement of changes in net assets and statement of cash flows for the year then ended, and the related notes to the financial statements. We have issued our report thereon dated July 2, 2019.

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 Organizations 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

INSURANCE COVERAGE

North American Division Working Policy S 60 05 (4) requires auditors to inform the governing committee whether the provisions of insurance coverage are in harmony with working policy

FINDINGS

Nothing came to our attention that caused us to believe the Organizations' insurance coverage was not in harmony with the working policies regarding insurance.

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.

MATERIAL WEAKNESS	DEFICIENCY IN		REPORTED PRIOR YR?	POTENTIAL IMPACT	RECOMMENDATION
	DESIGN	OPERATION			
Physical inventory of plant assets not performed as required	-	✓	No	- Misappropriation could occur without timely detection - Failure to detect unrecorded disposals	Strengthen controls to ensure plant assets inventory is performed triennially
Sale of trust property not voted as required	-	✓	No	Fraud or errors could occur without timely detection	Strengthen controls to ensure committee authorization prior to sale
PREVIOUSLY REPORTED DEFICIENCIES RESOLVED				TYPE	RESOLUTION
Review controls did not detect or correct pass through donation incorrectly recorded				Material weakness	Strengthened review controls to ensure activity is correctly recorded

OTHER FINANCIAL MATTERS

8

OTHER FINANCIAL MATTERS

Updated promissory notes not obtained for past due notes receivable

RECOMMENDATION

Review practices to ensure updated promissory notes for past due notes receivable

AUDIT ADJUSTMENTS AND UNADJUSTED DIFFERENCES | 9

DESCRIPTION	ASSETS	LIABILITIES	BEGINNING NET ASSETS	REVENUE	EXPENSE	NET INCOME
<p><i>Significant audit adjustments accepted by management:</i></p> <p>We did not propose any significant audit adjustments for 2018</p> <p><i>Unadjusted differences considered by management to be immaterial:</i></p> <p>There were no misstatements aggregated by us during the audit which were not corrected</p>						

Revenue Recognition

- In May 2014, the FASB established a single, comprehensive framework for revenue recognition to be applied consistently across all types of transactions, and industries. This framework will improve comparability of financial statements. The core principle of the framework is that an entity should recognize revenue when the transfer of goods or services to the customer occurs, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date was deferred for most not-for-profit organizations to fiscal years beginning on or after December 15, 2018, so that additional clarification could be provided and organizations will have time to implement this standard.

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 is effective for most not-for-profit organizations for fiscal years beginning on or after December 15, 2019. 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.

THE AUDIT PROCESS

11



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

12

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 2018 audit is:



Melissa Reynolds
Regional Manager

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

13-1

MATTERS TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies</p> <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organizations are described in Note 1 to the financial statements.</p>	<p>No new accounting policies were adopted and the application of existing policies was not changed during 2018, except for the adoption of Accounting Standard Update 2016-14, which changed the required financial statement presentation and disclosures for not-for-profit entities. We did not note any transactions the Organizations entered into during the year that were both significant and unusual, about which professional standards require us to inform you.</p>
<p>Restriction on distribution and use of report</p> <p>This report is intended solely for the information and use of the officers of the Organizations, their audit committee, their governing committees, 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.</p>	

REQUIRED COMMUNICATIONS WITH GOVERNANCE

13-2

MATTERS TO BE COMMUNICATED

AUDITOR'S RESPONSE

Information related to review of trust operations

The Association serves as trustee of various revocable and irrevocable trust agreements and as administrator of various charitable gift annuities. The scope of our audit included tests and analyses of the asset, liability, and net asset account balances related to trust and annuity agreements for which the Association has control of the assets. The scope of our audit did not include a review of the trustee's or administrator's fiduciary administration of these trust or annuity agreements, and accordingly, this report does not address such fiduciary responsibilities. The Association maintains a number of wills and powers of attorney in its files. Some of those documents may provide for the Association to serve as personal representative and attorney-in-fact.

We have performed a review of the trustee's and administrator's fiduciary administration of the trusts and annuities it administers for the year ended December 31, 2017. We performed a review of the wills and other estate planning documents for which the Association has fiduciary responsibility for 2017. In connection with those reviews, we issued a separate report dated December 18, 2018.

Management judgment and accounting estimates

Collectability of accounts receivable - It is management's responsibility to make estimates about the collectability of accounts receivable, based on past collection experience and current expectations according to the nature of the accounts.

We evaluated the factors used by management to develop the allowance for uncollectable accounts to determine whether it is reasonable in relation to the financial statements taken as a whole.

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 statements taken as a whole.

Depreciation expense - It is management's responsibility to make estimates about depreciation expense, based on the estimated useful lives of property, plant, and equipment assets.

We evaluated the factors used by management to develop useful lives and depreciation expense to determine whether they are reasonable in relation to the financial statements taken as a whole.

REQUIRED COMMUNICATIONS WITH GOVERNANCE

13-3

MATTERS TO BE COMMUNICATED

AUDITOR'S RESPONSE

Management judgment and accounting estimates

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 statements taken as a whole.

Accrued liability for retirement allowances - It is management's responsibility to make estimates of the liability to active employees for earned benefits payable by the Organization, which they will be entitled to when they become eligible for retirement.

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

Accrued liability for health care benefits - It is management's responsibility to make estimates of the liability for health care benefits incurred by active employees prior to the financial statement date but not reported before the financial statements were released.

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

Other information in documents containing audited statements

The expanded supplementary information accompanying the audited financial statements is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

This information has been subjected to the auditing procedures applied in the examination of the basic financial statements and is fairly stated in all material respects.

SIGNED REPRESENTATION AND RELEASE LETTER

Seventh-day Adventist Church

NORTH PACIFIC UNION CONFERENCE

5709 N 20TH ST • RIDGEFIELD WA 98642

PHONE: 360.857.7000

NPUC.ORG

July 2, 2019

General Conference Auditing Service
201 NE Park Plaza Dr., STE 248
Vancouver, WA 98684

We are providing this letter in connection with your audits of the statements of financial position of North Pacific Union Conference and North Pacific Union Conference Association of Seventh-day Adventists as of December 31, 2018 and 2017, and the related statements of changes in net assets and cash flows for the years then ended. Our 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 North Pacific Union Conference Association of Seventh-day Adventists in conformity with United States of America accounting principles 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 principles 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 July 2, 2019 the following representations made to you during your audits.

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 the North Pacific Union Conference Executive Committee 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,
 - 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. Related party transactions, 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 and North Pacific Union Conference Association of Seventh-day Adventists is an exempt organization under IRS section 501(c)(3). Any activities of which we are aware that would jeopardize the Organization's tax-exempt status 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. Unasserted 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. We understand your audit included tests of the assets, liabilities, and net assets related to charitable trusts and wills for which we are trustee or representative. We understand your audit did not include a review of our fiduciary administration of those trusts and wills.

Except as outlined below, the financial operations of the Organization were in conformity, in all material respects, with applicable core 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 and supplemental statement of financial position for North Pacific Union Conference and North Pacific Union Conference Association of Seventh-day Adventists for the years ended December 31, 2018 and 2017. They are materially correct. Please provide final copies (in the format noted below) to our administrative officers, the chair of our Audit Committee, and other individuals as required by policy.
- ☐ We have examined the audited financial statements and supplemental statement of financial position for North Pacific Union Conference and North Pacific Union Conference North Pacific Union Conference Association of Seventh-day Adventists for the years ended December 31, 2018 and 2017. Please make the corrections or adjustments to the financial statements described below. Please consider the suggested changes to the audit communication letter described below. Then please provide final copies (in the format noted below) to our administrative officers, the chair of our Audit Committee, and other individuals as required by policy.

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, policy compliance report, audit communication letter, 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 for August 21, 2019

The next meeting of our North Pacific Union conference Executive Committee is scheduled for August 21, 2019.

We plan to respond to the Audit Communication Letter: ☐ Yes ☒ No

Signed: John C. Freedman Title: PRESIDENT Date: July 2, 2019

Signed: Mark D. Dymally Title: CFO/TREASURER Date: 7/2/2019

FORM F-49

1. Financial Summary of: <u>North Pacific Union Conference</u>		<u>NPUC</u>
Name of Organization		Code Number
For Year Ended: <u>December 31, 2018</u>		Union
Currency Used: <u>U.S. Dollar</u>		
CURRENT ASSETS		
2 Cash	2,735,249	
3 Securities and Investments	3,022,308	
4 Accounts Receivable - Net	7,273,965	
5 Notes and Loans Receivable - Net	34,000	
6 Supplies Inventories and Prepaid Expense	95,345	
A. Total Current Assets		13,160,867
FIXED ASSETS		
B. Total Fixed Assets - Net		6,187,276
7 Total Other Assets - Operating	698,084	
8 Cash, Bank and Investments Other than Operating	51,665,686	
9 Miscellaneous Assets Other Than Operating	30,249,471	
C. Total Other Assets		82,613,241
D. Total Assets		101,961,384
CURRENT LIABILITIES		
10 Accounts Payable and Accrued Expense	6,045,366	
11 Notes and Loans Payable		
12 Agency (Trust) Funds	165,319	
13 Deferred Income		
E. Total Current Liabilities		6,210,685
OTHER LIABILITIES		
14 Other Liabilities - Operating	182,651	
15 Miscellaneous Liabilities Other Than Operating	59,469,274	
16 Investment in Plant - Payables	644,549	
F. Total Other Liabilities		60,296,474
G. Total Liabilities		66,507,159
NET WORTH/FUND BALANCES		
17 Unallocated & Allocated Operating Net Worth/Fund Balances	7,465,615	
18 Allocated Capital Net Worth/Fund Bal (Line 17+18=A+7-E-14)		
19 Nonexpendable Fund Balances (Line 8+9-15)	22,445,883	
20 Net Investment in Plant Fund Balance (Line B-16)	5,542,727	
H* Total Net Worth/Fund Balances		35,454,225
I. Total Liabilities and Net Worth/Fund Balances		101,961,384

In order to make the F-50 financial indicators more meaningful, the above figures include duplications of assets and liabilities resulting from inter-fund borrowing not eliminated between operating, plant and other funds as follows: (Lines 21+22=23+24)

	Operating	Plant	Other	Cross Totals
21 Current Assets				-
22 Other Assets			644,549	644,549
23 Current Liabilities				-
24 Other Liabilities		644,549		644,549

SUMMARY OF CHANGES IN NET WORTH/FUND BALANCES

CHANGES DUE TO OPERATING ACTIVITY:

J	Earned Operating Income (Not Donations & Appropriations)	16,972,953	
K	Operating Expense	<u>20,078,278</u>	
L	Increase (Decr) From Operations (Excluding Donations)	<u>(3,105,325)</u>	
M	Net Operating Donations & Appropriations Rcvd & Retained	<u>193,000</u>	
	25 NET INCREASE (DECREASE) FROM OPERATING		<u>(2,912,325)</u>

CHANGE DUE TO ACTIVITY OTHER THAN OPERATING:

N	Net Increase (Decr) (Excl Net Increase (Decr) From Oper)	<u>2,955,060</u>	
O	Exchange Adjust (Not applicable when local currency use)		
	26 NET INCREASE (DECREASE) OTHER THAN OPERATING		<u>2,955,060</u>

TOTAL CHANGE IN NET WORTH/FUND BALANCES FOR THE YEAR:

	27 Net Increase (Decr) in Total Net Worth/Fund Balances this period		42,735
P	Previous total net worth/fund balance as reported on last F-49		<u>35,411,490</u>
Q*	PRESENT TO DATE TOTAL NET WORTH/FUND BALANCES		<u><u>35,454,225</u></u>

MISCELLANEOUS INFORMATION

28	Working Capital (Deficit) (Line A - E)		<u>6,950,182</u>
29	Recommended Working Capital Per Policy		<u>6,956,072</u>
30	A/R: Higher Organ: <u>922</u> Church Remit: <u>7,052,647</u>		<u>7,053,569</u>
31	Net Assets of Funds Held as Trustee		<u>1,223,052</u>
*	Line H & Q Must Agree		

Instruction For Reporting Organizations:

Please use a typewriter in completing this summary. It is to be prepared in Triplicate immediately after completing the statement before the audit. The ORIGINAL is to be kept for the Auditor with the unaudited financial statement. The DUPLICATE copy is to be sent to the Assistant Treasurer of the General Conference of Seventh-day Adventists, 8640 Eastern Avenue, NW, Washington, DC 20012, USA. The TRIPLICATE is for the Reporting Organization's file.

Date: _____ Prepared by: _____ Position: _____ Name: _____

Date: _____ Approved By: _____

Instructions for Auditors:

Please make TWO copies of the F-49. ONE copy of the financial statement including the auditor's report, and ONE copy of the F-49 are to be forwarded to the Director of Archives and Statistics, General Conference of Seventh-day Adventists, 6840 Eastern Avenue, NW, Washington, DC 20012, USA. The second copy of the F-49 is for auditor's file. (Note: If the changes are few and can be made in a clear manner on the original F-49 prepared by the Reporting Organization, simply photocopy the corrected F-49; otherwise it must be retyped.)

Audited by: Melissa Reynolds For Year Ended: December 31, 2018 Fixed Exchange Rate: _____

Date: July 2, 2019 Auditor's Signature: Melissa Reynolds

Form F-49 (Revised 1984)