



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

COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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*  
June 17, 2020

**NORTH PACIFIC UNION CONFERENCE OF SEVENTH-DAY ADVENTISTS**  
**NORTH PACIFIC UNION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS**  
**Combined Statement of Financial Position**  
**December 31, 2019 and 2018**

			Combined	
	Conference	Association	2019 Total*	2018 Total*
<b>ASSETS</b>				
<u>Current assets</u>				
Cash and cash equivalents (Note 2)	\$ 2,227,470	185,376	2,412,846	2,569,930
Cash held for agency funds (Note 2)	156,537	-	156,537	185,319
Investments (Note 3)	2,139,278	1,094,842	3,234,120	3,022,308
Accounts receivable, net (Note 5)	5,976,221	53,085	6,029,306	7,273,965
Notes receivable, net (Note 6)	-	34,000	34,000	34,000
Inventories and prepaid expense	95,833	-	95,833	95,345
Due to/ from other funds*	580,000	(580,000)	-	-
Total current assets	11,175,339	787,303	11,962,642	13,160,867
<u>Plant assets, net (Note 7)</u>	-	6,000,326	6,000,326	6,187,276
<u>Other assets</u>				
Notes receivable (Note 6)	-	654,500	654,500	688,500
Real estate and miscellaneous	-	9,584	9,584	9,584
For other than operating funds:				
Cash and investments (Note 3)	-	51,862,975	51,862,975	51,665,686
Accounts receivable (Note 5)	-	79,577	79,577	146,533
Notes receivable, net (Note 6)	-	24,491,215	24,491,215	25,995,937
Real estate held for unconditional trusts	-	820,001	820,001	4,107,001
Total other assets	-	77,917,852	77,917,852	82,613,241
Total assets	\$ 11,175,339	84,705,481	95,880,820	101,961,384
<b>LIABILITIES</b>				
<u>Current liabilities</u>				
Accounts payable (Note 8)	\$ 5,031,530	25,176	5,056,706	6,045,366
Agency accounts	156,537	-	156,537	185,319
Total current liabilities	5,188,067	25,176	5,213,243	6,210,685
<u>Other liabilities</u>				
Accrued retirement allowances	161,691	-	161,691	182,651
For other than operating funds:				
Accounts payable (Note 8)	-	3,051	3,051	132,468
Notes payable (Note 9)	-	33,948,323	33,948,323	36,461,097
Present value income distributions to primary beneficiaries (Note 20)	-	5,387,901	5,387,901	8,788,744
Remainder interest for residual trust beneficiaries (Note 22)	-	9,390,490	9,390,490	9,731,767
Annuities held for others (Note 17)	-	2,387,956	2,387,956	1,704,097
Present value, annuity liability (Note 19)	-	2,740,024	2,740,024	3,295,650
Total other liabilities	161,691	53,857,745	54,019,436	60,296,474
Total liabilities	5,349,758	53,882,921	59,232,679	66,507,159
<u>Net assets</u>				
Unrestricted: unallocated	(607,404)	670,236	62,832	3,487,706
Unrestricted: allocated- operating funds (Note 10)	4,899,469	732,083	5,631,552	2,602,040
Unrestricted: allocated- nonoperating funds	-	20,036,107	20,036,107	19,481,161
Unrestricted: net invested in plant	-	6,000,326	6,000,326	5,542,727
Total net assets without donor restrictions	4,292,065	27,438,752	31,730,817	31,113,634
Temporarily restricted (Note 11)	1,533,516	3,343,808	4,877,324	4,300,591
Permanently restricted (Notes 11 and 12)	-	40,000	40,000	40,000
Total net assets with donor restrictions	1,533,516	3,383,808	4,917,324	4,340,591
Total net assets	5,825,581	30,822,560	36,648,141	35,454,225
Total liabilities and net assets	\$ 11,175,339	84,705,481	95,880,820	101,961,384

\* Due to/from funds eliminated in combined column

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, 2019 and 2018**

			Combined	
	Conference	Association	2019 Total	2018 Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<u>Revenues and support without donor restrictions</u>				
Gross tithe income	\$ 8,616,203	-	8,616,203	8,788,490
Tithe percentages passed on	(866,171)	-	(866,171)	(883,550)
Net tithe income	7,750,032	-	7,750,032	7,904,940
Tithe exchanged with General Conference	(1,208,700)	-	(1,208,700)	(1,208,700)
Non-tithe funds from General Conference	1,208,700	-	1,208,700	1,208,700
Revolving Fund, net earnings (Note 15)	-	974,320	974,320	433,622
Matured trusts and wills without donor restrictions	-	42,964	42,964	-
Annuity fund (Note 16)	-	(26,281)	(26,281)	(60,668)
Appropriations without donor restrictions received	190,000	-	190,000	193,000
Investment earnings (Note 24)	123,522	71,170	194,692	25,573
Departmental fees and sales	666,632	-	666,632	649,601
Other income	166,262	-	166,262	158,449
Total revenues without donor restrictions	8,896,448	1,062,173	9,958,621	9,304,517
Released from net assets with donor restrictions (Note 11)	7,763,381	6,928	7,770,309	7,861,436
Total revenues and support without donor restrictions	16,659,829	1,069,101	17,728,930	17,165,953
<u>Expenses and losses</u>				
<u>Program services functions</u>				
Church ministries (Note 13)	3,051,769	61,047	3,112,816	2,919,292
Educational (Note 13)	7,516,150	30,132	7,546,282	7,383,673
Special services (Note 13)	1,563,519	10,546	1,574,065	1,561,496
Other (Note 13)	1,266,305	-	1,266,305	1,172,542
Total program services functions	13,397,743	101,725	13,499,468	13,037,003
<u>Supporting services functions</u>				
Administration - office resources (Note 13)	1,272,233	115,686	1,387,919	1,436,654
Conventions and meetings (Note 13)	111,017	-	111,017	445,686
Trust services	121,550	9,040	130,590	179,814
Other departments and services	762,642	49,710	812,352	928,960
Rental and miscellaneous	-	9,512	9,512	6,658
Retirement contribution to DB plan (Note 13)	1,259,333	-	1,259,333	1,298,836
Distributions and expenses of unconditional trusts (Note 21)	-	4,037,676	4,037,676	2,744,667
Total supporting services functions	3,526,775	4,221,624	7,748,399	7,041,275
Total expenses and losses (Note 13)	16,924,518	4,323,349	21,247,867	20,078,278
Net increase (decrease) from operations	\$ (264,689)	(3,254,248)	(3,518,937)	(2,912,325)

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, 2019 and 2018**

	Conference	Association	Combined	
			2019 Total	2018 Total
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Net increase (decrease) from operations	\$ (264,689)	(3,254,248)	(3,518,937)	(2,912,325)
<b>NONOPERATING ACTIVITY WITHOUT DONOR RESTRICTIONS</b>				
Nonoperating revenue (Note 14)	-	107,845	107,845	107,845
Nonoperating expense (Note 14)	-	(5,650)	(5,650)	(74,000)
Net book value of plant assets written off (Note 14)	-	(3,750)	(3,750)	-
Net transfers between funds	184,642	(184,642)	-	-
Released from net assets with donor restrictions (Note 11 and Note 14)	-	4,037,676	4,037,676	2,744,667
Total nonoperating activity increase (decrease)	184,642	3,951,479	4,136,121	2,778,512
Increase (decrease) net assets without donor restrictions	(80,047)	697,231	617,184	(133,813)
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
<b>Changes in net assets with temporary donor restrictions</b>				
<u>Income with temporary donor restrictions</u>				
Subsidies	7,726,290	-	7,726,290	7,588,586
Offerings	6,370	-	6,370	3,220
Donations	230,440	18,665	249,105	370,601
Restricted transfers (Note 11)	1,165	(1,165)	-	-
Annuity fund (Note 16)	-	242	242	(1,775)
Unconditional trust agreements (Note 21)	-	4,402,710	4,402,710	2,822,019
Total restricted income received	7,964,265	4,420,452	12,384,717	10,782,651
Net assets released from restricted - operating (Note 11)	(7,763,381)	(6,928)	(7,770,309)	(7,861,436)
Net assets released from restricted - non operating (Note 11)	-	(4,037,676)	(4,037,676)	(2,744,667)
Increase (decrease) net assets with temporary donor restrictions	200,884	375,848	576,732	176,548
<b>Changes in net assets with permanent donor restrictions</b>				
Increase (decrease) in net assets with permanent donor restrictions	-	-	-	-
Increase (decrease) in net assets with donor restrictions	200,884	375,848	576,732	176,548
Increase (decrease) in net assets	120,837	1,073,079	1,193,916	42,735
Net assets, beginning	5,704,744	29,749,481	35,454,225	35,411,490
Net assets, ending	\$ 5,825,581	30,822,560	36,648,141	35,454,225

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, 2019 and 2018**

			<b>Combined</b>	
	<b>Conference</b>	<b>Association</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ 120,837	1,073,079	1,193,916	42,735
<u>Adjustments to reconcile net income to net cash provided by operating activities</u>				
Bad debt expense	-	718,671	718,671	-
Depreciation and amortization	-	224,661	224,661	222,012
Net book value of plant assets written off	-	3,750	3,750	-
Realized (gain) loss on sale of investments	-	(54,760)	(54,760)	(905,494)
Unrealized (gain) loss in value of investments	(54,724)	(2,943,097)	(2,997,821)	2,891,929
Increase (decrease) present value liability of gift annuities	-	128,236	128,236	(1,024,106)
Increase (decrease) present value of income distributions	-	(3,400,843)	(3,400,843)	(1,107,908)
Increase (decrease) remainder interest to residual beneficiaries	-	(341,275)	(341,275)	(128,176)
(Increase) decrease - cash held for agency funds	8,782	-	8,782	62,049
(Increase) decrease - accounts receivable	1,293,366	(48,706)	1,244,660	(241,770)
(Increase) decrease - inventories and prepaid	(488)	-	(488)	(12,572)
(Increase) decrease - real estate and miscellaneous	-	3,287,000	3,287,000	(234,000)
Increase (decrease) - accounts payable	(1,013,794)	(104,866)	(1,118,660)	(193,097)
Increase (decrease) - accrued retirement allowances	(20,960)	-	(20,960)	24,599
Increase (decrease) - agency accounts	(8,782)	-	(8,782)	(62,049)
Net cash provided (used) by operating	<u>324,237</u>	<u>(1,458,150)</u>	<u>(1,133,913)</u>	<u>(665,848)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from maturity of investments	607,892	81,562,650	82,170,542	25,605,545
Purchase of investments	(676,364)	(78,850,701)	(79,527,065)	(26,181,329)
(Increase) decrease accounts receivable, other than operating	-	66,955	66,955	2,922
Increase (decrease) accounts payable, other than operating	-	583	583	(258)
Purchases of plant assets	-	(41,462)	(41,462)	(82,373)
New notes receivable issued	-	(6,011,938)	(6,011,938)	(2,800,481)
Payments received on notes receivable	-	6,831,989	6,831,989	4,708,096
Net cash provided (used) by investing	<u>(68,472)</u>	<u>3,558,076</u>	<u>3,489,604</u>	<u>1,252,122</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Principal payments on notes payable	-	(3,293,006)	(3,293,006)	(2,765,770)
Proceeds from depositors	-	780,231	780,231	868,255
Net cash provided (used) by financing	<u>-</u>	<u>(2,512,775)</u>	<u>(2,512,775)</u>	<u>(1,897,515)</u>
Net increase (decrease) cash and cash equivalents	255,765	(412,849)	(157,084)	(1,311,241)
Cash and cash equivalents, beginning of year	1,971,705	598,225	2,569,930	3,881,171
Cash and cash equivalents, end of year	<u>\$ 2,227,470</u>	<u>185,376</u>	<u>2,412,846</u>	<u>2,569,930</u>
<u>Supplemental cash flow data</u>				
Cash paid for interest	<u>\$ -</u>	<u>842,821</u>	<u>842,821</u>	<u>855,426</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, 2019 and 2018**

**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 June 17, 2020, 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, 2019 and 2018**

**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 Organizations.

(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.

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**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**

			<b>Combined</b>	
	<b>Conference</b>	<b>Association</b>	<b>2019 Total</b>	<b>2018 Total</b>
Imprest cash	\$ 310	-	310	310
Checking accounts	2,338,146	30,289	2,368,435	2,345,528
General Conference money fund	12,963	-	12,963	12,679
Money market funds	32,588	155,087	187,675	376,734
Less: cash held for agency	(156,537)	-	(156,537)	(165,319)
Total cash and cash equivalents, 2019	\$ 2,227,470	185,376	2,412,846	
Total cash and cash equivalents, 2018	\$ 1,971,705	598,225		2,569,930

**Note 3 – Investments**

	<b>2019</b>			<b>2018</b>		
	<b>Conference</b>			<b>Association</b>		
<u>Investments held for operating</u>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>
Certificates of deposit	\$ 158,000	158,915	(915)	474,000	476,125	(2,125)
Corporate bonds and notes	1,963,529	1,967,599	(4,070)	-	-	-
Government backed securities	-	-	-	541,791	542,117	(326)
Mutual funds	-	-	-	76,607	76,600	7
Preferred stock	12,764	12,764	-	-	-	-
Total operating investments at market value	\$ 2,134,293	2,139,278	(4,985)	1,092,398	1,094,842	(2,444)

	<b>2019 Combined</b>			<b>2018 Combined</b>		
	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>
<u>Investments held for operating</u>						
Certificates of deposit	\$ 632,000	635,040	(3,040)			
Corporate bonds and notes	1,963,529	1,967,599	(4,070)			
Government backed securities	541,791	542,117	(326)			
Mutual funds	76,607	76,600	7			
Preferred stock	12,764	12,764	-			
Total operating investments at market value	\$ 3,226,691	3,234,120	(7,429)			

	<b>2018</b>			<b>2018</b>		
	<b>Conference</b>			<b>Association</b>		
<u>Investments held for operating</u>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>
Certificates of deposit	\$ 392,000	388,891	5,109	824,000	807,437	16,563
Corporate bonds and notes	1,661,320	1,616,689	44,631	35,070	32,858	2,212
Preferred stock	12,501	12,501	-	167,444	165,932	1,512
Total operating investments at market value	\$ 2,065,821	2,018,081	49,740	1,026,514	1,006,227	20,287

	<b>2018 Combined</b>			<b>2018 Combined</b>		
	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Appreciation (Decline)</b>
<u>Investments held for operating</u>						
Certificates of deposit	\$ 1,216,000	1,194,328	21,672			
Corporate bonds and notes	1,696,390	1,649,547	46,843			
Preferred stock	179,945	178,433	1,512			
Total operating investments at market value	\$ 3,092,335	3,022,308	70,027			

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**Note 3 – Investments (continued)**

	2019		
	Association		Unrealized
	Cost	Market	Appreciation (Decline)
<b>Investments held for other than operating</b>			
<b>Cash</b>			
Petty cash	\$ 101	101	-
Checking accounts	3,280,311	3,280,311	-
Money market funds	2,993,245	2,993,245	-
Total cash	6,273,657	6,273,657	-
<b>Investments</b>			
Certificates of deposit	10,492,000	10,522,758	30,758
Corporate bonds and notes	584,815	724,264	139,449
US Government loan securities	18,430,061	17,638,212	(791,849)
Bond mutual fund	7,316,003	7,888,613	552,610
Equity mutual fund	6,315,962	7,303,203	987,241
Mutual funds	1,125,453	1,156,365	30,912
Exchange traded funds (ETF)	354,854	375,903	21,049
Total investments	44,619,148	45,589,318	970,170
Total other than operating investments at market value	\$ 50,892,805	51,862,975	970,170
<b>2018</b>			
	Association		Unrealized
	Cost	Market	Appreciation (Decline)
<b>Investments held for other than operating</b>			
<b>Cash</b>			
Petty cash	\$ 101	101	-
Checking accounts	5,881,300	5,881,300	-
Money market funds	1,100,424	1,100,424	-
Total cash	6,981,825	6,981,825	-
<b>Investments</b>			
Certificates of deposit	19,116,000	18,724,484	(391,516)
Corporate bonds and notes	6,760,429	5,912,602	(847,827)
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	46,549,731	44,683,851	(1,865,870)
Total other than operating investments at market value	\$ 53,531,556	51,665,696	(1,865,870)

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.

	Combined			
	Level 1	Level 2	Level 3	Total
<b>2019</b>				
Assets recorded at fair value				
Certificates of deposit	\$ -	11,157,798	-	11,157,798
Debt securities	28,817,405	-	-	28,817,405
Equity securities	8,848,235	-	-	8,848,235
Total assets recorded at fair value	\$ 37,665,640	11,157,798	-	48,823,438
<b>2018</b>				
	Combined			
	Level 1	Level 2	Level 3	Total
Assets recorded at fair value				
Certificates of deposit	\$ -	19,918,812	-	19,918,812
Debt securities	19,599,529	-	-	19,599,529
Equity securities	8,187,828	-	-	8,187,828
Total assets recorded at fair value	\$ 27,787,357	19,918,812	-	47,706,169

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**Note 5 – Accounts receivable**

	Conference	Association	Combined	
			2019 Total	2018 Total
<u>Accounts receivable held for operating</u>				
Accrued interest	\$ -	2,221	2,221	2,483
GC/NAD	944	-	944	922
Local conference	5,894,322	40,043	5,934,365	7,052,647
WWU	3,351	6,390	9,741	2,203
Miscellaneous	77,604	4,431	82,035	215,710
Net accounts receivable, 2019	\$ 5,976,221	53,085	6,029,306	
Net accounts receivable, 2018	\$ 7,269,586	4,379		7,273,965

	Conference	Association	Combined	
			2019 Total	2018 Total
<u>Accounts receivable held for other than operating</u>				
Accrued interest	\$ -	79,577	79,577	146,533
Total other than operating accounts receivable, 2019	\$ -	79,577	79,577	
Total other than operating accounts receivable, 2018	\$ -	146,533		146,533

**Note 6 – Notes receivable- all funds**

	Current	2019 Association	
		Long-term	Total
<u>Notes receivable held for operating</u>			
Secured loan receivable, from the sale of real property 1/2 interest, 0% interest	\$ 34,000	654,500	688,500
Total operating funds notes receivable	\$ 34,000	654,500	688,500

	Current	2018 Association	
		Long-term	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	\$ 34,000	688,500	722,500

	Current	2019 Association	
		Long-term	Total
<u>Notes receivable held for other than operating</u>			
Secured mortgage loans receivable, \$400 to \$8,528 per month 3.00% to 10.00% interest, balloon payments due 2019	\$ 4,692	54,134	58,826
Revolving Fund loans to conferences, churches, and schools, 5.00%* interest, due 90 days from demand	24,432,389	-	24,432,389
Total other than operating notes receivable	\$ 24,437,081	54,134	24,491,215

	Current	2018 Association	
		Long-term	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 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	\$ 25,811,455	184,482	25,995,937

\* Refer to Note 32 for subsequent rate change

Impaired notes:

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

	Current	2019 Association	
		Long-term	Total
American Eagle Mortgage, LLC, in receivership	\$ -	718,671	718,671
Allowance for uncollectible notes	-	(718,671)	(718,671)
Total impaired notes receivable	\$ -	-	-

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

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**Note 7 – Plant assets**

	<b>Association</b>			
	<b>Total Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>	<b>Depreciation Expense</b>
<b>Balances 2019</b>				
Land	\$ 1,503,343	-	1,503,343	-
Land improvements	187,508	187,508	-	-
Buildings	6,476,689	2,110,291	4,366,398	164,135
Equipment	1,224,498	1,093,913	130,585	60,526
<b>Total plant assets</b>	<b>\$ 9,392,038</b>	<b>3,391,712</b>	<b>6,000,326</b>	<b>224,661</b>

	<b>Association</b>			
	<b>Total Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>	<b>Depreciation Expense</b>
<b>Balances 2018</b>				
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
<b>Total plant assets</b>	<b>\$ 9,595,432</b>	<b>3,408,156</b>	<b>6,187,276</b>	<b>222,012</b>

	<b>Association</b>			
	<b>Cost 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Cost 2019</b>
<b>Changes in cost 2019</b>				
Land	\$ 1,503,343	-	-	1,503,343
Land improvements	187,508	-	-	187,508
Buildings	6,466,110	10,579	-	6,476,689
Equipment	1,438,471	30,882	244,855	1,224,498
<b>Total plant assets</b>	<b>\$ 9,595,432</b>	<b>41,461</b>	<b>244,855.00</b>	<b>9,392,038</b>

	<b>Association</b>			
	<b>Accumulated Depreciation 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Accumulated Depreciation 2019</b>
<b>Changes in accumulated depreciation 2019</b>				
Land improvements	\$ 187,508	-	-	187,508
Buildings	1,946,156	164,135	-	2,110,291
Equipment	1,274,492	60,526	241,105	1,093,913
<b>Total accumulated depreciation</b>	<b>\$ 3,408,156</b>	<b>224,661</b>	<b>241,105</b>	<b>3,391,712</b>

	<b>Association</b>			
	<b>Cost 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Cost 2018</b>
<b>Changes in cost 2018</b>				
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
<b>Total plant assets</b>	<b>\$ 9,513,059</b>	<b>82,373</b>	<b>-</b>	<b>9,595,432</b>

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

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**Note 8 – Accounts payable**

	Conference	Association	Combined	
			2019 Total	2018 Total
<u>Accounts payable held for operating</u>				
Accrued audit fees	\$ 68,403	-	68,403	94,292
Accrued medical	30,748	-	30,748	18,662
Accrued retirement allowances	36,687	-	36,687	
Accrued wages and payroll tax	107,847	-	107,847	149,984
Commercial accounts	38,625	-	38,625	29,351
General Conference remittance and other	4,449,267	-	4,449,267	5,282,862
Local conferences	171,292	1,437	172,729	143,119
Miscellaneous	22,191	23,739	45,930	150,597
North American Division	67,144	-	67,144	142,177
Pacific Press Publishing Association	39,326	-	39,326	32,204
Walla Walla University	-	-	-	2,118
Total accounts payable, 2019	\$ 5,031,530	25,176	5,056,706	
Total accounts payable, 2018	\$ 6,045,324	42		6,045,366

	Conference	Association	Combined	
			2019 Total	2018 Total
<u>Accounts payable held for other than operating</u>				
Miscellaneous	\$ -	3,051	3,051	132,468
Total other than operating accounts payable, 2019	\$ -	3,051	3,051	
Total other than operating accounts payable, 2018	\$ -	132,468		132,468

**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

	Association		
	2019		
	Current	Long-term	Total
\$	33,948,323	-	33,948,323
\$	33,948,323	-	33,948,323

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

	Association		
	2018		
	Current	Long-term	Total
\$	36,461,097	-	36,461,097
\$	36,461,097	-	36,461,097

Principal payments due on notes payable are as follows:

2020 \$ 33,948,323

Total \$ 33,948,323

\* Refer to Note 32 for subsequent rate change

**Note 10 – Allocated net assets- operating funds only**

Conference operating fund

	Balance 2018	Allocation Made	Allocation Released	Balance 2019
Church & evangelistic programs	\$ 77,098	1,383,480	1,214,631	245,947
Education programs	(38,886)	2,241,574	2,222,694	(20,006)
Medical & health programs	8,962	-	-	8,962
Humanitarian programs	22,106	22,500	1,834	42,772
Other programs	(30,656)	1,525,595	1,538,124	(43,185)
Conventions & meetings	(99,435)	178,736	112,527	(35,228)
Employee hospital and health benefit	-	371,117	371,117	-
Employee DB Retirement Plan	-	1,259,333	-	1,259,333
General administration	-	1,459,059	-	1,459,059
Recommended working capital	1,970,351	-	-	1,970,351
Unexpended plant capital functions	(30,000)	41,462	-	11,462
Total allocated net assets- conference operating fund	1,879,540	8,480,856	5,460,927	4,899,469

Association operating fund

General administration	-	43,583	-	43,583
Conference auxiliary	722,500	-	34,000	688,500
Total allocated net assets- association operating fund	722,500	43,583	34,000	732,083

Total allocated net assets- operating funds	\$ 2,602,040	8,524,439	5,494,927	5,631,552
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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 2018	Restricted Income	Restricted Transfer	Restrictions Released	Balance 2019
<b>Temporary restrictions</b>					
<b>Conference</b>					
<b>Conference operating funds</b>					
Adventist Health System	\$ 32,810	-	-	4,500	28,310
ASI-Pacific NW Chapter	15,666	60,289	-	58,032	17,923
College and university operating	-	3,005,893	-	3,005,893	-
Creation ministries	-	11,188	-	8,688	2,500
Cultural project- Asian Pacific	-	5,000	-	3,500	1,500
Cultural project- Hispanic scholarships	-	-	1,165	1,165	-
Disaster response	23,380	18,000	-	10,329	31,051
General evangelism	727,264	1,580,086	-	1,390,404	896,946
Global mission	-	6,370	-	-	6,370
Hispanic capital	-	31,954	-	31,954	-
In-house operations	-	2,000	-	2,000	-
K-12 operations	-	2,255,336	-	2,255,336	-
Miscellaneous operating appropriation	-	295,965	-	295,965	-
Native American evangelism	-	11,180	-	11,180	-
Regional capital	142,923	-	-	-	142,923
Regional development fund	24,077	23,380	-	3,064	44,393
Regional ministries	-	11,618	-	11,618	-
Regional special assistance	111,350	206,894	-	184,008	134,236
Religious Liberty Admin	-	200	-	200	-
Religious Liberty Association NW	-	12,865	-	12,865	-
Small conference assistance	175,161	403,757	-	408,996	169,922
Temperance	-	399	-	-	399
Women's ministries	-	9,027	-	9,027	-
Youth activities	80,000	31,700	-	54,657	57,043
<b>Total Conference operating funds</b>	<b>1,332,631</b>	<b>7,963,101</b>	<b>1,165</b>	<b>7,763,381</b>	<b>1,533,516</b>
<b>Association</b>					
<b>Association operating funds</b>					
Agreement per NAD	56,661	-	-	6,928	49,733
Education	361,812	8,750	-	-	370,562
Evangelism	415,266	8,750	-	-	424,036
Global mission	16,882	-	-	-	16,882
Missing members	127,375	-	-	-	127,375
Student aid	-	1,165	(1,165)	-	-
<b>Total Association operating funds</b>	<b>978,016</b>	<b>18,665</b>	<b>(1,165)</b>	<b>6,928</b>	<b>988,588</b>
<b>Total operating funds</b>	<b>2,310,647</b>	<b>7,981,766</b>	<b>-</b>	<b>7,770,309</b>	<b>2,522,104</b>
<b>Annuity funds</b>					
Education	(43)	123	-	-	80
Global mission	(814)	119	-	-	(695)
<b>Total annuity funds</b>	<b>(857)</b>	<b>242</b>	<b>-</b>	<b>-</b>	<b>(615)</b>
<b>Unconditional trust funds</b>					
Unconditional trusts	1,990,801	4,402,710	-	4,037,676	2,355,835
<b>Total unconditional trust funds</b>	<b>1,990,801</b>	<b>4,402,710</b>	<b>-</b>	<b>4,037,676</b>	<b>2,355,835</b>
<b>Total other than operating funds- net assets with donor restrictions</b>	<b>1,989,944</b>	<b>4,402,952</b>	<b>-</b>	<b>4,037,676</b>	<b>2,355,220</b>
<b>Total Association funds with donor restrictions</b>	<b>2,967,980</b>	<b>4,421,617</b>	<b>(1,165)</b>	<b>4,044,604</b>	<b>3,343,808</b>
<b>Total net assets with temporary donor restrictions</b>	<b>\$ 4,300,691</b>	<b>12,384,718</b>	<b>-</b>	<b>11,807,985</b>	<b>4,877,324</b>
<b>Permanent restrictions</b>					
<b>Association operating funds</b>					
Nelson evangelism endowment	\$ 40,000	-	-	-	40,000
<b>Total net assets with permanent donor restrictions</b>	<b>\$ 40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 4,340,691</b>	<b>12,384,718</b>	<b>-</b>	<b>11,807,985</b>	<b>4,917,324</b>



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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 fair value 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 1.75% 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.

	Association			
	Committee Designated	Temporarily Restricted	Permanently Restricted	2019 Total Donor Restricted
<u>2019 Endowment net asset composition</u>				
Donor-restricted endowments	\$ -	-	40,000	40,000
Committee-designated endowments	-	-	-	-
Total endowments	\$ -	-	40,000	40,000
<u>2019 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	\$ -	-	40,000	40,000
	Association			
	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	\$ -	-	40,000	40,000
<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	\$ -	-	40,000	40,000
<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				
Total Endowment assets classified as permanently restricted net assets	\$ 40,000			40,000

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**Note 13— Analysis of expenses**

	Combined				
	2019 Program Services				
	Church Ministries	Educational	Special Services	Other	Total Program Services
Employee related expenses	\$ 801,939	418,415	575,977	413,138	2,209,469
Travel expenses	169,662	111,201	39,477	519	320,859
Appropriations	1,587,716	6,841,739	841,096	744,373	9,614,924
Office expenses	23,342	6,505	81,196	594	111,637
Program expenses	6,513	71,788	-	42,371	120,652
Administrative expenses	303,452	6,656	10,384	58,909	379,401
General expenses	77,989	219,809	201,369	6,401	505,568
Maintenance & depreciation	142,203	70,189	24,566	-	236,958
Total expenses	\$ 3,112,816	7,546,282	1,574,065	1,266,305	13,499,468

	Combined				
	2019 Supporting Services				
	Admin.	Retirement Contributions	Conventions & Meetings	Other Supporting Services	Total Program & Supporting Services
Employee related expenses	\$ 948,635	1,259,333	-	248,460	4,685,897
Travel expenses	120,639	-	-	22,605	464,103
Appropriations	3,100	-	-	1,000	9,619,024
Office expenses	24,560	-	16	271,407	407,620
Program expenses	-	-	-	-	120,652
Administrative expenses	48,513	-	107,840	251,106	786,860
General expenses	92,969	-	3,161	4,058,590	4,660,288
Maintenance & depreciation	149,503	-	-	136,962	523,423
Total expenses	\$ 1,387,919	1,259,333	111,017	4,990,130	21,247,867

	Combined				
	2018 Program Services				
	Church Ministries	Educational	Special Services	Other	Total Program Services
Employee related expenses	\$ 738,232	433,731	555,936	357,442	2,085,341
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	6,888	22,719	70,603	328,603
General expenses	43,450	232,878	173,153	139	449,620
Maintenance & depreciation	125,877	71,216	22,994	-	220,087
Total expenses	\$ 2,919,282	7,383,673	1,561,466	1,172,542	13,037,003

	Combined				
	2018 Supporting Services				
	Admin.	Retirement Contributions	Conventions & Meetings	Other Supporting Services	Total Program & Supporting Services
Employee related expenses	\$ 1,043,983	1,293,070	-	250,894	4,673,288
Travel expenses	119,538	-	-	16,302	390,730
Appropriations	10,000	-	-	7,000	9,465,177
Office expenses	28,097	-	174	393,338	529,051
Program expenses	-	-	-	-	142,843
Administrative expenses	3,003	-	80,629	260,735	672,970
General expenses	85,527	5,766	364,883	2,800,282	3,706,078
Maintenance & depreciation	148,506	-	-	131,548	498,141
Total expenses	\$ 1,436,654	1,298,836	445,686	3,860,099	20,078,278

**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**

	<b>Association</b>	
	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
Interest income	\$ 7,845	7,845
Miscellaneous donations	100,000	100,000
Nonoperating revenue	107,845	107,845
Miscellaneous expense	(5,650)	(74,000)
Nonoperating expense	(5,650)	(74,000)
Net book value of plant assets written off	(3,750)	-
Net book value of plant assets written off	(3,750)	-
Unexpended plant resources spent	(41,482)	(82,373)
Purchases added to net invested in plant	41,482	82,373
Net transfers between funds	-	-
Release from restrictions (Note 11)	4,037,676	2,744,667
Net nonoperating activity without donor restrictions	\$ 4,147,421	2,926,512

**Note 15 – Revolving fund net earnings**

	<b>Association</b>	
	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
Investment earnings (Note 24)	\$ 2,544,663	1,305,032
Interest expense	(842,822)	(835,816)
Bad debt expense	(718,671)	-
Other expense	(8,850)	(35,594)
Total revolving fund net earnings	\$ 974,320	433,622

**Note 16 – Annuity fund net earnings**

	<b>Association</b>	
	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
<u>Unrestricted activity</u>		
Gift annuities	\$ -	25,000
Investment earnings (Note 24)	26,293	(7,278)
Miscellaneous income	1,933	813
Present value adjustment	20,832	(5,488)
Total unrestricted revenues, gains & other support	49,058	13,047
<u>Expenses and losses</u>		
Payments to annuitants	26,546	21,983
Matured distributions	4,294	-
Miscellaneous expenses	43,666	50,805
Investment expenses	833	927
Total expenses and losses	75,339	73,715
Increase (decrease) allocated unrestricted net assets	\$ (26,281)	(60,668)
<u>Activity with donor restrictions</u>		
Investment earnings (Note 24)	\$ 929	(279)
Miscellaneous income	68	31
Present value adjustment	289	(476)
Net assets released from temporary restrictions	(1,044)	(1,051)
Increase (decrease) in temporarily restricted net assets	\$ 242	(1,775)

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**Note 17— Annuities held for others**

Activity for annuities held for others is as follows

Unrestricted revenues and gains

Investment earnings (Note 24)

Miscellaneous income

Gift annuities

Present value adjustment

Total unrestricted revenues & gains

Association	
2019	2018
Total	Total
\$ 849,419	(244,584)
106,098	78,111
10,000	210,000
534,505	337,429
<u>1,500,022</u>	<u>380,956</u>

Expenses and losses

Annuity payments

Matured annuity distribution

Oregon Conference

Upper Columbia Conference

Washington Conference

Other

Other expense

Total expenses and losses

Increase (decrease) annuities held for others

Beginning annuities held for others

Ending annuities held for others

554,229	579,017
125,476	263,177
24,389	114,045
44,894	52,700
40,259	35,053
26,916	31,150
<u>816,183</u>	<u>1,075,142</u>
683,859	(694,189)
<u>1,704,097</u>	<u>2,398,283</u>
\$ <u>2,387,956</u>	\$ <u>1,704,097</u>

Annuities held for others

Alaska Conference

Idaho Conference

Montana Conference

Oregon Conference

Upper Columbia Conference

Washington Conference

Walla Walla University

Miscellaneous

Total annuities held for others

\$ (444)	(404)
(7,600)	(6,502)
24,711	18,215
1,163,621	895,464
354,497	242,803
566,599	309,599
109,170	87,575
177,402	157,347
\$ <u>2,387,956</u>	\$ <u>1,704,097</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, 2019 and 2018, was \$1,432,098 and \$1,661,286, respectively. The total required reserve for all annuities, as of the same date was \$3,063,327 and \$3,683,990, respectively. The Association held assets for charitable gift annuities of \$5,129,784 and \$4,985,816 as of December 31, 2019, and 2018, respectively, which exceeded the reserves required the State of Washington.

**Note 19 – Present value liability, annuity 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.

Association	
2019	2018
Total	Total
\$ 642,473	671,445
2,097,551	2,624,205
\$ <u>2,740,024</u>	\$ <u>3,295,650</u>

**Note 20 – Present value income distributions to primary beneficiaries**

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.

Association	
2019	2018
Total	Total
\$ 1,076,723	1,292,187
4,311,178	7,496,557
\$ <u>5,387,901</u>	\$ <u>8,788,744</u>

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**Note 21— Unconditional trusts' increase (decrease)**

As of December 31, 2019 and 2018, respectively, the Organizations served as trustee for 50 and 59 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:

	<b>Association</b>	
	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
<u>Restricted revenues and gains</u>		
Irrevocable trust agreement additions	\$ 637	1,418,318
Investment earnings (Note 24)	1,401,627	361,729
Other income	(741,871)	(194,112)
Total restricted revenue and gains	<u>660,393</u>	<u>1,585,935</u>
<u>Changes to restricted revenues and gains</u>		
Change in present value of income distributions to primary beneficiaries	3,400,842	1,107,908
Change in remainder interest to residual beneficiaries	341,275	128,176
Total changes to restricted revenues and gains	<u>3,742,117</u>	<u>1,236,084</u>
Net restricted revenues and gains	<u>4,402,710</u>	<u>2,822,019</u>
<u>Expenses and losses</u>		
Distributions to primary beneficiaries	579,710	663,582
Distributions to residual beneficiaries	4,085,226	1,564,264
Other expenses	(627,260)	516,821
Total unrestricted expenses and losses	<u>4,037,676</u>	<u>2,744,667</u>
Net unconditional trusts' increase (decrease)	<u>\$ 365,034</u>	<u>77,352</u>

**Note 22 – Remainder interest for residual beneficiaries**

	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
<u>Unconditional trusts</u>		
Idaho Conference of SDA	\$ 668,173	581,483
Montana Conference of SDA	353,096	281,916
Oregon Conference and Western Oregon Conference Association of SDA	1,362,310	1,364,540
Upper Columbia Conference and Corporation of SDA	280,793	270,722
Washington Conference and Western Washington Corporation of SDA	35,112	30,424
Walla Walla University	2,155,807	1,835,608
Other Seventh-day Adventist entities	1,109,455	994,732
Other private/public charities	1,061,364	988,186
Individuals	213,207	216,481
Conditional trusts	2,141,173	3,169,675
Total remainder interest for residual beneficiaries	<u>\$ 9,390,490</u>	<u>9,731,767</u>

**Note 23 – Revocable trust agreements**

As of December 31, 2019 and 2018, the Organizations served as trustee of 4 revocable trusts. 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.

**Note 24— Investment earnings**

	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
<u>Conference</u>		
<u>Conference operating</u>		
Interest income	\$ 68,799	42,596
Unrealized capital gains (losses)	54,724	(27,058)
Total Conference operating	<u>123,523</u>	<u>15,538</u>
<u>Association</u>		
<u>Association operating</u>		
Interest income	37,710	38,680
Realized capital gains (losses)	10,726	(2,440)
Unrealized capital gains (losses)	22,733	(26,205)
Total Association operating	<u>71,169</u>	<u>10,035</u>
Total operating investment earnings	<u>\$ 194,692</u>	<u>25,573</u>
<u>Revolving fund</u>		
Interest income	\$ 1,969,645	1,941,191
Other income	3,290	7,945
Realized capital gains (losses)	(224,700)	14,431
Unrealized capital gains (losses)	796,428	(658,535)
Total revolving fund (Note 15)	<u>\$ 2,544,663</u>	<u>1,305,032</u>

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**Note 24– Investment earnings (continued)**

Annuity fund

Annuity fund net earnings

Unrestricted activity

Interest income

Realized capital gains (losses)

Unrealized capital gains (losses)

Total unrestricted activity (Note 16)

	2019	2018
	Total	Total
\$	3,592	3,988
	1,273	10,696
	21,428	(21,962)
	26,293	(7,278)

Restricted activity

Investment income

Realized capital gains (losses)

Unrealized capital gains (losses)

Total restricted activity (Note 16)

Total annuity fund net earnings

	127	152
	45	409
	757	(840)
	929	(279)
	27,222	(7,557)

Annuities held for others

Interest income

Realized capital gains (losses)

Unrealized capital gains (losses)

Total annuities held for others (Note 17)

Total annuity fund

	116,038	133,994
	41,138	359,387
	692,243	(737,965)
	849,419	(244,584)
\$	876,641	(252,141)

Unconditional trust fund

Restricted activity

Interest income

Realized capital gains (losses)

Unrealized capital gains (losses)

Total unconditional trust fund (Note 21)

\$	699,712	896,048
	260,092	543,621
	441,823	(1,077,940)
\$	1,401,627	361,729

**Note 25 – Related party transactions**

Appropriations received from

GC/NAD

Alaska Conference

Idaho Conference

Montana Conference

Oregon Conference

Upper Columbia Conference

Washington Conference

Miscellaneous organizations

Total appropriations received

	Conference	
	2019	2018
	Total	Total
\$	4,982,926	4,571,626
	67,872	77,237
	198,377	197,368
	141,497	150,108
	1,346,235	1,308,511
	1,200,675	1,224,681
	794,592	779,090
	152,898	70,258
\$	8,885,072	8,378,879

Appropriations made to

Alaska Conference

Idaho Conference

Montana Conference

Oregon Conference

Upper Columbia Conference

Washington Conference

Miscellaneous organizations

Walla Walla University

Total appropriations made

	Conference	
	2019	2018
	Total	Total
\$	687,709	626,170
	516,456	554,767
	820,617	726,084
	1,800,659	1,455,538
	1,147,861	1,186,099
	963,047	950,158
	466,857	355,941
	4,309,303	4,181,513
\$	10,512,509	10,036,270

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**Note 26 – Donated services**

The NAD subsidizes the cost of auditing services within the NPUC territory. This subsidy was \$621,459 and \$502,075, for the years ended December 31, 2019 and 2018, respectively. The NPUC portion of this subsidy was \$32,378 and \$49,958 for the years ended December 31, 2019 and 2018, respectively. The NPUC pays the remainder of the cost of audits within its territory. This cost was \$244,905 and \$250,491 for the years ended December 31, 2019 and 2018, respectively. The NPUC has voted to bill local conferences for a portion of the audit costs. Local conferences were billed \$244,612 and \$146,337 for the years ended December 31, 2019 and 2018, 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:

Required contributions from the Organizations:

For the year ended December 31, 2019  
For the year ended December 31, 2018

	<u>NADRP</u>	<u>RAHAP</u>	<u>TOTAL</u>
	\$ 985,119	258,486	1,243,605
	1,004,817	263,655	1,268,472

Total contributions received from all employers:

For the plan year ended December 31, 2019  
For the plan year ended December 31, 2018

	Information not available	
	\$ 116,320,826	42,808,003

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

For the plan year ended December 31, 2019  
For the plan year ended December 31, 2018

	Information not available
	less than less than

Plan net assets available for benefits:

For the plan year ended December 31, 2019  
For the plan year ended December 31, 2018

	Information not available
	\$ 243,287,022 79,634,931

Actuarial obligation and funded status

Date of plan year-end for latest actuarial information  
Actuarial liability for future benefits  
Value of net assets available for benefits  
Plan funded status as of date of last actuarial data

	<u>NADRP</u>	<u>RAHAP</u>
	12/31/2018	12/31/2018
	\$ 1,438,554,117	488,150,310
	\$ 243,287,022	79,634,931
	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.

**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, 2019 and 2018**

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

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 \$180,562 and \$175,519 to the plan for the years ended December 31, 2019 and 2018, 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- Empower Retirement.

**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.

**Note 29 – Liquidity and availability**

	<u>Conference</u>	<u>Association</u>	<u>Combined</u>	
			<u>2019</u>	<u>2018</u>
Financial assets, at year-end*	\$ 11,079,506	78,705,155	89,784,661	95,678,763
Less those unavailable for general expenditures within one year, due to:				
<u>Contractual or donor-imposed restrictions:</u>				
Notes and loans receivable, noncurrent portion	-	(654,500)	(654,500)	(688,500)
Restricted by donor with time or purpose restrictions (Note 11)	(1,533,516)	(3,343,808)	(4,877,324)	(4,340,591)
Real estate held for unconditional trusts	-	(820,001)	(820,001)	(4,107,001)
<u>Board designations:</u>				
Funds allocated for specific operating purposes (Note 10)	(4,899,489)	(732,083)	(5,631,552)	(2,602,040)
Funds allocated for other funds liquidity	-	(20,036,107)	(20,036,107)	(19,481,161)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,646,521</u>	<u>53,118,656</u>	<u>57,765,177</u>	<u>64,459,470</u>

\* 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.



**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, 2019 and 2018**

**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*.

			Combined	
	Conference Operating	Association Operating	2019 Operating Funds	2018 Operating Funds
<u>Working capital</u>				
Total current assets	\$ 11,175,339	787,303	11,962,642	13,160,867
Less: total current liabilities	5,188,067	25,176	5,213,243	6,210,685
Total working capital	5,987,272	762,127	6,749,399	6,950,182
Recommended working capital	6,143,431	1,002,822	7,146,253	6,956,072
Working capital excess (deficit)	\$ (156,159)	(240,695)	(396,854)	(5,890)
Percent of recommendation	97%	76%	94%	100%
Current ratio	2.15 to 1	31.27 to 1	2.29 to 1	2.12 to 1
<u>Liquid assets</u>				
Cash	\$ 2,227,470	185,376	2,412,846	2,569,930
Cash held for agency	158,537	-	158,537	165,319
Investments	2,139,278	1,094,842	3,234,120	3,022,308
Accounts receivable - conference remittances	5,894,322	-	5,894,322	7,052,647
Accounts receivable - GC and NAD	844	-	844	922
Total liquid assets	10,418,551	1,280,218	11,698,769	12,811,126
<u>Less commitments</u>				
Current liabilities	5,188,067	25,176	5,213,243	6,210,685
Temporarily restricted net assets - operating	1,533,516	988,588	2,522,104	2,310,647
Total commitments	6,721,583	1,013,764	7,735,347	8,521,332
Liquid assets surplus (deficit)	\$ 3,696,968	266,454	3,963,422	4,289,794
Percent liquid assets to commitments	155%	126%	151%	150%
<u>Calculation of recommended working capital</u>				
50% of Conference unrestricted income	\$ 4,448,224	-	4,448,224	4,480,767
**20% of Association unrestricted income	-	14,234	14,234	2,007
Long term payables	161,691	-	161,691	182,651
***Temporarily restricted net assets - operating	1,533,516	988,588	2,522,104	2,310,647
Total recommended working capital	\$ 6,143,431	1,002,822	7,146,253	6,956,072

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

\*\*\* Excluding matured trusts and wills.

**Note 31 – Subsequent event-COVID-19**

The COVID-19 outbreak in the United States has caused disruption of operations through mandated and voluntary closings of many businesses and non-profits, various "stay at home" orders, and significant unemployment. During this time, the Organizations continue operations on a limited, remote basis. COVID-19's impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our church members' employment and related giving patterns, employees, vendors, churches, and affiliated entities, all of which are uncertain and cannot be predicted. Therefore, while the Organizations expect this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

**Note 32 – Subsequent event- NPUCA Revolving Fund interest rate changes**

Effective May 1, 2020, the interest rate for all new and existing NPUCA Revolving Fund loans changed from 5% to 4.5% and the interest rate paid to all depositors of the NPUCA Revolving Fund changed from 2.25% to 1.75%.

## **REPORT TO GOVERNANCE**



# REPORT TO GOVERNANCE 2019

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



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EXECUTIVE SUMMARY

1

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, 2019.
- 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.

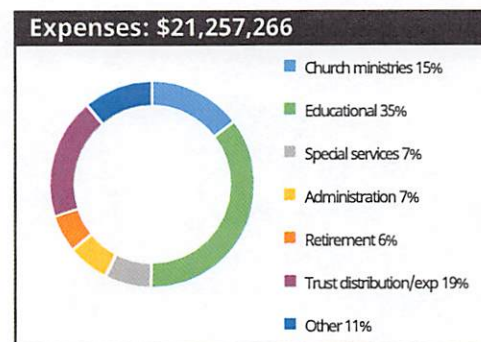
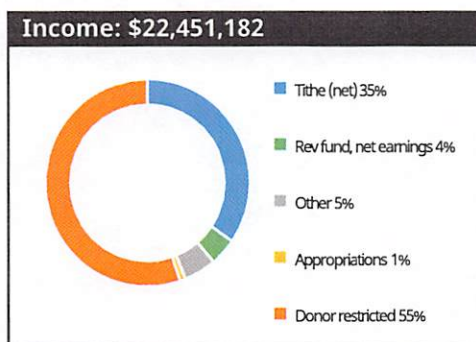
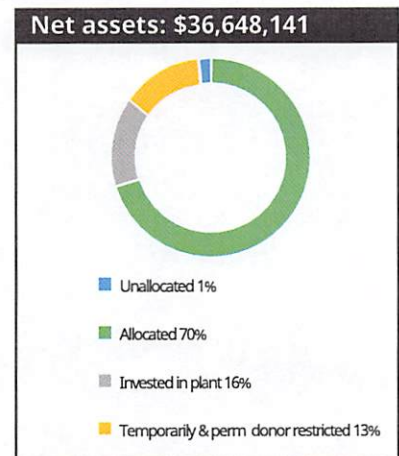
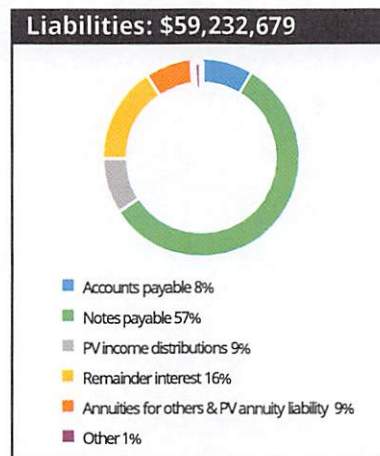
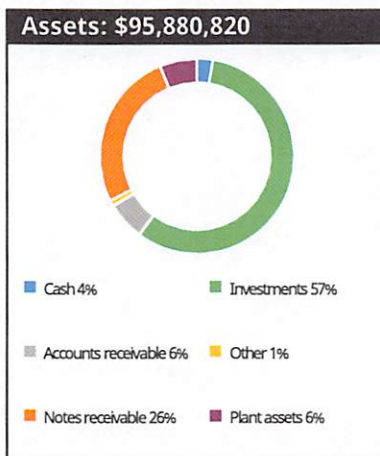
RESULTS

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



## FINANCIAL SUMMARY

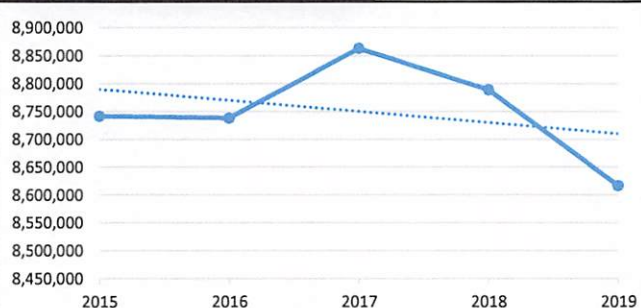
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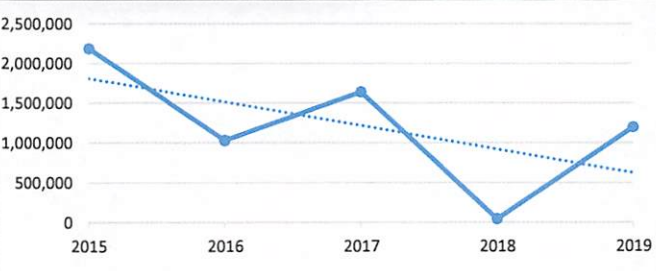
## FINANCIAL TRENDS

3

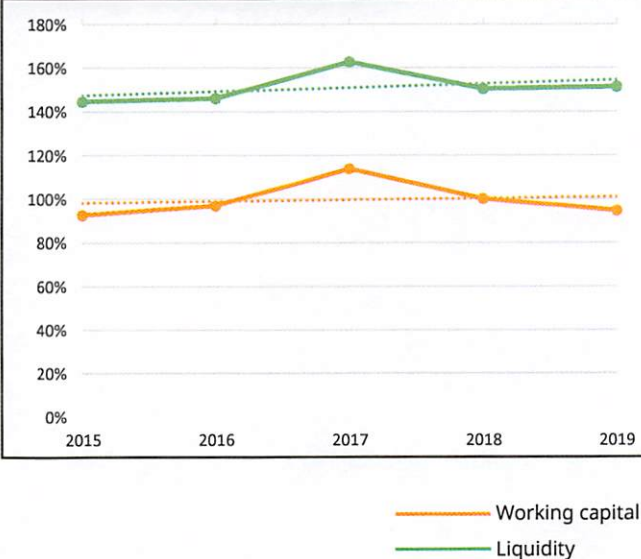
**Tithe income**



**Net income**



**Working capital and liquidity**



### Key financial events

- In 2018, net income was down due to unrealized investment losses
- In 2019, net income was up due to unrealized investment gains

## FINANCIAL RATIOS

4

			2019	2018	2017
<b>Current ratio</b>	<i>Higher ratio indicates greater ability to meet short-term obligations</i>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.29	2.12	2.20
<b>Liquidity percentage</b>	<i>Higher percentage indicates greater ability to pay obligations</i>	$\frac{\text{Liquid assets}}{\text{Total commitments}}$	151%	150%	163%
<b>Working capital percentage</b>	<i>Higher percentage indicates greater proportion of working capital recommended by policy</i>	$\frac{\text{Actual working capital}}{\text{Rec. working capital}}$	94%	100%	114%



## 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

June 17, 2020

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, 2019, 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 June 17, 2020.

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*

The following item is either immaterial noncompliance or noncompliance with recommendations.

OTHER CORE POLICY MATTERS	IMMATERIAL	RECOMMENDATION	FINDINGS
NADWP S 24 10 – Recommends minimum amount of working capital	–	✓	At December 31, 2019, working capital was \$396,854 less than recommended
NADWP S 60 05 (4) requires auditors to inform the governing committee whether the provisions of insurance coverage are in harmony with working policy.			

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

## MATERIAL WEAKNESSES IN INTERNAL CONTROLS | 7

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

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

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

No material weaknesses were noted

PREVIOUSLY REPORTED DEFICIENCIES RESOLVED	TYPE	RESOLUTION
Physical inventory of plant assets not performed as required	Material weakness	Strengthened controls to ensure a plant assets inventory was performed
Sale of trust property not voted as required	Material weakness	Strengthened controls to ensure committee authorization is obtained prior to a sale

## AUDIT ADJUSTMENTS AND UNADJUSTED DIFFERENCES | 8

DESCRIPTION	ASSETS	LIABILITIES	BEGINNING NET ASSETS	REVENUE	EXPENSE	NET INCOME
<p><b><i>Significant audit adjustments accepted by management:</i></b></p> <p>We did not propose any significant audit adjustments for 2019</p>						
<p><b><i>Unadjusted differences considered by management to be immaterial:</i></b></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 was to be effective for most not-for-profit organizations for fiscal years beginning on or after December 15, 2019, but has now been deferred for that group of organizations for one year, until December 15, 2020. 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

10



### Agree

Develop and agree on written terms of engagement with the client

### Obtain

Obtain information about client's accounting and financial reporting system

### Assess

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

### Perform

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

### Conclude

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

### Report

Prepare and issue audit opinion and other communications to prescribed recipients

## ABOUT YOUR AUDITORS

11

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

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

The auditor responsible for the 2019 audit is:



Melissa Reynolds  
Regional Manager

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

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



**VISIT US AT GCASCONNECT.ORG**

## REQUIRED COMMUNICATIONS WITH GOVERNANCE | 12-1

### **Significant accounting policies**

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.

No new accounting policies were adopted and the application of existing policies was not changed during 2019. 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.

---

### **Restriction on distribution and use of report**

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



## REQUIRED COMMUNICATIONS WITH GOVERNANCE

12-2

### MATTERS TO BE COMMUNICATED

### AUDITOR'S RESPONSE

#### Management judgment and accounting estimates

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.

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.

REQUIRED COMMUNICATIONS WITH GOVERNANCE

12-3

MATTERS TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Management judgment and accounting estimates</b></p> <p>Fair value of assets held in trust - It is management's responsibility to make estimates about the value of assets held in trust, based on the fair value of the underlying assets. For cash and investments, fair value is determined in consultation with financial institutions and investment brokers and managers. For loans receivable, management estimates the net realizable value based on terms and collection history.</p>	<p>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.</p>
<p>Present value of liabilities for split-interest agreements, including annuity agreements - It is management's responsibility to make estimates about the net present value of the liabilities to beneficiaries of split-interest agreements the Association administers, such as charitable gift annuities, irrevocable charitable remainder trust agreements, etc. Management estimates those liabilities based on life expectancy tables obtained from the Internal Revenue Service, applied to the age or ages of donor(s).</p>	<p>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.</p>

## **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

June 17, 2020

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 of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists (Revolving Fund) as of December 31, 2019 and 2018, and the related statements of changes in net assets and cash flows for the years then ended. Your audits were for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists (Revolving Fund) 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 June 17, 2020 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, allC
  - 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 believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statement taken as a whole.
- 6. 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.
- 7. 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.
- 8. 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.
- 9. 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.
- 10. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

11. 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.
12. 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.
13. 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.
14. North Pacific Union Conference Association Revolving Fund 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. To the best of our knowledge and belief, no events have occurred subsequent to the date of the financial statements and through the date of this letter that would require adjustment to, or disclosure in, the financial statements, that is not already reflected therein.

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

- ☐ We have examined the audited financial statements for North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists (Revolving Fund) for the years ended December 31, 2019 and 2018. 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 for North Pacific Union Conference of Seventh-day Adventists and North Pacific Union Conference Association of Seventh-day Adventists (Revolving Fund) for the years ended December 31, 2019 and 2018. 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.

1. NR/NP Interest Rates: Show rate as it was at December 31, 2019 (5% and 2.25%), then with an asterisk I would reference the subsequent rate change (4.5% and 1.75%.)
2. Balance Sheet – Due to and from other funds: Balances should be within the Combined Total column, for both Due to and Due from other funds. Better clarity
3. Balance Sheet – Unrestricted allocated: I would add the reference of “Note10” for clarity and reference.
4. Page 27 – Note 27: change of wording, Great West Life & Annuity Insurance Company - Empower Retirement.

**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 **North Pacific Union Conference Executive Committee portfolio** includes the financial statement and opinion, policy compliance report, audit communication letter, and F-49. Denominational policy requires our CFO to distribute this portfolio to our audit committee and your governing committee.

The next meeting of our Audit Review Committee is scheduled for August 19, 2020 or earlier.

The next meeting of our North Pacific Union Conference Executive Committee is scheduled for August 19, 2020.

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



Signed: John C. Friedman Title: PRESIDENT

Signed: Walter D. Schultz Title: CFO/Treasurer

Dated June 17, 2020



# **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, 2019</u>		Union
Currency Used: <u>U.S. Dollar</u>		
<b>CURRENT ASSETS</b>		
2 Cash	2,569,383	
3 Securities and Investments	3,234,120	
4 Accounts Receivable - Net	6,029,306	
5 Notes and Loans Receivable - Net	34,000	
6 Supplies Inventories and Prepaid Expense	95,833	
A. Total Current Assets		11,962,642
<b>FIXED ASSETS</b>		
B. Total Fixed Assets - Net		6,000,326
7 Total Other Assets - Operating	664,084	
8 Cash, Bank and Investments Other than Operating	51,862,975	
9 Miscellaneous Assets Other Than Operating	25,390,793	
C. Total Other Assets		77,917,852
D. Total Assets		95,880,820
<b>CURRENT LIABILITIES</b>		
10 Accounts Payable and Accrued Expense	5,056,706	
11 Notes and Loans Payable		
12 Agency (Trust) Funds	156,537	
13 Deferred Income		
E. Total Current Liabilities		5,213,243
<b>OTHER LIABILITIES</b>		
14 Other Liabilities - Operating	161,691	
15 Miscellaneous Liabilities Other Than Operating	53,857,745	
16 Investment in Plant - Payables	-	
F. Total Other Liabilities		54,019,436
G. Total Liabilities		59,232,679
<b>NET WORTH/FUND BALANCES</b>		
17 Unallocated & Allocated Operating Net Worth/Fund Balances	7,251,792	
18 Allocated Capital Net Worth/Fund Bal (Line 17+18=A+7-E-14)		
19 Nonexpendable Fund Balances (Line 8+9-15)	23,396,023	
20 Net Investment in Plant Fund Balance (Line B-16)	6,000,326	
H* Total Net Worth/Fund Balances		36,648,141
I. Total Liabilities and Net Worth/Fund Balances		95,880,820

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				-
23 Current Liabilities				-
24 Other Liabilities				-



## SUMMARY OF CHANGES IN NET WORTH/FUND BALANCES

### CHANGES DUE TO OPERATING ACTIVITY:

J	Earned Operating Income (Not Donations & Appropriations)	17,538,930	
K	Operating Expense	<u>21,247,867</u>	
L	Increase (Decr) From Operations (Excluding Donations)	<u>(3,708,937)</u>	
M	Net Operating Donations & Appropriations Rcvd & Retained	<u>190,000</u>	
	25 NET INCREASE (DECREASE) FROM OPERATING		<u>(3,518,937)</u>

### CHANGE DUE TO ACTIVITY OTHER THAN OPERATING:

N	Net Increase (Decr) (Excl Net Increase (Decr) From Oper)	<u>4,712,853</u>	
O	Exchange Adjust (Not applicable when local currency use)		
	26 NET INCREASE (DECREASE) OTHER THAN OPERATING		<u>4,712,853</u>

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

	27 Net Increase (Decr) in Total Net Worth/Fund Balances this period		1,193,916
P	Previous total net worth/fund balance as reported on last F-49		<u>35,454,225</u>
Q*	PRESENT TO DATE TOTAL NET WORTH/FUND BALANCES		<u><u>36,648,141</u></u>

### MISCELLANEOUS INFORMATION

28	Working Capital (Deficit) (Line A - E)		<u>6,749,399</u>
29	Recommended Working Capital Per Policy		<u>7,146,253</u>
30	A/R: Higher Organ: 944 Church Remit:	<u>5,894,322</u>	<u>5,895,266</u>
31	Net Assets of Funds Held as Trustee		<u>1,562,047</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, 2019 Fixed Exchange Rate: \_\_\_\_\_

Date: June 17, 2020 Auditor's Signature: Melissa Reynolds

Form F-49 (Revised 1984)

