Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

FINANCIAL REPORT

31 December 2014 and 2013

3D-RATIC

SEVENTH-DAY ADVENTIST® CHURCH

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

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31 December 2014 and 2013

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

General Conference Auditing Service
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To the Audit Committee
Institutul Teologic Adventist Cernica
Decebal, 11-13CernicaCernica, Ilfov
Romania

We have audited the accompanying financial statements of Institutul Teologic Adventist Cernica called after as the Organization, which comprise the statements of financial position as at 31 December 2014 and 2013 and the statements of financial activity, statements 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted 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.

Auditor's Responsibility

Our responsibility, as internal auditors of the General Conference of Seventh-day Adventists, is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with international auditing standards generally accepted by the Seventh-day Adventist denomination. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, as internal auditors of the General Conference of Seventh-day Adventists, the financial statements present fairly, in all material respects, the financial position of Institutul Teologic Adventist Cernica as at 31 December 2014 and 2013, its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted by the Seventh-day Adventist denomination.

Other Matter

In connection with our audit, we have also issued a report dated 18 March 2016 regarding compliance with the Working Policy of the General Conference of Seventh-day Adventists.

General Conference Auditing Service

18 March 2016

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To the Audit 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 accompanying financial statements of Institutul Teologic Adventist Cernica called after as the Organization, which comprise the statements of financial position at 31 December 2014 and 2013, and the statements of financial activity, statement of changes in net assets, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. For the year ended 31 December 2014, we have issued our qualified report thereon dated 18 march 2016.

In connection with our audit, as internal auditors of the General Conference of Seventh-day Adventists, nothing came to our attention that caused us to believe that the 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.

This 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 the officers and their designees of higher denominational organizations, and should not be distributed to other parties.

General Conference Auditing Service

18 March 2016

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

BALANCE SHEET

31 December 2014 and 2013

	Note	Total 2014	Total 2013
ASSETS			
Current assets			
Cash and cash equivalents	3	922,841.14	1,232,072.83
Investments		-	-
Accounts receivable, net	5	1,375,935.70	1,145,204.48
Supplies and prepaid expense	6	93,877.18	63,125.63
Notes and loans receivable	7	2,000.00	5,900.00
Total current assets		2,394,654.02	2,446,302.94
Land, buildings, and equipment	8	270,245.45	280,205.94
Other assets			
Accounts receivable (non-current)	5	200.00	200.00
Notes and loans receivable (non-current)		-	-
Total other assets		200.00	200.00
Total assets		2,665,099.47	2,726,708.88
LIABILITIES			
Current liabilities			
Accounts payable	9	205,605.04	163,447.37
Trust funds		-	-
Notes and loans payable		-	-
Deferred income		164,350.07	185,974.65
Total current liabilities		369,955.11	349,422.02
Other liabilities			
Accounts payable		-	-
Notes and loans payable		-	-
Total other liabilities		-	-
Total liabilities		369,955.11	349,422.02
NET ASSETS			
Unallocated functions		2,295,144.36	2,377,286.86
Allocated functions		-	-
Total net assets		2,295,144.36	2,377,286.86
Total liabilities and net assets		2,665,099.47	2,726,708.88

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

STATEMENT OF FINANCIAL ACTIVITY

Years Ended 31 December 2014 and 2013

	Note	Total 2014	Total 2013
Earned income			
Tuition and student services income	10	308,376.28	321,685.17
Income from government		-	-
Other departmental services	11	492,606.17	532,538.84
Donations received		40,849.27	26,780.44
Investment and interest income		2,840.54	15,137.44
Building services income		-	-
Other operating income		480,081.02	656,243.78
Direct allocated funds income		-	-
Total earned operating income		1,324,753.28	1,552,385.67
Operating expenses			
Employee related expense	12	2,849,282.24	2,846,846.80
Administrative and general exp.	14	1,880,654.16	1,893,339.82
Service expense	15	63,631.00	26,201.00
Building expense		-	-
Depreciation expense	8	127,289.95	125,026.61
Other operating expense		19,524.00	28,562.81
Allowance for doubtful accounts		-	-
Direct allocated funds expense		-	-
Total operating expenses		4,940,381.35	4,919,977.04
Increase (decrease) before appropriations		(3,615,628.07)	(3,367,591.37)
Appropriations			
Appropriations received	16	3,533,485.57	3,494,479.43
Appropriations disbursed		-	-
Increase (decrease) after appropriations		(82,142.50)	126,888.06
Capital transactions			
Capital income		-	-
Capital expense		-	-
Increase (decrease) before transfers		(82,142.50)	126,888.06
Transfers		-	-
Increase (decrease) for the year		(82,142.50)	126,888.06
Net assets, beginning of year		2,377,286.86	2,250,398.80
Prior year adjustment			
Net assets, end of year		2,295,144.36	2,377,286.86

Seventh-day Adventist Church

Institutul Teologic Adventist Cernica

STATEMENT OF CHANGES IN NET ASSETS

Years Ended 31 December 2014 and 2013

	Balance 31 Dec 2013	Income	Expense	Transfers In	Transfers Out	Balance 31 Dec 2014
Unallocated funds						
Non-tithe	2,377,286.86	4,858,238.85	(4,940,381.35)	-	-	2,295,144.36
Total unallocated funds	2,377,286.86	4,858,238.85	(4,940,381.35)	-	-	2,295,144.36
Operating allocated funds						
Fund xxx	-	-	-	-	-	-
Total operating allocated	-	-	-	-	-	-
Capital allocated funds						
Fund xxx	-	-	-	-	-	-
Total capital allocated	-	-	-	-	-	-
Total allocated funds	-	-	-	-	-	-
Total all funds	2,377,286.86	4,858,238.85	(4,940,381.35)	-	-	2,295,144.36

	Balance 31 Dec 2012	Income	Expense	Transfers In	Transfers Out	Balance 31 Dec 2013
Unallocated funds						
Non-tithe	2,250,398.80	5,046,865.10	(4,919,977.04)	-	-	2,377,286.86
Total unallocated funds	2,250,398.80	5,046,865.10	(4,919,977.04)	-	-	2,377,286.86
Operating allocated funds						
Fund xxx	-	-	-	-	-	-
Total operating allocated	-	-	-	-	-	-
Capital allocated funds						
Fund xxx	-	-	-	-	-	-
Total capital allocated	-	-	-	-	-	-
Total allocated funds	-	-	-	-	-	-
Total all funds	2,250,398.80	5,046,865.10	(4,919,977.04)	-	-	2,377,286.86

Seventh-day Adventist Church

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STATEMENT OF CASH FLOWS

Years Ended 31 December 2014 and 2013

	Total 2014	Total 2013
CASH FLOWS FROM OPERATING ACTIVITES		
Net increase from financial activity	(82,142.50)	126,888.06
Adjustments to remove non-cash items:		
Depreciation expense	127,289.95	125,026.61
Disposal of plant assets - book value	-	-
Plant assets adjustments	-	-
Changes in working capital:		
(Increase) decrease - accounts receivable	(230,731.22)	(182,417.78)
(Increase) decrease - supplies and prepaid	(30,751.55)	(3,152.23)
(Increase) decrease - accounts receivable LT	-	-
Increase (decrease) - accounts payable	42,157.67	(21,322.03)
Increase (decrease) - trust funds	-	-
Increase (decrease) - deferred income	(21,624.58)	24,983.06
Increase (decrease) - accounts payable LT	-	-
Net cash provided (used) from operating	(195,802.23)	70,005.69
INVESTING ACTIVITIES		
Proceeds of plant assets disposals	-	-
Purchase of plant assets	(117,329.46)	(39,972.57)
Notes and loans receivable issued		(5,900.00)
Notes and loans receivable repaid	3,900.00	
Proceeds of investment disposals	-	-
Funds invested	-	-
Net cash provided (used) from investing	(113,429.46)	(45,872.57)
FINANCING ACTIVITIES		
New loans payable received	-	
Loans repaid	-	(21,322.03)
Net cash provided (used) from financing	-	(21,322.03)
Net increase (decrease) for the year	(309,231.69)	2,811.09
Cash and cash equivalents, 1 January	1,232,072.83	1,229,261.74
Cash and cash equivalents, 31 December	922,841.14	1,232,072.83

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 0.279330 = USD 1.00 and RON 0.304878 = USD 1.00 at 31 December 2014 and 2013, 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

	2014	2013
Cash on hand	29,954.74	35,240.51
Bank accounts	729,678.40	946,832.32
Interest bearing accounts	163,208.00	250,000.00
Term deposits	-	-
Total cash and cash equivalents	922,841.14	1,232,072.83

Note 5 Accounts Receivable

	2014	2013
Current Accounts Receivable		
Higher organization	181,460.77	149,288.62
Other denominational entities	848,663.01	644,417.55
Subsidiary organizations	-	-
Employees	11,503.46	11,061.79
General	205,152.35	215,528.35
Students	129,156.11	124,908.17
Doubtful Students	-	-
Total current accounts receivable	1,375,935.70	1,145,204.48
Allowance for doubtful accounts	-	-
Net current accounts receivable	1,375,935.70	1,145,204.48
Accounts Receivable Long-Term		
Higher organization	-	-
Cautions	-	-
General	200.00	200.00
Total accounts receivable long-term	200.00	200.00
Total accounts receivable	1,376,135.70	1,145,404.48

Note 6 Supplies and Prepaid Expense

	2014	2013
Supplies	-	-
Inventory goods for sale	-	-
Other inventories	49,855.32	24,845.83
Total supplies	49,855.32	24,845.83
Provision for obsolescence	-	-
Provision for slow-moving stock	-	-
Net supplies	49,855.32	24,845.83
Prepaid expense	44,021.86	38,279.80
Total supplies and prepaid expense	93,877.18	63,125.63

Note 7 Notes and Loans Receivable

	2014		
	Current	Long-term	Total
Subsidiary organizations loans	-	-	-
Employee car loans	2,000.00	-	2,000.00
Employee educational loans	-	-	-
Employee general loans	-	-	-
Miscelaneous loans	-	-	-
Total notes and loans receiv.	2,000.00	-	2,000.00
Allowance for loans receivable	-	-	-
Net notes and loans receiv.	2,000.00	-	2,000.00

	2013		
	Current	Long-term	Total
Subsidiary organizations loans	-	-	-
Employee car loans	5,900.00	-	5,900.00
Employee educational loans	-	-	-
Employee general loans	-	-	-
Miscelaneous loans	-	-	-
Total notes and loans receiv.	5,900.00	-	5,900.00
Allowance for loans receivable	-	-	-
Net notes and loans receiv.	5,900.00	-	5,900.00

Note 8 Property and Equipment

	Total Cost	Accumulated Depreciation	Net Value	Depreciation Expense
Balances at 31 December 2014				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings	5,961.50	(5,906.31)	55.19	331.19
Furnishings and equipment	1,571,777.30	(1,301,587.04)	270,190.26	126,958.76
Other capital assets	-	-	-	-
Total cost	1,577,738.80	(1,307,493.35)	270,245.45	127,289.95
Balances at 31 December 2013				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings	5,961.50	(5,575.12)	386.38	-
Furnishings and equipment	1,454,447.84	(1,174,628.28)	279,819.56	-
Other capital assets	-	-	-	-
Total cost	1,460,409.34	(1,180,203.40)	280,205.94	-

Summary of Changes

	Balance 31-12-2013	Additions	Deletions	Balance 31-12-2014
Total Cost				
Land	-	-	-	-
Land improvements	-	-		-
Buildings	5,961.50	-		5,961.50
Furnishings and equipment	1,454,447.84	117,329.46		1,571,777.30
Other capital assets	-	-	-	-
Total cost	1,460,409.34	117,329.46	-	1,577,738.80
Accumulated Depreciation				
Land improvements	-	-	-	-
Buildings	(5,575.12)	(331.19)	-	(5,906.31)
Furnishings and equipment	(1,174,628.28)	(126,958.76)	-	(1,301,587.04)
Other capital assets	-	-	-	-
Accumul. depreciation	(1,180,203.40)	(127,289.95)	-	(1,307,493.35)
Net value	280,205.94	(9,960.49)	-	270,245.45

Note 9 Accounts Payable and Accrued Liabilities

	2014	2013
Current accounts payable and accrued liabilities		
Bank overdraft	-	-
Higher organization	-	-
Other denominational organizations	-	-
Subsidiary organizations	-	-
Employees	-	-
General accounts payable	174,128.89	160,112.17
Students	31,476.15	3,335.20
Government payable	-	-
Total current accounts payable	205,605.04	163,447.37
Non-current accounts payable and accrued liabilities		
Higher organization	-	-
Other denominational organizations	-	-
Subsidiary organizations	-	-
Employees	-	-
General accounts payable	-	-
Students	-	-
Total non-current accounts payable	-	-
Total accounts payable	205,605.04	163,447.37

Note 10 Tuition & Student Services Income

	2014	2013
Tuition income	294,765.89	308,612.46
Tuition from government income	-	-
Total tuition income	294,765.89	308,612.46
Student services	13,610.39	13,072.71
Student services from government	-	-
Total student services income	13,610.39	13,072.71
Total tuition & student services income	308,376.28	321,685.17

Note 11 Other Departmental Services Income

	2014	2013
Dorms income	157,399.19	166,658.75
Cafeteria income	335,206.98	365,880.09
Laundry income	-	-
Other departmental income	-	-
Total other departmental services income	492,606.17	532,538.84

Note 12 Employee Related Expense

	2014	2013
Employee salaries	1,998,347.00	1,949,450.00
Employee travel expenses	170,481.40	187,522.81
Employee allowances	128,112.84	130,789.99
Employee insurance and contributions	138,044.00	135,121.00
Other employee expenses	25,103.00	35,561.00
Retirement contribution (Note 13)	389,194.00	408,402.00
Total employee related expense	2,849,282.24	2,846,846.80

Note 13 Retirement Plan

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

In addition, the Institutul Teologic Adventist Cernica participates in a non-contributory defined benefit pension plan. The plan, which covers only former denominational employees, 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 defined as a share in the fund and no from various affiliated organizations based generally on a percentage of basic remuneration of eligible employees of institutions or of tithe income for other entities.
The contributions paid by the Organization for the years ended on 31 December 2014 and 2013 respectively were:

	2014	2013
Retirement contribution	389,194.00	408,402.00
Total contributions for retirement expenses	389,194.00	408,402.00

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.

Note 14 Administrative and General Expense

	2014	2013
Administrative expense	905,239.61	(879,111.57)
Finance expense	9,243.97	(9,820.22)
Office expense	36,214.71	(25,821.61)
General expense	332,136.80	(328,704.46)
Insurance expense	27,846.27	(26,176.56)
Service Det\partaments Expense	569,972.80	(623,705.40)
Total administrative and general expense	1,880,654.16	(1,893,339.82)

Note 15 Service Expense

	2014	2013
Instructional expense	63,631.00	26,201.00
Student services expense	-	-
Boarding expense	-	-
Service department expense	569,972.80	623,705.40
Total service expense	63,631.00	26,201.00

Note 16 Appropriations

	2014	2013
IA Appropriations Received		
Appropriation xxx	3,533,485.57	3,494,479.43
Appropriation xxx	-	-
Total IA appropriations received	3,533,485.57	3,494,479.43
Other Operating Appropriations Received		
Appropriation xxx	-	-
Appropriation xxx	-	-
Total other operating appropriations received	-	-
Total appropriations received	3,533,485.57	3,494,479.43
Approriations disbursed		
Appropriation disbursed for xxx	-	-
Total approriations disbursed	-	-
Net appropriations received	3,533,485.57	3,494,479.43

Note 17 Schedule of Financial Activity - Operating Fund

Operating Activity	**Unallocated Funds**	**Allocated Funds**	**Total 2014**
Earned income			
Tuition and student services income	308,376.28	-	308,376.28
Income from government	-	-	-
Other departmental services	492,606.17	-	492,606.17
Donations received	40,849.27	-	40,849.27
Investment and interest income	2,840.54	-	2,840.54
Building services income	-	-	-
Other operating income	480,081.02	-	480,081.02
Direct allocated funds income	-	-	-
Total earned income	1,324,753.28	-	1,324,753.28
Operating expenses			
Employee related expense	2,849,282.24	-	2,849,282.24
Administrative and general exp.	1,880,654.16	-	1,880,654.16
Service expense	63,631.00	-	63,631.00
Building expense	-	-	
Depreciation expense	127,289.95	-	127,289.95
Other operating expense	19,524.00	-	19,524.00
Allowance for doubtful accounts	-	-	-
Direct allocated funds expense	-	-	-
Total operating expenses	4,940,381.35	-	4,940,381.35
Increase (decr.) before approp.	(3,615,628.07)	-	(3,615,628.07)
Operating appropriations			
Appropriations received	3,533,485.57	-	3,533,485.57
Appropriations disbursed	-	-	-
Net appropriations retained	3,533,485.57	-	3,533,485.57
Increase (decr.) after approp.	(82,142.50)	-	(82,142.50)
Capital Activity			
Capital income	-	-	-
Capital expense	-	-	-
Increase (decr.) before transfers	(82,142.50)	-	(82,142.50)
From unallocated to allocated	-	-	-
From allocated to unallocated	-	-	-
Net transfers in (out)	-	-	-
Increase (decrease) for the year	(82,142.50)	-	(82,142.50)
Net assets, beginning of year	2,377,286.86	-	2,377,286.86
Net assets, end of year	2,295,144.36	-	2,295,144.36

Note 18 Denominational Working Capital and Liquidity

	2014	2013
WORKING CAPITAL STATEMENT		
Working Capital:		
Current assets	2,394,654.02	2,446,302.94
Current liabilities	369,955.11	349,422.02
Actual working capital	2,024,698.91	2,096,880.92
Working Capital Recommended by Policy		
20% of annual operating expense	988,076.27	983,995.41
Operating allocated net assets	-	-
Recommended working capital	988,076.27	983,995.41
Excess (deficiency) of actual over recommended	1,036,622.64	1,112,885.51
Percentage of actual to recommended working capital	204.91%	213.10%
LIQUIDITY STATEMENT		
Liquidity:		
Cash and cash equivalents	922,841.14	1,232,072.83
Receivable from higher organisation	-	-
Total liquidity assets	922,841.14	1,232,072.83
Less commitments:		
Current liabilities	369,955.11	349,422.02
Allocated net assets	-	-
Total commitments	369,955.11	349,422.02
Net liquid assets	552,886.03	882,650.81
Percentage of liquid assets to commitments	249.45%	352.60%