Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

FINANCIAL REPORT

31 December 2017 and 2016

3D-RATIC

SEVENTH-DAY ADVENTIST® CHURCH

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

TABLE OF CONTENTS

31 December 2017 and 2016

Auditor's opinion on the financial statement 1-2

Auditor's policy compliance report 3

Balance sheet 4

Statement of financial activity 5

Statement of changes in fund balances 6

Statement of cash flow 7

Notes to the financial statements 8

Reporting currency: All amounts are stated in RON (see note 2)

DRAFT

General Conference Auditing Service
Delivering Excellence!

schosshaldenstrasse 17
3006 Berne Switzerland
Tel. ++41-31-359 15 15
Fax ++41-31-359 15 66
www.gcasconnect.org

Auditor's Report

To the Executive Committee
Institutul Teologic Adventist Cernica
Cernica, Ilfov, Romania

Opinion

We have audited the financial statements of the Institutul Teologic Adventist Cernica (the Organization), which comprise the statements of financial position as at 31 December 2017 and 2016 and the statements of financial activity, statements of changes in net assets, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, as auditors of the General Conference of Seventh-day Adventists, the accompanying financial statements present fairly, in all material respects, the financial position of the Institutul Teologic Adventist Cernica as at 31 December 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with Romanian financial reporting standards adopted by the Seventh-day Adventist denomination.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs), 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 Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audits of the financial statements in Romania, 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.

Other Matters

In connection with our audit, we have also issued a report dated 6 May 2018 regarding compliance with the Working Policy of the General Conference of Seventh-day Adventists.

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

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

DRAFT

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• Identify and assess the risks of material misstatement of the 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. The 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.

• 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 Organization's internal control.

• 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 Organization's ability to continue as a going concern. 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 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 Organization to cease to continue as a going concern.

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

6 May 2018

DRAFT

schosshaldenstrasse 17
3006 Berne Switzerland
Tel. ++41-31-359 15 15
Fax ++41-31-359 15 66
www.gcasconnect.org

POLICY COMPLIANCE REPORT

To the Executive Committee
Institutul Teologic Adventist Cernica
Cernica, Ilfov, Romania

We have audited, in accordance with international auditing standards generally accepted by the Seventh-day Adventist denomination, the financial statements of Institutul Teologic Adventist Cernica *with identifier, such as* (Organization), which comprise the statements of financial position as at 31 December 2017 and 2016, and the statements of financial activity, statement of changes in net assets, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. For the year ended 31 December 2017, we have issued our report thereon dated 6 May 2018.

General Conference Working Policy (GCWP) S 19 05 requires the Organization to prepare monthly financial statements showing the actual operating results and budgetary provisions to date These statements are to be provided to its controlling committee at least quarterly and at least 9 of the 12 monthly statements to its administrative officers. Management did not provide evidence that the Organization submitted these reports to its controlling committee or officers during the years ended at 31 December 2017 and 2016.

GCWP E 85 20 requires the Organization to obtain signed statements of acceptance of the conflict of interest policy from designated employees and each board member annually. For 2017 and 2016, the Organization obtained only 16 of the 17 required statements.

In connection with our audit, as internal auditors of the General Conference of Seventh-day Adventists, except for the noncompliance with the policies discussed in the preceding paragraph, nothing came to our attention that caused us to believe that the Organization failed to comply with the Working Policy of the General Conference of Seventh-day Adventists, insofar as it relates to those policies designated as “core” policies. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

6 May 2018

DRAFT

Seventh-day Adventist Church
Institutul Teologic Adventist Cernica

BALANCE SHEET

31 December 2017 and 2016

	Note	Total 2017	Total 2016
ASSETS			
Current assets			
Cash and cash equivalents	3	3,451,746.40	2,569,656.58
Investments		-	-
Accounts receivable, net	5	1,139,418.59	1,463,707.74
Supplies and prepaid expense	6	53,089.08	41,804.53
Notes and loans receivable	7	-	-
Total current assets		4,644,254.07	4,075,168.85
Land, buildings, and equipment	8	124,717.82	141,907.53
Other assets			
Accounts receivable (non-current)	5	-	-
Notes and loans receivable (non-current)		-	-
Total other assets		-	-
Total assets		4,768,971.89	4,217,076.38
LIABILITIES			
Current liabilities			
Accounts payable	9	299,426.73	287,846.86
Trust funds		6,010.97	3,060.20
Notes and loans payable		-	-
Deferred income		216,359.86	293,148.39
Total current liabilities		521,797.56	584,055.45
Other liabilities			
Accounts payable		-	-
Notes and loans payable		-	-
Total other liabilities		-	-
Total liabilities		521,797.56	584,055.45
NET ASSETS			
Unallocated functions		4,152,521.84	3,499,899.62
Allocated functions		94,652.49	133,121.31
Total net assets		4,247,174.33	3,633,020.93
Total liabilities and net assets		4,768,971.89	4,217,076.38

DRAFT

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

STATEMENT OF FINANCIAL ACTIVITY

Years Ended 31 December 2017 and 2016

	Note	Total 2017	Total 2016
Earned income			
Tuition and student services income	10	453,484.60	401,773.60
Income Special Project "POSDRU"		-	-
Other departmental services	11	553,049.53	518,386.51
Donations received		39,568.19	75,206.38
Investment and interest income		313.58	1,083.27
Other operating income		847,020.81	651,420.09
Direct allocated funds income		-	-
Total earned operating income		1,893,436.71	1,647,869.85
Operating expenses			
Employee related expense	12	3,166,545.90	2,834,410.65
Administrative and general exp.	14	1,287,174.70	812,436.45
Service expense	15	953,038.27	783,158.38
Depreciation expense	8	112,331.14	106,417.08
Expense Special Project "POSDRU"		6,771.00	(2,267.00)
Project Expense "CSCR"		38,468.82	134,178.19
Total operating expenses		5,564,329.83	4,671,353.75
Increase (decrease) before appropriations		(3,670,893.12)	(3,023,483.90)
Appropriations			
Appropriations received	16	4,260,595.60	4,138,365.43
Appropriations disbursed		-	-
Increase (decrease) after appropriations		589,702.48	1,114,881.53
Capital transactions			
Capital income		24,450.92	-
Capital expense		-	-
Increase (decrease) before transfers		614,153.40	1,114,881.53
Transfers		-	-
Increase (decrease) for the year		614,153.40	1,114,881.53
Net assets, beginning of year		3,633,020.93	2,518,139.40
Prior year adjustment			
Net assets, end of year		4,247,174.33	3,633,020.93

DRAFT

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

STATEMENT OF CHANGES IN NET ASSETS

Years Ended 31 December 2017 and 2016

	Balance 31 Dec 2016	Income	Expense	Transfers In	Transfers Out	Balance 31 Dec 2017
Unallocated funds						
Non-tithe	3,499,899.62	6,178,483.23	(5,525,861.01)	-	-	4,152,521.84
Total unallocated funds	3,499,899.62	6,178,483.23	(5,525,861.01)	-	-	4,152,521.84
Operating allocated funds						
Fund CSCR	133,121.31	-	(38,468.82)	-	-	94,652.49
Total operating allocated	133,121.31	-	(38,468.82)	-	-	94,652.49
Capital allocated funds						
Fund xxx	-	-	-	-	-	-
Total capital allocated	-	-	-	-	-	-
Total allocated funds	133,121.31	-	(38,468.82)	-	-	94,652.49
Total all funds	3,633,020.93	6,178,483.23	(5,564,329.83)	-	-	4,247,174.33

	Balance 31 Dec 2015	Income	Expense	Transfers In	Transfers Out	Balance 31 Dec 2016
Unallocated funds						
Non-tithe	2,436,771.40	5,600,303.78	(4,537,175.56)	-	-	3,499,899.62
Total unallocated funds	2,436,771.40	5,600,303.78	(4,537,175.56)	-	-	3,499,899.62
Operating allocated funds						
Fund Posdru		-	-			-
Fund CSCR	81,368.00	185,931.50	(134,178.19)		-	133,121.31
Total operating allocated	81,368.00	185,931.50	(134,178.19)	-	-	133,121.31
Capital allocated funds						
Fund xxx	-	-	-	-	-	-
Total capital allocated	-	-	-	-	-	-
Total allocated funds	81,368.00	185,931.50	(134,178.19)	-	-	133,121.31
Total all funds	2,518,139.40	5,786,235.28	(4,671,353.75)	-	-	3,633,020.93

DRAFT

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

STATEMENT OF CASH FLOWS

Years Ended 31 December 2017 and 2016

	Total 2017	Total 2016
CASH FLOWS FROM OPERATING ACTIVITES		
Net increase from financial activity	614,153.40	1,114,881.53
Adjustments to remove non-cash items:		
Depreciation expense	112,331.14	106,417.08
Disposal of plant assets - book value	(438,778.71)	
Plant assets adjustments	-	-
Changes in working capital:		
(Increase) decrease - accounts receivable	324,289.15	615,451.48
(Increase) decrease - supplies and prepaid	(11,282.55)	52,981.53
(Increase) decrease - accounts receivable LT	-	-
Increase (decrease) - accounts payable	11,579.87	(239,449.93)
Increase (decrease) - trust funds	2,950.77	-
Increase (decrease) - deferred income	(76,788.53)	105,653.66
Increase (decrease) - accounts payable LT	-	-
Net cash provided (used) from operating	538,454.54	1,755,935.35
INVESTING ACTIVITIES		
Proceeds of plant assets disposals	412,423.53	117,726.42
Purchase of plant assets	(68,788.25)	(150,222.10)
Notes and loans receivable issued		-
Notes and loans receivable repaid	-	
Proceeds of investment disposals	-	-
Funds invested	-	-
Net cash provided (used) from investing	343,635.28	(32,495.68)
FINANCING ACTIVITIES		
New loans payable received	-	(341,506.00)
Loans repaid	-	-
Net cash provided (used) from financing	-	(341,506.00)
Net increase (decrease) for the year	882,089.82	1,381,966.67
Cash and cash equivalents, 1 January	2,569,656.58	1,187,689.91
Cash and cash equivalents, 31 December	3,451,746.40	2,569,656.58

DRAFT

Note 1 Organization Structure

The Institutul Teologic Adventist Cernica called later as the Organization is an educational institution of the world-wide Seventh-day Adventist Church, containing a theological seminary and other tree university specializations: English language, Social assistance and Pedagogy. Most of the Organization's financial activities consist of transactions with students and with the six Conferences from Romania which grant appropriations. There are also many transactions with related parties such as the Romanian Union of Conferences and other denominational entities in Romania.

Note 2 Summary of Significant Accounting Policies

Currency - The financial statements and notes thereto are presented in EURO (EUR), which is the functional currency of the Organization. In accordance with policies of the Seventh-day Adventist denomination, the various local currencies are converted into EUR at fixed rates of exchange, which are set each month by the Inter-European Division, and are intended to approximate current market exchange rates. For comparison, the fixed exchange rate with the US dollar was RON 0.266667 = USD 1.00 and RON 0.235222 = USD 1.00 at 31 December 2017 and 2016, respectively.

Accounting Method - The accounting records are maintained on the accrual method of accounting at historical cost, in accordance with International Financial Reporting Standards generally accepted by the Seventh-day Adventist denomination.

Cash and Equivalents - Cash consists of currency on hand and bank checking and saving accounts that are held for operating purposes. Cash equivalents consist of highly-liquid assets that are readily convertible to cash and are held for operating purposes. Cash equivalents include items such as time deposits that have a maturity date of three months or less from the date of acquisition and money market funds. Cash and equivalents that are held for purposes other than operating are classified as non-operating cash and investments. The increase or decrease in operating cash and equivalents is reported in the statement of cash flows as an increase or decrease in cash. The increase or decrease in non-operating cash and investments is reported in the statement of cash flows as proceeds or purchases of investments.

Investments – Investments consist of time deposits that have a maturity date of more than three months, and debt and equity securities, which are held for current income and/or appreciation in value.

All investments whose value can be reliably measured are carried at fair value based on the investment portfolio as a whole for each type of instrument. Those investments that meet certain criteria are classified as held-to-maturity instruments, and are carried at historical cost. The difference between aggregate fair value and historical cost for each type of instrument is recorded in a valuation account. The change in this valuation account during each period is recognized as an unrealized gain or loss in the statement of financial activity.

Inventory – All inventories are valuated at the lower of cost or market value. All inventories are by actual count on or near 31 December.

Land, Buildings, and Equipment - Land, buildings, and equipment assets are recorded at historical cost in local currency, and are depreciated by the straight-line method over the estimated useful lives of the assets, which range from three to seventy-five years. Depreciation is applied only after the first full year of useful lives of the assets. Legal title to the land used by the Organization is held in the name of the Institutul Teologic Adventist Cernica.

Note 3 Cash and Cash Equivalents

	2017	2016
Cash on hand	13,823.97	18,960.47
Bank accounts	3,016,898.43	2,373,808.11
Interest bearing accounts	421,024.00	176,888.00
Term deposits	-	-
Total cash and cash equivalents	3,451,746.40	2,569,656.58

DRAFT

Note 5 Accounts Receivable

	2017	2016
Current Accounts Receivable		
Higher organization	-	198,949.72
Other denominational entities	939,933.05	968,659.25
Subsidiary organizations	-	-
Employees	21,713.76	22,373.92
General	30,434.50	134,513.47
Students	147,337.28	139,211.38
Doubtful Students	91,393.07	-
Total current accounts receivable	1,230,811.66	1,463,707.74
Allowance for doubtful accounts	(91,393.07)	-
Net current accounts receivable	1,139,418.59	1,463,707.74
Accounts Receivable Long-Term		
Higher organization	-	-
Cautions	-	-
General		-
Total accounts receivable long-term	-	-
Total accounts receivable	1,139,418.59	1,463,707.74

Note 6 Supplies and Prepaid Expense

	2017	2016
Supplies	-	-
Inventory goods for sale	-	-
Other inventories	11,737.08	18,242.50
Total supplies	11,737.08	18,242.50
Provision for obsolescence	-	-
Provision for slow-moving stock	-	-
Net supplies	11,737.08	18,242.50
Prepaid expense	41,352.00	23,562.03
Total supplies and prepaid expense	53,089.08	41,804.53

DRAFT

Note 8 Property and Equipment

	Total Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Balances at 31 December 2017				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings	5,961.50	(5,961.50)	-	
Furnishings and equipment	1,066,805.73	(942,087.91)	124,717.82	112,331.14
Other capital assets	-	-	-	-
Total cost	1,072,767.23	(948,049.41)	124,717.82	112,331.14
Balances at 31 December 2016				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings	5,961.50	(5,961.50)	-	55.19
Furnishings and equipment	1,410,443.01	(1,268,535.48)	141,907.53	106,361.89
Other capital assets	-	-	-	-
Total cost	1,416,404.51	(1,274,496.98)	141,907.53	106,417.08

Summary of Changes

	Balance 31-12-2016	Additions	Deletions	Balance 31-12-2017
Total Cost				
Land	-	-	-	-
Land improvements	-	-		-
Buildings	5,961.50	-		5,961.50
Furnishings and equipment	1,410,443.01	(68,787.40)	(412,424.68)	1,066,805.73
Other capital assets	-	-	-	-
Total cost	1,416,404.51	(68,787.40)	(412,424.68)	1,072,767.23
Accumulated Depreciation				
Land improvements	-	-	-	-
Buildings	(5,961.50)		-	(5,961.50)
Furnishings and equipment	(1,268,535.48)	(112,331.14)	(438,778.71)	(942,087.91)
Other capital assets	-	-	-	-
Accumul. depreciation	(1,274,496.98)	(112,331.14)	(438,778.71)	(948,049.41)
Net value	141,907.53	(181,118.54)	(851,203.39)	124,717.82

DRAFT

Note 9 Accounts Payable and Accrued Liabilities

	2017	2016
Current accounts payable and accrued liabilities		
Bank overdraft	-	-
Higher organization	16,162.04	-
Other denominational organizations	20,227.00	22,572.32
Subsidiary organizations	-	-
Employees	11,421.13	108,762.00
General accounts payable	84,883.57	58,917.54
Students	52,324.69	-
Government payable	114,408.30	97,595.00
Total accounts payable	299,426.73	287,846.86

Note 10 Tuition & Student Services Income

	2017	2016
Tuition income	376,699.77	351,901.04
Tuition from government income	-	-
Total tuition income	376,699.77	351,901.04
Student services	76,784.83	49,872.56
Student services from government	-	-
Total student services income	76,784.83	49,872.56
Total tuition & student services income	453,484.60	401,773.60

Note 11 Other Departmental Services Income

	2017	2016
Dorms income	162,233.73	154,586.74
Cafeteria income	223,451.85	219,456.94
Laundry income	-	-
Other departmental income	167,363.95	144,342.83
Total other departmental services income	553,049.53	518,386.51

DRAFT

Note 12 Employee Related Expense

	2017	2016
Employee salaries	2,311,714.00	2,079,408.00
Employee travel expenses	137,714.31	93,146.10
Employee allowances	165,986.59	161,842.23
Employee insurance and contributions	438,851.00	396,158.00
Other employee expenses	32,926.00	28,369.00
Retirement contribution (Note 13)	79,354.00	75,487.32
Total employee related expense	3,166,545.90	2,834,410.65

Note 13 Retirement Plan

Included in payroll taxes are statutory contributions to the state for the future retirement benefits of the employees non-clerics.

For clerics employees, the Institutul Teologic Adventist Cernica participates in a non-contributory defined benefit pension plan. The plan, is sponsored and administered in accordance with published policies by the General Conference of Seventh-Day Adventists, Inter European Division. It is supported by contributions from various organizations. The contributions of Institutul Teologic Adventist Cernica are based generally on a percentage of basic remuneration of eligible employees of institutions.
The contributions paid by the Organization for the years ended on 31 December 2017 and 2016 respectively were:

	2017	2016
Retirement contribution	79,354.00	75,487.32
Total contributions for retirement expenses	79,354.00	75,487.32

It is not reasonably possible to determine the actuarial present value of accumulated benefits or plan net assets for employees of Institutul Teologic Adventist Cernica. However, non-actuarial estimates tend to indicate that the present value of vested benefits exceeds the estimated market value of plan assets. It is the policy of the Inter-European Division to maintain in the unallocated fund balance of the plan an amount equal to three times (EUD-WP F-54 1.4) the amount paid to beneficiaries in the most recent full fiscal year.

DRAFT

Note 14 Administrative and General Expense

	2017	2016
Administrative expense	455,880.27	497,190.54
Finance expense	12,860.12	4,818.13
Office expense	32,202.18	22,025.40
General expense	668,166.46	265,577.48
Insurance expense	26,338.04	22,824.90
Other expense	91,727.63	-
Total administrative and general expense	1,287,174.70	812,436.45

Note 15 Service Expense

	2017	2016
Instructional expense	17,925.55	57,258.92
Student services expense	65,935.10	103,134.71
Boarding expense	300,333.62	40,851.48
Cafetaria expense	402,337.87	366,248.38
Transport Expense	166,506.13	215,664.89
Total service expense	953,038.27	783,158.38

Note 16 Appropriations

	2017	2016
IA Appropriations Received		
Appropriation 6% from tithe	4,260,595.60	3,952,433.93
Appropriation xxx	-	-
Total IA appropriations received	4,260,595.60	3,952,433.93
Other Operating Appropriations Received		
Appropriation from EUD for CSCR	-	185,931.50
Appropriation xxx	-	-
Total other operating appropriations received	-	185,931.50
Total appropriations received	4,260,595.60	4,138,365.43
Approriations disbursed		
Appropriation disbursed for xxx	-	-
Total approriations disbursed	-	-
Net appropriations received	4,260,595.60	4,138,365.43

DRAFT

Note 17 Denominational Working Capital and Liquidity

	2017	2016
WORKING CAPITAL STATEMENT		
Working Capital:		
Current assets	4,644,254.07	4,075,168.85
Current liabilities	521,797.56	584,055.45
Actual working capital	4,122,456.51	3,491,113.40
Working Capital Recommended by Policy		
20% of annual operating expense	1,112,865.97	934,270.75
Operating allocated net assets	94,652.49	133,121.31
Recommended working capital	1,207,518.46	1,067,392.06
Excess (deficiency) of actual over recommended	2,914,938.05	2,423,721.34
Percentage of actual to recommended working ca	341.40%	327.07%
LIQUIDITY STATEMENT		
Liquidity:		
Cash and cash equivalents	3,451,746.40	2,569,656.58
Receivable from higher organisation	-	-
Total liquidity assets	3,451,746.40	2,569,656.58
Less commitments:		
Current liabilities	521,797.56	584,055.45
Allocated net assets	94,652.49	133,121.31
Total commitments	616,450.05	717,176.76
Net liquid assets	2,835,296.35	1,852,479.82
Percentage of liquid assets to commitments	559.94%	358.30%

DRAFT