



September 13, 2023

**DELEGATES AND DELEGATES-AT-LARGE**


Fifth Regular Quadrennial and  
Twenty-sixth Regular Constituency Session  
Southwest Region Conference of Seventh-day Adventists

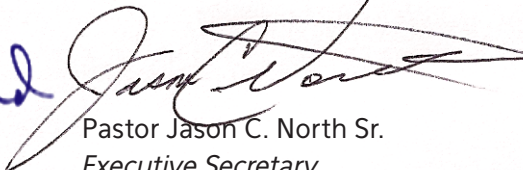
Dear Delegates to the 5th Quadrennial and 26th Constituency Meeting of the Southwest Region Conference:


The report of the General Conference Auditing Service (GCAS) included in the former digital session materials and website was forwarded by the Southwest Region Conference to the contracted designer for the 5th Quadrennial and 26th Constituency Meeting. The contracted designer customized and embedded the GCAS report to align with the design (color scheme, fonts, format, header/footer design, pagination) of the session booklet. Please be assured that no financial numbers were changed.

Because the GCAS report, in harmony with Generally Accepted Auditing Standards (GAAS), should have been published exactly as received by GCAS and forwarded by the Southwest Region Conference, we are providing the originally formatted GCAS report free from design changes. Kindly review and refer to the attached document as the official GCAS report.

Sincerely,

  
Dr. Carlton P. Byrd  
President

  
Pastor Jason C. North Sr.  
Executive Secretary

  
Elder Philip G. Palmer  
Treasurer





**SOUTHWEST REGION CONFERENCE OF SEVENTH-  
DAY ADVENTISTS AND SOUTHWEST REGION  
CONFERENCE ASSOCIATION OF SEVENTH-DAY  
ADVENTISTS, INC.**

COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2022, 2021, 2020, and 2019

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## AUDITOR'S REPORT

To the Constituents  
Southwest Region Conference of Seventh-day Adventists and  
Southwest Region Conference Association of Seventh-day Adventists, Inc.  
Dallas, Texas

We have audited the combined financial statements of Southwest Region Conference of Seventh-day Adventists and Southwest Region Conference Association of Seventh-day Adventists, Inc. (Organizations), which comprise the combined statements of financial position as of December 31, 2022, 2021, 2020, and 2019, and the combined statements of changes in net assets and combined statements of cash flows for the years then ended, and the notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, as auditors of the General Conference of Seventh-day Adventists, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2022, 2021, 2020, and 2019, and their combined financial performance and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP) adopted by the Seventh-day Adventist denomination.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), except the ethical requirement for the appearance of independence. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Organizations in accordance with the ethical requirements that are relevant to our audits of the combined financial statements in the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements, except the ethical requirement for the appearance of independence, because of our affiliation with the Seventh-day Adventist denomination. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP adopted by the Seventh-day Adventist denomination, and for the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Organizations' ability to continue as a going concern for the next year, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organizations or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organizations' financial reporting process.

## **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organizations' ability to continue as a going concern for a reasonable period of time. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organizations to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, and certain internal control-related matters, including any material weaknesses and significant deficiencies in internal control that we identify during our audit.

*General Conference Auditing Service*

June 27, 2023

**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.**  
**Combined Statements of Financial Position**  
**December 31, 2022, 2021, 2020, and 2019**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>				
<u>Current assets</u>				
Cash and cash equivalents (Note 2)	\$ 4,009,455	3,872,574	4,091,903	2,169,111
Accounts receivable, net (Note 3)	3,011,047	2,658,885	1,961,805	2,050,985
Prepaid expenses	129,056	132,046	101,477	-
Notes receivable, secured, 5% interest	435,898	455,567	474,276	492,074
Total current assets	<u>7,585,456</u>	<u>7,119,072</u>	<u>6,629,461</u>	<u>4,712,170</u>
Plant assets, net (Note 4)	<u>26,851,973</u>	<u>26,750,113</u>	<u>27,446,849</u>	<u>26,854,684</u>
<u>Other assets</u>				
For other than operating:				
Cash and investments (Note 5)	1,694,755	1,661,180	1,699,090	3,205,290
Total other assets	<u>1,694,755</u>	<u>1,661,180</u>	<u>1,699,090</u>	<u>3,205,290</u>
Total assets	<u>\$ 36,132,184</u>	<u>35,530,365</u>	<u>35,775,400</u>	<u>34,772,144</u>
<b>LIABILITIES</b>				
<u>Current liabilities</u>				
Accounts payable (Note 6)	\$ 1,504,893	1,746,469	2,955,598	3,244,996
Deferred revenue (Note 7)	30,000	-	-	-
Notes payable, current (Note 8)	-	432,409	1,630,534	495,408
Total current liabilities	<u>1,534,893</u>	<u>2,178,878</u>	<u>4,586,132</u>	<u>3,740,404</u>
<u>Other liabilities</u>				
Deferred revenue (Note 7)	90,000	-	-	-
For other than operating funds:				
Demand notes payable (Note 8)	1,107,200	1,277,647	1,623,504	2,437,589
Capital lease payable (Note 8)	-	-	-	5,405
Total other liabilities	<u>1,197,200</u>	<u>1,277,647</u>	<u>1,623,504</u>	<u>2,442,994</u>
Total liabilities	<u>2,732,093</u>	<u>3,456,525</u>	<u>6,209,636</u>	<u>6,183,398</u>
<b>NET ASSETS</b>				
Unrestricted: unallocated	4,774,614	3,869,143	-	-
Unrestricted: allocated	2,350,817	2,320,660	3,073,441	2,791,692
Unrestricted: net invested in plant	25,818,871	25,628,660	26,239,221	25,602,704
Total net assets without donor restrictions	<u>32,944,302</u>	<u>31,818,463</u>	<u>29,312,662</u>	<u>28,394,396</u>
Temporarily restricted (Note 10)	455,789	255,377	253,102	194,350
Total net assets with donor restrictions	<u>455,789</u>	<u>255,377</u>	<u>253,102</u>	<u>194,350</u>
Total net assets	<u>33,400,091</u>	<u>32,073,840</u>	<u>29,565,764</u>	<u>28,588,746</u>
Total liabilities and net assets	<u>\$ 36,132,184</u>	<u>35,530,365</u>	<u>35,775,400</u>	<u>34,772,144</u>

Interfund borrowing is eliminated in combined totals.  
See accompanying notes.



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.**  
Combined Statements of Changes in Net Assets; page 1 of 2  
For the years ended December 31, 2022, 2021, 2020, and 2019

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<u>Revenues and support without donor restrictions</u>				
Gross tithe income	\$ 14,175,532	13,337,518	12,363,194	12,526,843
Tithe percentages passed on	(3,339,409)	(3,207,226)	(3,032,281)	(3,092,616)
Net tithe income	10,836,123	10,130,292	9,330,913	9,434,227
Tithe funds exchanged	-	-	(100,000)	-
Non-tithe funds received	-	-	100,000	-
Offerings	17,283	21,226	8,829	14,072
Donations	406,652	106,921	14,369	17,563
Appropriations and grants received (Note 9)	1,013,627	2,795,570	1,361,500	1,234,482
Direct operating income	2,225,126	1,584,179	1,581,856	1,755,359
Investment earnings	95,716	82,892	107,541	102,738
Other income	50,709	45,115	43,264	52,088
Total revenues without donor restrictions	<u>14,645,236</u>	<u>14,766,195</u>	<u>12,448,272</u>	<u>12,610,529</u>
Released from net assets with donor restrictions	870,692	844,692	535,056	1,007,691
Total revenues and support without donor restrictions	<u>15,515,928</u>	<u>15,610,887</u>	<u>12,983,328</u>	<u>13,618,220</u>
<u>Expenses and losses</u>				
<u>Program services functions</u>				
Church ministries	8,155,303	6,653,875	6,598,846	8,349,061
Educational	2,485,994	2,472,479	2,194,742	2,245,608
Health and humanitarian	177,347	124,132	75,188	110,296
Other program services	108,154	75,403	41,293	16,812
Total program services functions	<u>10,926,798</u>	<u>9,325,889</u>	<u>8,910,069</u>	<u>10,721,777</u>
<u>Supporting services functions</u>				
Conference administration	1,380,850	1,360,367	1,079,538	1,223,806
Retirement contribution	1,297,805	1,389,995	1,415,337	1,255,972
Conventions and meetings	293,808	156,234	106,801	191,886
Other supporting services	457,881	296,135	370,474	409,412
Total supporting services functions	<u>3,430,344</u>	<u>3,202,731</u>	<u>2,972,150</u>	<u>3,081,076</u>
Total expenses and losses	<u>14,357,142</u>	<u>12,528,620</u>	<u>11,882,219</u>	<u>13,802,853</u>
Net increase (decrease) from operations	<u>1,158,786</u>	<u>3,082,267</u>	<u>1,101,109</u>	<u>(184,633)</u>
<b>NONOPERATING ACTIVITY WITHOUT DONOR RESTRICTIONS</b>				
Nonoperating revenue (Note 11)	642,972	95,431	1,378,434	732,443
Nonoperating expense (Note 11)	(76,720)	(59,451)	(98,784)	(185,834)
Net gain (loss) on disposal of property (Note 11)	27,000	6,368	3,875	83,053
Realized gain (loss) on sale of investment property	-	-	(954,167)	-
Released from net assets with donor restrictions	-	-	100,000	-
Increase (decrease) before activity related to property used by affiliates	<u>593,252</u>	<u>42,348</u>	<u>429,358</u>	<u>629,662</u>
Depreciation expense for property used by affiliates (Note 11)	(626,199)	(618,814)	(612,200)	(620,362)
Net increase (decrease) from nonoperating activity	<u>(32,947)</u>	<u>(576,466)</u>	<u>(182,842)</u>	<u>9,300</u>
Increase (decrease) in net assets without donor restrictions	<u>1,125,839</u>	<u>2,505,801</u>	<u>918,267</u>	<u>(175,333)</u>

See accompanying notes.





**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.**  
Combined Statements of Changes in Net Assets; page 2 of 2  
For the years ended December 31, 2022, 2021, 2020, and 2019

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
<b>Changes in net assets with temporary donor restrictions</b>				
<u>Revenue with temporary donor restrictions</u>				
Appropriations received	\$ 906,598	685,156	641,914	1,038,178
Offerings	900	2,495	1,027	2,221
Donations	88,171	109,842	30,413	45,323
Matured trusts and wills	2,400	2,400	2,400	-
Ingathering reversion	5,500	3,544	2,862	1,915
Other income	67,535	43,530	15,191	3,449
Total revenue with temporary donor restrictions received	<u>1,071,104</u>	<u>846,967</u>	<u>693,807</u>	<u>1,091,086</u>
Released from donor restrictions	<u>(870,692)</u>	<u>(844,692)</u>	<u>(635,056)</u>	<u>(1,007,691)</u>
Increase (decrease) in net assets with temporary donor restrictions	<u>200,412</u>	<u>2,275</u>	<u>58,751</u>	<u>83,395</u>
Increase (decrease) in net assets	1,326,251	2,508,076	977,018	(91,938)
Net assets, beginning of year	<u>32,073,840</u>	<u>29,565,764</u>	<u>28,588,746</u>	<u>28,680,684</u>
Net assets, end of year	<u>\$ 33,400,091</u>	<u>32,073,840</u>	<u>29,565,764</u>	<u>28,588,746</u>

See accompanying notes.



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.**  
**Combined Statements of Cash Flows**  
**For the years ended December 31, 2022, 2021, 2020, and 2019**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ 1,326,251	2,508,076	977,018	(91,938)
Adjustments to reconcile change in net assets to net cash provided:				
Depreciation expense	860,415	825,817	833,533	843,682
(Gain) loss on disposal of plant assets	(27,000)	(6,368)	(3,875)	(83,053)
(Gain) loss on sale of investments	-	-	954,167	-
Church and school properties added	(642,222)	(94,566)	(1,361,263)	(724,543)
Other donated plant assets	-	-	(16,300)	-
Provision for uncollectable accounts receivable	373,709	204,800	288,600	170,000
Accounts receivable written off	-	(11,064)	(33,600)	(328,544)
(Increase) decrease accounts receivable	(725,871)	(890,816)	(165,820)	(240,549)
(Increase) decrease prepaid expenses	2,990	(30,569)	(101,477)	-
Increase (decrease) accounts payable	(241,576)	(1,209,129)	(289,398)	931,382
Increase (decrease) deferred revenue	120,000	-	-	-
Net cash provided (used) from operating	<u>1,046,696</u>	<u>1,296,181</u>	<u>1,081,585</u>	<u>476,437</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(33,575)	(385)	(38,130)	(51,546)
Proceeds from sale of investment property	-	38,295	590,163	-
Proceeds from sale of plant assets	27,000	10,568	6,875	120,916
Purchases of plant assets	(320,053)	(38,715)	(51,135)	(4,971)
Payments received on notes receivable	19,669	18,709	17,798	19,807
Net cash provided (used) from investing	<u>(306,959)</u>	<u>28,472</u>	<u>525,571</u>	<u>84,206</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from external borrowing	-	-	1,148,964	-
Principal payments on notes payable and lease	(602,856)	(1,543,982)	(833,328)	(255,519)
Net cash provided (used) from financing	<u>(602,856)</u>	<u>(1,543,982)</u>	<u>315,636</u>	<u>(255,519)</u>
Increase (decrease) cash and cash equivalents	136,881	(219,329)	1,922,792	305,124
Cash and cash equivalents, beginning of year	3,872,574	4,091,903	2,169,111	1,863,987
Cash and cash equivalents, end of year	<u>\$ 4,009,455</u>	<u>3,872,574</u>	<u>4,091,903</u>	<u>2,169,111</u>

Cash paid for interest during 2022, 2021, 2020, and 2019 was \$63,988, \$94,203, \$157,675, and \$168,531, respectively.

See accompanying notes.



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.  
Notes to the Combined Financial Statements  
For the years ended December 31, 2022, 2021, 2020, and 2019**

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

Organization description

Seventh-day Adventist congregations within the Southwestern Union Conference of Seventh-day Adventists (SWUC) have formed the Southwest Region Conference of Seventh-day Adventists (the Conference) and the Southwest Region Conference Association of Seventh-day Adventists, Inc. (the Association). Because the Conference and the Association are commonly controlled, their financial statements are combined (the Organizations).

The Organizations' primary purpose is to spread the gospel of Jesus Christ throughout their territory. The Conference supports the operation of all churches and schools in its territory, and is a member organization of the SWUC. The Association holds legal title to all denominational property in its territory, and performs certain fiduciary duties. The Organizations receive most of their revenue in the form of contributions from individuals in their constituent congregations.

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.

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 27, 2023, 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) Donor 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, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Changes in Net Assets as net assets released from donor restrictions.

The Organizations report gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and the gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. 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.

Components of activity without donor restrictions: Activity without donor restrictions is separated between operating and nonoperating activity. Operating activity is defined as the regular recurring revenue and expense related to the core ministries of the Organizations. Other activity, such as transfers between funds, additions and deletions related to church and school properties, and most of the activity of funds other than the operating fund, is classified as nonoperating activity.

(d) Net assets without donor restrictions: The governing committees of the Organizations have some policies that affect the presentation of committee designations on net assets. They have established allocated funds for several evangelistic and educational programs. Additionally, management maintains an operating reserve for working capital in accordance with guidelines of the North American Division Working Policy (see Note 19).

(e) Plant assets and depreciation: Plant assets are recorded at cost when purchased or at fair market value at the date of gift when donated. Plant assets that cost less than \$5,000 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 plant fund, and is distributed among the operating expenses reported in the statement of changes in net assets, and in cross-totaling is included in total operating expense reported by the various program and supporting services functions that use those assets. The following ranges of estimated useful lives are assigned to plant assets: land improvements: 20-40 years; buildings: 20-50 years; equipment: 3-10 years.

In its corporate capacity, the Association holds legal title to properties that are used by local congregations and other affiliated entities. The historical cost of these properties, and the related accumulated depreciation, is included in the plant fund, and the related depreciation expense is recorded as nonoperating expense in the Statement of Changes in Net Assets.



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.  
Notes to the Combined Financial Statements  
For the years ended December 31, 2022, 2021, 2020, and 2019**

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

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 to plant funds. Donor restricted proceeds from sales of assets and donor restricted income from plant fund investments are recorded as support with donor restrictions. Both principal and interest payments made to retire plant fund debt are recorded in the plant fund.

(f) 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.

(g) 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 applies to cash, cash equivalents, accounts receivable, and certain current liabilities.

Notes and loans receivable are valued at the amortized amount receivable at the reporting date. An allowance has been recorded based on an estimate of amounts which are not expected to be collected. 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 verification, 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 verification, management has concluded that the amortized face value of loans payable to related or affiliated entities approximates 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.

(h) Current assets and current 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 by donors to use for other than current operations, or are committee 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 funds 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 Organizations are at least a partial beneficiary in various kinds of trusts, annuities, and/or other split-interest agreements for which it or other entities act as trustee or administrator. Other organizations are partial beneficiaries of some of these agreements. For those agreements that are unconditional and irrevocable, assets are recorded by the Organizations at fair value at the date of gift or acceptance of agreement. For agreements that designate other beneficiaries, liabilities are recorded for the present value of the amount due to others. Conservative discount rates are used to compute the present value of such liabilities. Standard actuarial tables and conservative interest rates are used to compute liabilities due to annuitants. The Organizations' remainder interest is classified as net assets with temporary donor restrictions until maturity of each agreement.

(k) Affiliated organizations: The Organizations are affiliated with SWUC and Southwestern Union Conference Corporation of Seventh-day Adventists (collectively, the Union), entities which serve as the regional headquarters of the Seventh-day Adventist denomination for the geographic area in which the Organizations are located. In addition to the monthly remittance passed to the Union, the Organizations also receive appropriations, loans, and other services provided by the Union. The President and Treasurer of the Organizations are members of the Union executive committee. The financial statements of the Union are not consolidated with these Organizations. Inter-organization transactions carried on in the ordinary course of business are handled through current accounts receivable and payable, and are generally settled on a monthly basis (see Notes 3 and 6). Other financial transactions involving deposits, appropriations, and loans are detailed in Notes 2, 5, 8, and 9 below.

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

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

Operating funds: Resources with and without donor restrictions available for current operations. This fund group reflects the combined operating activity of the Conference operating fund and the Association operating fund.

Plant funds: The unexpended plant and net invested in plant funds. The unexpended plant fund represents resources that 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 net assets without donor restrictions section of net assets, and appear as allocated net assets. This balance includes the unused portion of funded depreciation, additional funds transferred for plant acquisitions, proceeds from sale of plant assets, and plant fund investment earnings without donor restrictions. The net invested in plant fund represents plant assets acquired, respective accumulated depreciation, and any respective debt.

(m) Other assets with values not readily determinable are recorded at lower of cost or fair value.

**Note 2 - Cash and equivalents**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Petty cash	\$ 500	500	500	500
Checking accounts	1,891,981	1,861,229	2,156,198	318,029
Savings accounts	291,617	248,438	207,610	165,510
Southwestern Union Revolving Fund deposits, 2.0 - 2.5%	1,825,357	1,762,407	1,727,595	1,685,072
Total cash	<u>\$ 4,009,455</u>	<u>3,872,574</u>	<u>4,091,903</u>	<u>2,169,111</u>

**Note 3 - Accounts receivable**

Remittance receivable	\$ 1,760,832	1,504,195	1,256,201	1,544,576
SWUC	485,289	561,000	209,023	94,252
Churches	2,121,538	1,760,781	1,570,410	1,254,032
Schools	810,202	585,335	491,518	504,811
Employees	58,100	51,897	42,018	10,938
Other	-	46,882	50,104	44,845
Less: allowance for uncollectable accounts	(2,224,914)	(1,851,205)	(1,657,469)	(1,402,469)
Net accounts receivable	<u>\$ 3,011,047</u>	<u>2,658,885</u>	<u>1,961,805</u>	<u>2,050,985</u>

**Note 4 - Plant assets**

Cost, December 31	\$ 42,767,975	41,805,701	41,693,494	40,284,745
Less: accumulated depreciation, December 31	15,916,002	15,055,588	14,246,645	13,430,061
Total net plant assets	<u>\$ 26,851,973</u>	<u>26,750,113</u>	<u>27,446,849</u>	<u>26,854,684</u>
Depreciation expense	\$ 860,415	825,817	833,533	843,682
Total depreciation expense	<u>\$ 860,415</u>	<u>825,817</u>	<u>833,533</u>	<u>843,682</u>



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**Note 5 - Cash and investments held for other than operating**

	2022	2021	2020	2019
Checking accounts	\$ 17,330	17,322	17,305	17,273
Southwestern Union Revolving Fund deposits, 2.0 - 2.5%	1,650,944	1,616,307	1,653,136	1,621,645
Total cash and equivalents	1,668,274	1,633,629	1,670,441	1,638,918
Investment properties	42,195	42,195	42,195	34,635
Accumulated depreciation investment properties	(20,435)	(19,413)	(18,391)	(17,369)
Church properties held for sale	-	-	-	1,544,330
Annuities held by Southwest Estate Services, Inc.	4,721	4,769	4,845	4,776
Total cash and investments	\$ 1,694,755	1,661,180	1,699,090	3,205,290

Composition of investment return

Interest and dividends from investments	\$ 34,645	32,117	40,386	40,253
Total investment income excluding cash and notes receivable	34,645	32,117	40,386	40,253
Interest earned on cash and cash equivalents	39,146	34,869	43,434	42,127
Interest earned on notes receivable	22,331	16,291	24,202	20,830
Total investment return	\$ 96,122	83,277	108,022	103,210

Sources of fair value information

The Organizations are subject to accounting principles that require disclosure about the information used to determine fair values for assets and liabilities that are subject to fair value accounting on either a recurring or non-recurring basis. This information is separated into three "levels" of inputs, 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 judgment and the best information available

The Organizations used the following inputs to determine fair values of assets valued on a non-recurring basis.

	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Real property and improvements received during the period by donation Fair value estimated by donated hours of labor and/or value of donated materials	\$ -	-	-	-	-	-
Real property and improvements received by donation from local church congregations, designated for their use: Fair value based on formal appraisals and/or documented payments	\$ -	642,222	-	-	94,566	-

The Organizations used the following inputs to determine fair values of assets valued on a non-recurring basis.

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Real property and improvements received during the period by donation Fair value estimated by donated hours of labor and/or value of donated materials	\$ -	16,300	-	-	-	-
Real property and improvements received by donation from local church congregations, designated for their use: Fair value based on formal appraisals and/or documented payments	\$ -	1,361,263	-	-	724,543	-





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**Note 6 - Accounts payable**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Commercial accounts	\$ 5,205	5,105	40,054	133,867
SWUC (remittance payable)	450,106	402,611	395,594	464,342
Accrued vacation payable	46,121	67,844	93,511	39,955
Regional Conference Retirement Plan	604,703	786,898	2,047,667	1,841,354
Adventist Risk Management payable	204,042	184,268	191,685	510,908
Other Seventh-day Adventist organizations (churches, schools, etc.)	71,293	200,953	82,707	81,196
Miscellaneous payables	94,998	70,320	70,625	107,279
Taxes payable	28,425	28,470	33,755	66,095
<b>Total accounts payable</b>	<b>\$ 1,504,893</b>	<b>1,746,469</b>	<b>2,955,598</b>	<b>3,244,996</b>

**Note 7 - Deferred revenue**

Church of God Assembly, Lone Star Camp rental, short-term	\$ 30,000	-	-	-
Lone Star Camp rental, long-term	90,000	-	-	-
<b>Total deferred revenue</b>	<b>\$ 120,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 8 - Notes payable**

Operating funds

Southwestern Union Revolving Fund, unsecured, 4.0 - 4.5% interest, due on demand	\$ -	432,409	481,570	495,408
Bank of America, Payroll Protection Program, unsecured, 1% interest	-	-	1,148,964	-
<b>Total operating funds notes payable</b>	<b>-</b>	<b>432,409</b>	<b>1,630,534</b>	<b>495,408</b>

Plant funds

Southwestern Union Revolving Fund, unsecured, 4.0 - 4.5% interest, due on demand	1,033,102	1,121,452	1,207,628	1,246,575
Southwestern Union Revolving Fund, church properties - unsecured, 4.0 - 4.5% interest, due on demand	74,098	156,195	415,876	1,191,014
<b>Total plant demand notes payable</b>	<b>1,107,200</b>	<b>1,277,647</b>	<b>1,623,504</b>	<b>2,437,589</b>
Capital lease, 3.4% interest, 39 months	-	-	-	5,405
<b>Total plant fund notes payable</b>	<b>1,107,200</b>	<b>1,277,647</b>	<b>1,623,504</b>	<b>2,442,994</b>
<b>Total notes payable</b>	<b>\$ 1,107,200</b>	<b>1,710,056</b>	<b>3,254,038</b>	<b>2,938,402</b>

Amounts due on principal during the next five years are as follows:

	<b>Operating Funds</b>	<b>Plant Funds</b>	<b>Total</b>
2023	\$ -	1,107,200	1,107,200
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>1,107,200</b>	<b>1,107,200</b>

**Note 9 - Appropriations and grants received**

Operating fund

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Appropriations - General Conference special assistance and SWUC	\$ 948,947	1,586,446	1,304,288	1,176,443
Appropriations - Contributed services - North American Division and SWUC	64,680	60,160	57,212	58,039
Payroll Protection Program loan forgiveness	-	1,148,964	-	-
<b>Total appropriations without donor restrictions received</b>	<b>\$ 1,013,627</b>	<b>2,795,570</b>	<b>1,361,500</b>	<b>1,234,482</b>



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**Note 10 - Net assets with donor restrictions**

Net assets with temporary donor restrictions are available for the following purposes and periods:

Operating funds

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General evangelism	\$ 431,788	243,467	190,280	-
Women's ministries	(89)	-	-	-
Youth camps	-	500	-	526
Youth ministries	1,688	-	-	-
Campmeeting	-	150	-	-
Church building	-	-	54,518	169,959
Worthy student	-	424	1,027	-
Endowment	4,415	4,415	4,415	4,415
Health and temperance administration	15	15	-	-
Community service / disaster relief	-	-	-	19,450
Ingathering	11,906	6,406	2,862	-
In-house operations	5,800	-	-	-
Presidential	266	-	-	-
Total operating funds - net assets with temporary donor restrictions	<u>455,789</u>	<u>255,377</u>	<u>253,102</u>	<u>194,350</u>
Total net assets with temporary donor restrictions	<u>\$ 455,789</u>	<u>255,377</u>	<u>253,102</u>	<u>194,350</u>

**Note 11 - Nonoperating activity without donor restrictions**

Investment earnings	\$ 750	865	871	900
Church and school properties added	642,222	94,566	1,361,263	724,543
Other plant donations	-	-	16,300	7,000
Nonoperating revenue	<u>\$ 642,972</u>	<u>95,431</u>	<u>1,378,434</u>	<u>732,443</u>
Interest expense	\$ (49,673)	(59,374)	(98,784)	(115,223)
Church appropriations	(27,000)	-	-	(70,611)
Other nonoperating expense	(47)	(77)	-	-
Nonoperating expense	<u>\$ (76,720)</u>	<u>(59,451)</u>	<u>(98,784)</u>	<u>(185,834)</u>
Depreciation on church and school properties	<u>\$ (626,199)</u>	<u>(618,814)</u>	<u>(612,200)</u>	<u>(620,362)</u>
Proceeds from sale of plant assets	\$ 27,000	10,568	6,875	120,916
Net value of plant assets sold	-	(4,200)	(3,000)	(37,863)
Net gain (loss) on sale of plant assets	<u>\$ 27,000</u>	<u>6,368</u>	<u>3,875</u>	<u>83,053</u>
Unexpended plant resources spent	\$ (320,053)	(38,715)	(51,135)	(4,971)
Purchases added to net invested in plant	320,053	38,715	51,135	4,971
Net transfers between funds	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>





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**Note 12 - Pension and other post-retirement benefits**

Defined benefit plans – NAD plans

For the benefit of former employees who retired on or before December 31, 1999, the Organizations participate in the following two non-contributory, defined benefit plans:

1. The defined benefit pension plan known as the Seventh-day Adventist Retirement Plan of the North American Division (NADRP). This plan, which covers substantially all employees of the Organizations who retired on or before December 31, 1999, is administered by the General Conference of Seventh-day Adventists, North American Division (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 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 who retired on or before December 31, 1999, 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.

Defined benefit plan – Regional Conference plan

1. Effective January 1, 2000, the Organizations participate in a non-contributory, defined benefit pension plan known as the “Seventh-day Adventist Regional Conference Retirement Plan” (RCRP). This plan, which covers substantially all individuals who were active employees of the Organizations on or after January 1, 2000, is administered by the Retirement Plan Board created by the Regional Conference Retirement Plan Board Agreement executed by the participating employers. The plan is exempt from the Employee Retirement Income Security Act of 1974 as a “multiple-employer” plan of a church-related agency.

2. The Retired Employees Benefits Fund (RCBF) administered by the Regional Retirement Plan Board provides healthcare benefits for retirees who have over 15 years of service, as well as healthcare benefits and tuition subsidies for dependent children and legal guardians of retirees who were receiving benefits sixty months prior to retirement.

These plans are defined by the Financial Accounting Standards Board as “multiemployer” plans. As such, it is not required, nor is it possible, to determine the actuarial present value of accumulated benefits or plan net assets for employees of the Organization(s) apart from other plan participants.

Agreement with North American Division

As discussed above, the Organizations participate in the RCRP, effective January 1, 2000. In December 2002, the Organizations, together with other denominational entities, signed an agreement to resolve the relationship between the NADRP, RAHAP, and those entities that participate in the RCRP, and to assign responsibility to the respective plans for payment of benefits to former and current employees of those entities that participate in the RCRP. The agreement assigns responsibility as follows.

Sole responsibility of the NADRP and RAHAP

- Individuals who had retired as of December 31, 1999
- Individuals who had ceased employment, were vested for benefits, but had not retired at December 31, 1999
- Individuals who were active employees at January 1, 2000, who had earned service credit prior to that date, and who signed a waiver electing coverage under the NADRP for benefits related to service credit earned prior to January 1, 2000

Sole responsibility of the RCRP

Individuals who were active employees at January 1, 2000, who had earned service credit prior to that date, and who signed an acknowledgement and release electing coverage under the RCRP for benefits related to service credit earned prior to January 1, 2000.



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**Note 12 - Pension and other post-retirement benefits (continued)**

The agreement stipulates a formula and payment schedule for contributions due from the parties to the agreement, beginning January 1, 2002. The required contributions are to be at least 1% of gross tithe each year from each participating regional conference, until an aggregate of \$39.4 million is received collectively from all parties to the agreement.

Information about the required contributions to these plans, the actuarial obligation for future benefits, and the funded status of these plans, is presented in the tables below.

Required contributions from the Organizations:	<u>NADRP</u>	<u>RAHAP</u>	<u>RCRP</u>	<u>RCBF</u>	<u>TOTAL</u>
For the year ended 12-31-2022	\$ 23,184	\$ 7,728	\$ 1,112,688	\$ 123,636	\$ 1,267,236
For the year ended 12-31-2021	\$ 446,265	\$ 148,755	\$ 626,340	\$ 62,640	\$ 1,284,000
For the year ended 12-31-2020	\$ 514,432	\$ 171,478	\$ 571,554	\$ 62,352	\$ 1,319,816
For the year ended 12-31-2019	\$ 505,413	\$ 168,471	\$ 520,828	\$ 61,260	\$ 1,255,972
Because the following information is not publicly available, it is required to be disclosed on the basis of information received from each plan.					
Total contributions received from all employers:					
For the plan year ended 12-31-2022	*	*	*	*	
For the plan year ended 12-31-2021	\$ 120,772,828	\$ 44,236,352	\$ 16,727,781	\$ 1,013,297	
For the plan year ended 12-31-2020	\$ 110,172,985	\$ 40,842,097	\$ 10,015,072	\$ 930,050	
For the plan year ended 12-31-2019	\$ 116,270,125	\$ 42,839,391	\$ 7,185,053	\$ 910,586	
Whether the Organizations' contributions were more than or less than 5% of the total contributions received by each plan:					
For the plan year ended 12-31-2022	*	*	*	*	
For the plan year ended 12-31-2021	Less than 5%	Less than 5%	Less than 5%	More than 5%	
For the plan year ended 12-31-2020	Less than 5%	Less than 5%	More than 5%	More than 5%	
For the plan year ended 12-31-2019	Less than 5%	Less than 5%	More than 5%	More than 5%	
Plan net assets available for benefits:					
For the plan year ended 12-31-2022	*	*	*		
For the plan year ended 12-31-2021	\$ 360,211,817	\$ 132,382,939	\$ 339,159,243		
For the plan year ended 12-31-2020	\$ 314,525,989	\$ 111,303,608	\$ 302,271,576		
For the plan year ended 12-31-2019	\$ 284,675,114	\$ 79,634,931	\$ 265,623,603		

Actuarial obligation and funded status

Because the following information is not publicly available, it is required to be disclosed on the basis of information received by each plan.

	<u>NADRP</u>	<u>RAHAP</u>	<u>RCRP</u>
Date of plan year-end for latest actuarial information	12/31/2021	12/31/2021	12/31/2021
Actuarial liability for future benefits	\$ 1,347,230,797	\$ 377,651,008	\$ 328,688,378
Value of net assets available for benefits	\$ 360,211,817	\$ 132,382,939	\$ 339,159,243
Plan funded status as of date of last actuarial data	Less than 65%	Less than 65%	At least 80%

**\*Information not yet available as of date of this report**



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**Note 12 - Pension and other post-retirement benefits (continued)**

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.

**Note 13 - Contingent liabilities**

The Conference has guaranteed certain liabilities of local church congregations and school constituencies payable to the Southwestern Union Revolving Fund. The balance due on these loans was \$12,851,017, \$14,476,454, \$15,700,732, and \$15,699,099 at December 31, 2022, 2021, 2020, and 2019, respectively. Principal and interest payments on these loans are scheduled to be made by the local congregations and constituencies.

**Note 14 - Concentrations of risk**

The Organizations receive most of their revenue in the form of contributions from members living within their territory. The amount of contributions are subject to economic conditions that could cause loss of income among church members, and could also be subject to decrease if any significant number of individuals cease to be active members.

The Organizations maintain their cash accounts primarily in banks that operate nationwide. The total cash balances are insured by the FDIC up to \$250,000 per bank. The Organizations held cash balances on deposit with three banks at December 31, 2022 and one bank at December 31, 2021, 2020, and 2019, which exceeded the balance insured by the FDIC by \$1,686,523, \$1,686,664, \$1,948,881, and \$288,029, respectively. The Organizations also held uninsured deposits with the Southwestern Union Revolving Fund in the amount of \$3,476,301, \$3,378,714, \$3,380,731, and \$3,306,717, at December 31, 2022, 2021, 2020, and 2019, respectively.

**Note 15 - Lease agreement**

During 2016, the Organizations entered into a lease agreement with Youth Camps, LLC (Tenant). In accordance with the agreement, the Tenant will provide for the construction of three new cabins (dormitories), a storage building, and a new swimming pool on the Lone Star Camp property in exchange for the full and exclusive possession and use of the Lone Star Camp facilities at no fee or charge for three weeks during each calendar year for ten years commencing in 2017 with an option for five additional years at no fee or charge to the Tenant. Construction of the dormitories, storage building, and pool was completed in 2017.

During 2022, the Organizations entered into a lease agreement with Church of God Assembly (Leasee). In accordance with the agreement, the Leasee will provide for the construction of a storage building and a one-time payment of \$150,000 in exchange for the full and exclusive possession and use of the Lone Star Camp facilities at no fee or charge for two weeks during each calendar year for five years commencing in 2022. Construction of the storage building was completed in 2022.

**Note 16 - Pending litigation**

The Organizations are a defendant in a lawsuit disputing ownership of a local church property and alleging breach of fiduciary duty. The net book value of the disputed property totaled \$581,421, \$596,050, \$610,600, and \$625,150 at December 31, 2022, 2021, 2020, and 2019, respectively. The Organizations believe there is no merit to the claim and are vigorously defending it. The ultimate outcome of this litigation cannot be determined at this time. Accordingly, no provision for any loss that may result upon resolution of the matter has been made in the accompanying financial statements.



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**Note 17 – Analysis of expenses**

	<b>2022 Program Services</b>				<b>Total Program Services</b>
	<b>Church Ministries</b>	<b>Educational</b>	<b>Health &amp; Humanitarian</b>	<b>Other</b>	
<u>Employee related</u>					
Salary and allowances	\$ 3,588,871	1,220,123	80,171	36,362	4,925,527
Moving expenses	69,219	625	-	-	69,844
Educational assistance and other	125,690	55,374	-	4,760	185,824
Health care assistance	535,649	324,091	33,498	-	893,238
Total basic pay and allowances	<u>4,319,429</u>	<u>1,600,213</u>	<u>113,669</u>	<u>41,122</u>	<u>6,074,433</u>
Travel, regular	88,976	23,478	18,746	2,004	133,204
Travel, special	43,210	17,091	1,397	-	61,698
Total travel	<u>132,186</u>	<u>40,569</u>	<u>20,143</u>	<u>2,004</u>	<u>194,902</u>
DB - retirement plan contributions	-	-	-	-	-
Employee related taxes	31,209	91,218	-	2,091	124,518
Employee related insurance	13,933	6,458	-	-	20,391
Total taxes and benefits	<u>45,142</u>	<u>97,676</u>	<u>-</u>	<u>2,091</u>	<u>144,909</u>
Total employee related	<u>4,496,757</u>	<u>1,738,458</u>	<u>133,812</u>	<u>45,217</u>	<u>6,414,244</u>
<u>General expense</u>					
Program expenses	399,758	949	-	-	400,707
Advertising and selling expenses	-	-	-	-	-
Office expenses	107,659	16,750	16,731	2,621	143,761
General expenses	304,712	68,977	9,041	52,858	435,588
Plant operations	2,011,795	151,568	-	4,350	2,167,713
Depreciation	234,216	-	-	-	234,216
Appropriations	58,762	477,543	11,595	-	547,900
Administrative expenses	504,554	31,749	6,168	3,108	545,579
Other expenses	37,090	-	-	-	37,090
Total general expenses	<u>3,658,546</u>	<u>747,536</u>	<u>43,535</u>	<u>62,937</u>	<u>4,512,554</u>
Total expenses	<u>\$ 8,155,303</u>	<u>2,485,994</u>	<u>177,347</u>	<u>108,154</u>	<u>10,926,798</u>



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
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**Note 17 – Analysis of expenses (continued)**

	2022 Supporting Services				2022 Total Program & Supporting Services	
	2022 Total Program Services	Administration	Retirement, Conventions & Meetings	Other		
<u>Employee related</u>						
Salary and allowances	\$ 4,925,527	549,534	30,568	439,021	1,019,123	5,944,650
Moving expenses	69,844	15,978	-	-	15,978	85,822
Educational assistance and other	185,824	36,952	-	-	36,952	222,776
Health care assistance	893,238	143,574	-	(2,624)	140,950	1,034,188
Total basic pay and allowances	<u>6,074,433</u>	<u>746,038</u>	<u>30,568</u>	<u>436,397</u>	<u>1,213,003</u>	<u>7,287,436</u>
Travel, regular	133,204	104,564	267	-	104,831	238,035
Travel, special	61,698	108,297	-	180	108,477	170,175
Total travel	<u>194,902</u>	<u>212,861</u>	<u>267</u>	<u>180</u>	<u>213,308</u>	<u>408,210</u>
DB - retirement plan contributions	-	-	1,267,236	-	1,267,236	1,267,236
Employee related taxes	124,518	30,714	-	31,377	62,091	186,609
Employee related insurance	20,391	2,662	-	8,371	11,033	31,424
Total taxes and benefits	<u>144,909</u>	<u>33,376</u>	<u>1,267,236</u>	<u>39,748</u>	<u>1,340,360</u>	<u>1,485,269</u>
Total employee related	<u>6,414,244</u>	<u>992,275</u>	<u>1,298,071</u>	<u>476,325</u>	<u>2,766,671</u>	<u>9,180,915</u>
<u>General expense</u>						
Program expenses	400,707	343	-	15,269	15,612	416,319
Advertising and selling expenses	-	-	-	373,709	373,709	373,709
Office expenses	143,761	67,481	-	76,718	144,199	287,960
General expenses	435,588	159,896	-	40,590	200,486	636,074
Plant operations	2,167,713	76,235	-	(623,474)	(547,239)	1,620,474
Depreciation	234,216	-	-	-	-	234,216
Appropriations	547,900	-	61,812	-	61,812	609,712
Administrative expenses	545,579	84,490	231,730	98,069	414,289	959,868
Other expenses	37,090	130	-	675	805	37,895
Total general expenses	<u>4,512,554</u>	<u>388,575</u>	<u>293,542</u>	<u>(18,444)</u>	<u>663,673</u>	<u>5,176,227</u>
Total expenses	<u>\$ 10,926,798</u>	<u>1,380,850</u>	<u>1,591,613</u>	<u>457,881</u>	<u>3,430,344</u>	<u>14,357,142</u>



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
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**Notes to the Combined Financial Statements**

**For the years ended December 31, 2022, 2021, 2020, and 2019**

**Note 17 – Analysis of expenses (continued)**

	<b>2021 Program Services</b>				<b>Total Program Services</b>
	<b>Church Ministries</b>	<b>Educational</b>	<b>Health &amp; Humanitarian</b>	<b>Other</b>	
<u>Employee related</u>					
Salary and allowances	\$ 3,297,027	1,187,554	60,699	37,929	4,583,209
Moving expenses	102,553	8,359	-	-	110,912
Educational assistance and other	94,508	34,555	-	1,414	130,477
Health care assistance	645,666	430,693	12,094	-	1,088,453
Total basic pay and allowances	<u>4,139,754</u>	<u>1,661,161</u>	<u>72,793</u>	<u>39,343</u>	<u>5,913,051</u>
Travel, regular	42,602	16,267	20,322	3,214	82,405
Travel, special	18,576	12,048	-	-	30,624
Total travel	<u>61,178</u>	<u>28,315</u>	<u>20,322</u>	<u>3,214</u>	<u>113,029</u>
DB - retirement plan contributions	-	-	-	-	-
Employee related taxes	21,260	89,319	-	2,817	113,396
Employee related insurance	17,267	9,213	-	-	26,480
Total taxes and benefits	<u>38,527</u>	<u>98,532</u>	<u>-</u>	<u>2,817</u>	<u>139,876</u>
Total employee related	<u>4,239,459</u>	<u>1,788,008</u>	<u>93,115</u>	<u>45,374</u>	<u>6,165,956</u>
<u>General expense</u>					
Program expenses	373,971	4,293	-	4,050	382,314
Advertising and selling expenses	-	-	-	-	-
Office expenses	68,117	9,968	10,710	16,995	105,790
General expenses	84,627	30,497	10,651	8,434	134,209
Plant operations	1,475,844	115,262	-	-	1,591,106
Depreciation	207,003	-	-	-	207,003
Appropriations	136,706	484,867	8,682	-	630,255
Administrative expenses	39,753	39,584	974	550	80,861
Other expenses	28,395	-	-	-	28,395
Total general expenses	<u>2,414,416</u>	<u>684,471</u>	<u>31,017</u>	<u>30,029</u>	<u>3,159,933</u>
Total expenses	<u>\$ 6,653,875</u>	<u>2,472,479</u>	<u>124,132</u>	<u>75,403</u>	<u>9,325,889</u>





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**Notes to the Combined Financial Statements**

**For the years ended December 31, 2022, 2021, 2020, and 2019**

**Note 17 – Analysis of expenses (continued)**

	2021 Total Program Services	2021 Supporting Services			2021 Total Program & Supporting Services	
		Administration	Retirement, Conventions & Meetings	Other		
<u>Employee related</u>						
Salary and allowances	\$ 4,583,209	541,809	105,995	293,828	941,632	5,524,841
Moving expenses	110,912	43,181	-	-	43,181	154,093
Educational assistance and other	130,477	24,576	-	-	24,576	155,053
Health care assistance	1,088,453	87,309	-	-	87,309	1,175,762
Total basic pay and allowances	5,913,051	696,875	105,995	293,828	1,096,698	7,009,749
Travel, regular	82,405	58,458	43	-	58,501	140,906
Travel, special	30,624	23,347	-	-	23,347	53,971
Total travel	113,029	81,805	43	-	81,848	194,877
DB - retirement plan contributions	-	-	1,284,000	-	1,284,000	1,284,000
Employee related taxes	113,396	29,918	-	20,219	50,137	163,533
Employee related insurance	26,480	3,498	-	5,422	8,920	35,400
Total taxes and benefits	139,876	33,416	1,284,000	25,641	1,343,057	1,482,933
Total employee related	6,165,956	812,096	1,390,038	319,469	2,521,603	8,687,559
<u>General expense</u>						
Program expenses	382,314	-	-	15,144	15,144	397,458
Advertising and selling expenses	-	204,800	-	-	204,800	204,800
Office expenses	105,790	47,036	-	63,308	110,344	216,134
General expenses	134,209	170,195	-	30,173	200,368	334,577
Plant operations	1,591,106	57,631	-	(254,615)	(196,984)	1,394,122
Depreciation	207,003	-	-	-	-	207,003
Appropriations	630,255	-	62,640	-	62,640	692,895
Administrative expenses	80,861	62,109	93,551	122,594	278,254	359,115
Other expenses	28,395	6,500	-	62	6,562	34,957
Total general expenses	3,159,933	548,271	156,191	(23,334)	681,128	3,841,061
Total expenses	\$ 9,325,889	1,360,367	1,546,229	296,135	3,202,731	12,528,620



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**Notes to the Combined Financial Statements**

**For the years ended December 31, 2022, 2021, 2020, and 2019**

**Note 17 – Analysis of expenses (continued)**

	<b>2020 Program Services</b>				<b>Total Program Services</b>
	<b>Church Ministries</b>	<b>Educational</b>	<b>Health &amp; Humanitarian</b>	<b>Other</b>	
<u>Employee related</u>					
Salary and allowances	\$ 3,692,086	1,145,772	3,420	-	4,841,278
Moving expenses	10,370	3,678	-	-	14,048
Educational assistance and other	83,530	18,974	-	-	102,504
Health care assistance	765,795	295,791	19,801	-	1,081,387
Total basic pay and allowances	<u>4,551,781</u>	<u>1,464,215</u>	<u>23,221</u>	<u>-</u>	<u>6,039,217</u>
Travel, regular	9,861	12,241	8,008	-	30,110
Travel, special	3,624	5,707	2,456	-	11,787
Total travel	<u>13,485</u>	<u>17,948</u>	<u>10,464</u>	<u>-</u>	<u>41,897</u>
DB - retirement plan contributions	-	-	-	-	-
Employee related taxes	17,174	85,414	-	-	102,588
Employee related insurance	17,848	5,754	-	-	23,602
Total taxes and benefits	<u>35,022</u>	<u>91,168</u>	<u>-</u>	<u>-</u>	<u>126,190</u>
Total employee related	<u>4,600,288</u>	<u>1,573,331</u>	<u>33,685</u>	<u>-</u>	<u>6,207,304</u>
<u>General expense</u>					
Program expenses	31,611	5,727	-	2,070	39,408
Advertising and selling expenses	-	-	-	-	-
Office expenses	66,333	6,853	4,978	12,486	90,650
General expenses	98,534	8,231	7,060	5,837	119,662
Plant operations	1,439,165	119,362	-	-	1,558,527
Depreciation	221,333	-	-	-	221,333
Appropriations	31,969	476,124	28,962	20,000	557,055
Administrative expenses	76,731	5,114	503	900	83,248
Other expenses	32,882	-	-	-	32,882
Total general expenses	<u>1,998,558</u>	<u>621,411</u>	<u>41,503</u>	<u>41,293</u>	<u>2,702,765</u>
Total expenses	<u>\$ 6,598,846</u>	<u>2,194,742</u>	<u>75,188</u>	<u>41,293</u>	<u>8,910,069</u>





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**Notes to the Combined Financial Statements**

**For the years ended December 31, 2022, 2021, 2020, and 2019**

**Note 17 – Analysis of expenses (continued)**

	2020 Supporting Services				2020 Total Program & Supporting Services	
	2020 Total Program Services	Administration	Retirement, Conventions & Meetings	Other		
<u>Employee related</u>						
Salary and allowances	\$ 4,841,278	514,182	95,520	363,073	972,775	5,814,053
Moving expenses	14,048	5,865	-	-	5,865	19,913
Educational assistance and other	102,504	6,968	-	-	6,968	109,472
Health care assistance	1,081,387	124,031	-	70,965	194,996	1,276,383
Total basic pay and allowances	<u>6,039,217</u>	<u>651,046</u>	<u>95,520</u>	<u>434,038</u>	<u>1,180,604</u>	<u>7,219,821</u>
Travel, regular	30,110	48,436	-	-	48,436	78,546
Travel, special	11,787	25,512	-	-	25,512	37,299
Total travel	<u>41,897</u>	<u>73,948</u>	<u>-</u>	<u>-</u>	<u>73,948</u>	<u>115,845</u>
DB - retirement plan contributions	-	-	1,319,816	-	1,319,816	1,319,816
Employee related taxes	102,588	25,398	-	25,961	51,359	153,947
Employee related insurance	23,602	4,673	-	6,727	11,400	35,002
Total taxes and benefits	<u>126,190</u>	<u>30,071</u>	<u>1,319,816</u>	<u>32,688</u>	<u>1,382,575</u>	<u>1,508,765</u>
Total employee related	<u>6,207,304</u>	<u>755,065</u>	<u>1,415,336</u>	<u>466,726</u>	<u>2,637,127</u>	<u>8,844,431</u>
<u>General expense</u>						
Program expenses	39,408	-	-	15,175	15,175	54,583
Advertising and selling expenses	-	-	-	288,600	288,600	288,600
Office expenses	90,650	57,023	-	56,505	113,528	204,178
General expenses	119,662	143,415	-	24,431	167,846	287,508
Plant operations	1,558,527	59,681	-	(558,907)	(499,226)	1,059,301
Depreciation	221,333	-	-	-	-	221,333
Appropriations	557,055	-	62,352	500	62,852	619,907
Administrative expenses	83,248	64,354	44,450	77,444	186,248	269,496
Other expenses	32,882	-	-	-	-	32,882
Total general expenses	<u>2,702,765</u>	<u>324,473</u>	<u>106,802</u>	<u>(96,252)</u>	<u>335,023</u>	<u>3,037,788</u>
Total expenses	<u>\$ 8,910,069</u>	<u>1,079,538</u>	<u>1,522,138</u>	<u>370,474</u>	<u>2,972,150</u>	<u>11,882,219</u>



**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
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**Notes to the Combined Financial Statements**

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**Note 17 – Analysis of expenses (continued)**

	<b>2019 Program Services</b>				<b>Total Program Services</b>
	<b>Church Ministries</b>	<b>Educational</b>	<b>Health &amp; Humanitarian</b>	<b>Other</b>	
<u>Employee related</u>					
Salary and allowances	\$ 3,725,081	1,198,355	-	-	4,923,436
Moving expenses	117,890	32,421	-	-	150,311
Educational assistance and other	101,649	58,138	-	-	159,787
Health care assistance	735,315	146,802	-	-	882,117
Total basic pay and allowances	<u>4,679,935</u>	<u>1,435,716</u>	<u>-</u>	<u>-</u>	<u>6,115,651</u>
Travel, regular	89,616	21,797	6,261	-	117,674
Travel, special	41,242	15,547	1,197	1,631	59,617
Total travel	<u>130,858</u>	<u>37,344</u>	<u>7,458</u>	<u>1,631</u>	<u>177,291</u>
DB - retirement plan contributions	-	-	-	-	-
Employee related taxes	22,440	89,528	-	-	111,968
Employee related insurance	75,437	20,269	-	-	95,706
Total taxes and benefits	<u>97,877</u>	<u>109,797</u>	<u>-</u>	<u>-</u>	<u>207,674</u>
Total employee related	<u>4,908,670</u>	<u>1,582,857</u>	<u>7,458</u>	<u>1,631</u>	<u>6,500,616</u>
<u>General expense</u>					
Program expenses	578,935	2,320	-	-	581,255
Advertising and selling expenses	(328,544)	-	-	-	(328,544)
Office expenses	74,578	6,994	58	8,681	90,311
General expenses	202,803	14,076	71,531	2,400	290,810
Plant operations	2,140,048	121,719	-	-	2,261,767
Depreciation	223,320	-	-	-	223,320
Appropriations	319,811	483,690	24,860	-	828,361
Administrative expenses	169,145	33,952	6,389	4,100	213,586
Other expenses	60,295	-	-	-	60,295
Total general expenses	<u>3,440,391</u>	<u>662,751</u>	<u>102,838</u>	<u>15,181</u>	<u>4,221,161</u>
Total expenses	<u>\$ 8,349,061</u>	<u>2,245,608</u>	<u>110,296</u>	<u>16,812</u>	<u>10,721,777</u>



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**Note 17 – Analysis of expenses (continued)**

	2019 Total Program Services	2019 Supporting Services			Total Supporting Services	2019 Total Program & Supporting Services
		Administration	Retirement Conventions & Meetings	Other		
<u>Employee related</u>						
Salary and allowances	\$ 4,923,436	491,600	-	394,519	886,119	5,809,555
Moving expenses	150,311	2,210	-	-	2,210	152,521
Educational assistance and other	159,787	-	-	-	-	159,787
Health care assistance	882,117	76,226	-	32,810	109,036	991,153
Total basic pay and allowances	6,115,651	570,036	-	427,329	997,365	7,113,016
Travel, regular	117,674	97,220	(30)	620	97,810	215,484
Travel, special	59,617	72,708	-	-	72,708	132,325
Total travel	177,291	169,928	(30)	620	170,518	347,809
DB - retirement plan contributions	-	-	1,255,972	-	1,255,972	1,255,972
Employee related taxes	111,968	26,169	-	29,605	55,774	167,742
Employee related insurance	95,706	9,032	-	5,231	14,263	109,969
Total taxes and benefits	207,674	35,201	1,255,972	34,836	1,326,009	1,533,683
Total employee related	6,500,616	775,165	1,255,942	462,785	2,493,892	8,994,508
<u>General expense</u>						
Program expenses	581,255	-	-	14,962	14,962	596,217
Advertising and selling expenses	(328,544)	-	-	170,000	170,000	(158,544)
Office expenses	90,311	42,080	-	78,122	120,202	210,513
General expenses	290,810	281,881	-	18,582	300,463	591,273
Plant operations	2,261,767	60,868	-	(403,651)	(342,783)	1,918,984
Depreciation	223,320	-	-	-	-	223,320
Appropriations	828,361	-	56,295	-	56,295	884,656
Administrative expenses	213,586	63,698	135,621	68,612	267,931	481,517
Other expenses	60,295	114	-	-	114	60,409
Total general expenses	4,221,161	448,641	191,916	(53,373)	587,184	4,808,345
Total expenses	\$ 10,721,777	1,223,806	1,447,858	409,412	3,081,076	13,802,853

Methods used for allocation of expenses among program and supporting services

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organizations. Those expenses include depreciation, health care benefits, and plant maintenance. Depreciation and plant maintenance are allocated based on a square footage basis, and health care benefits are allocated as a percentage of payroll costs.

**Note 18 - Liquidity and availability**

As part of the Organizations' liquidity management, they invest cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organizations maintain an allocated tithe reserve fund. As of December 31, 2022, 2021, 2020, and 2019, the allocated tithe reserve fund totaled \$1,733,188. Although the Organizations do not intend to spend from their reserve funds, amounts from these funds could be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.



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**Notes to the Combined Financial Statements**

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**Note 18 - Liquidity and availability (continued)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Financial assets, at year-end*	\$ 9,258,451	8,757,470	8,346,867	6,397,984
Less those unavailable for general expenditures within one year, due to:				
<u>Contractual or donor-imposed restrictions:</u>				
Restricted by donor with time or purpose restrictions (Note 10)	(455,789)	(255,377)	(253,102)	(194,350)
<u>Board designations:</u>				
Funds allocated for specific operating purposes	(2,388,586)	(2,440,931)	(3,495,899)	(2,445,439)
Funds allocated for future plant acquisitions	37,769	120,271	422,458	(346,253)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,451,845</u>	<u>6,181,433</u>	<u>5,020,324</u>	<u>3,411,942</u>
* Total assets, less nonfinancial assets (e.g. PPE, inventory, prepaids)				
Calculation of financial assets at year-end:				
Total assets	\$ 36,132,184	35,530,365	35,775,400	34,772,144
Add: interfund receivables	-	-	42,120	42,120
Plant assets	(26,851,973)	(26,750,113)	(27,446,849)	(26,854,684)
Investment properties	(21,760)	(22,782)	(23,804)	(17,266)
Property held for sale	-	-	-	(1,544,330)
Financial assets at year-end	<u>\$ 9,258,451</u>	<u>8,757,470</u>	<u>8,346,867</u>	<u>6,397,984</u>

**Note 19 - Working capital and liquidity**

**Core expenses**

Operating expenses	\$ 14,357,142	12,528,620	11,882,219	13,802,853
Minus: depreciation expense	(234,216)	(207,003)	(221,333)	(223,320)
Total core expenses	<u>14,122,926</u>	<u>12,321,617</u>	<u>11,660,886</u>	<u>13,579,533</u>

**Available working capital**

Current assets	7,585,456	7,119,072	6,629,461	4,712,170
Minus: current liabilities	(1,534,893)	(2,178,878)	(4,586,132)	(3,740,404)
Working capital	<u>6,050,563</u>	<u>4,940,194</u>	<u>2,043,329</u>	<u>971,766</u>
Minus: current assets held for donor restrictions	(455,789)	(255,377)	(253,102)	(194,350)

Available working capital	<u>\$ 5,594,774</u>	<u>4,684,817</u>	<u>1,790,227</u>	<u>777,416</u>
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**Recommended minimum available working capital**

Six months core expenses	<u>\$ 7,061,463</u>	<u>6,160,809</u>	<u>5,830,443</u>	<u>6,789,767</u>
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Surplus (shortfall) in recommended minimum working capital	<u>\$ (1,466,689)</u>	<u>(1,475,992)</u>	<u>(4,040,216)</u>	<u>(6,012,351)</u>
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Available working capital in months (minimum of six months recommended)	<u>4.8</u>	<u>4.6</u>	<u>1.8</u>	<u>0.7</u>
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**SOUTHWEST REGION CONFERENCE OF SEVENTH-DAY ADVENTISTS AND  
SOUTHWEST REGION CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.  
Notes to the Combined Financial Statements  
For the years ended December 31, 2022, 2021, 2020, and 2019**

**Note 19 - Working capital and liquidity (continued)**

<b>LIQUIDITY</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Available liquid assets</b>				
Cash	\$ 4,009,455	3,872,574	4,091,903	2,169,111
Cash held for agency	-	-	-	-
Accounts receivable - church remittances	1,760,832	1,504,195	1,256,201	1,544,576
Investments, short-term	-	-	-	-
Accounts receivable - higher organizations	485,289	561,000	209,023	94,252
Total liquid assets	<u>6,255,576</u>	<u>5,937,769</u>	<u>5,557,127</u>	<u>3,807,939</u>
Minus: current liabilities	(1,534,893)	(2,178,878)	(4,586,132)	(3,740,404)
Minus: current assets held for donor restrictions	<u>(455,789)</u>	<u>(255,377)</u>	<u>(253,102)</u>	<u>(194,350)</u>
Available liquid assets	<u>\$ 4,264,894</u>	<u>3,503,514</u>	<u>717,893</u>	<u>(126,815)</u>
<b>Recommended minimum available liquid assets</b>				
Three months of core expenses	<u>\$ 3,530,732</u>	<u>3,080,404</u>	<u>2,915,222</u>	<u>3,394,883</u>
Surplus (shortfall) in recommended minimum liquid assets	<u>\$ 734,162</u>	<u>423,110</u>	<u>(2,197,329)</u>	<u>(3,521,698)</u>
Available liquid assets in months (minimum of three months recommended)	<u>3.6</u>	<u>3.4</u>	<u>0.7</u>	<u>(0.1)</u>



To the Constituents  
Southwest Region Conference of Seventh-day Adventists and  
Southwest Region Conference Association of Seventh-day Adventists, Inc.  
Dallas, Texas

June 27, 2023

We have audited, in accordance with United States of America auditing standards adopted by the Seventh-day Adventist denomination, the combined financial statements of Southwest Region Conference of Seventh-day Adventists and Southwest Region Conference Association of Seventh-day Adventists, Inc. (Organizations), which comprise the combined statements of financial position as of December 31, 2022, 2021, 2020, and 2019, and the combined statements of changes in net assets, and combined statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. We have issued our report thereon dated June 27, 2023.

In connection with our audits, as internal auditors of the General Conference of Seventh-day Adventists, except for the noncompliance noted below, 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 audits were not directed primarily toward obtaining knowledge of such noncompliance.

*General Conference Auditing Service*

CORE POLICY REQUIREMENT	FINDINGS
North American Division Working Policy (NADWP) E 85 10 and 20 – Signed conflict of interest statements obtained from designated employees and each board member	<ul style="list-style-type: none"><li>- For 2022, 74% of statements obtained</li><li>- For 2021, 73% of statements obtained</li><li>- For 2020, 70% of statements obtained</li><li>- For 2019, 71% of statements obtained</li></ul>
NADWP S 14 10 (5)(c) – Debt is limited to 150% of the average tithe income for the prior three years	<ul style="list-style-type: none"><li>- At December 31, 2020, debt exceeded the limit by \$250,201</li><li>- At December 31, 2019, debt exceeded the limit by \$59,711</li></ul>

CORE POLICY REQUIREMENT	FINDINGS
NADWP S 19 05 – Monthly financial statements comparing actual results to approved budget presented at least nine times to administrative officers	For 2019, eight reports presented to administrative officers
NADWP S 34 05 (2) – Audit Committee (AC) shall present report and recommendations to governing committee	For 2021, AC did not meet
NADWP S 34 10 – Compensation Review Committee (CRC) reviewed actual compensation, allowances, and benefits paid during previous year and reported results of review to governing committee	For 2021 and 2020, no evidence CRC performed review and reported to the governing committee
NADWP SA 05 27 – At least biennial reviews of local church and conference institutions accompanied by reports to Adventist Risk Management (ARM)	<ul style="list-style-type: none"> <li>– For 2022 and 2021 biennium, records of 103 of the 113 local churches and institutions were reviewed</li> <li>– For 2021 and 2020 biennium, records of 80 of the 116 local churches and institutions were reviewed</li> <li>– For 2020 and 2019 biennium, records of 44 of the 115 local churches and institutions were reviewed</li> <li>– During 2020, no report of reviews conducted for 2019 and 2018 biennium provided to ARM</li> <li>– For 2019 and 2018 biennium, records of 71 of the 125 local churches and institutions were reviewed</li> <li>– During 2019, no report of reviews conducted for 2018 and 2017 biennium provided to ARM</li> </ul>

## CORE POLICY REQUIREMENT

NADWP V 14 15 - Establishes limits for tithe used for education

## FINDINGS

- For 2022, tithe used for education exceeded maximum by \$38,086
- For 2020, tithe used for education exceeded maximum by \$546,887