

TREASURY

The last five years have found this country and this Conference's members in some times with new challenges and opportunities. We have seen steady tithe increases in four of the last five years which have tracked even higher than the Consumer Price Index (a measure of inflation).

During this quintennial, our conference financial position has been steadily improving. We faced the unknown situation of the COVID pandemic restrictions in spring of 2020. There were dire predictions regarding the loss of income, but by the end of the year, income had increased by 5%. My fellow officers and I spent many hours on our knees seeking God's guidance for how to proceed. By God's grace and guidance most of the financial challenges from the past ten years have been overcome. While new financial challenges appear from time to time, I have faith that the Lord will give us wisdom to meet them.

The Lord continues to bless His people and His work here in the Northern New England Conference. As the Lord has blessed, you have been faithful to return to the Lord tithes and offerings through which the church grows and prospers. Thank you so much for your faithfulness; the Lord is pleased when we are faithful. All meaningful giving is motivated by love. Ellen White's lifestyle and writings demonstrated that she understood this principle well. Her counsel in the December 17, 1901 issue of the *Review and Herald* was clear: *"Let believers in the truth bring to God a faithful tithe, let them bring Him peace offerings and thank offerings for the great love wherewith he hath loved them. Then there will be no dearth of means in His treasury."*

This report will share necessary financial details, facts, figures, and information for you to understand the financial position of our Conference.

TITHE

The primary source of income to this conference for its operations is tithe. As such, tithe is the key indicator of the financial health of the Conference and is also a key indicator of the spiritual health of the constituent. I am thankful to report that during this quintennial (2018 – 2022), the tithe income totaled \$32,516,742. Shown in Chart #1 is the trend in tithe during this quadrennial. Included in the graph is the Consumer Price Index tracing how tithe compares with inflation over the same period.

As Treasurer, I am ever thankful for the faithfulness of God's people in returning their tithes and offerings to the Lord, and for the way the Lord has blessed in the past. Your faithfulness as constituents of this Conference makes the job of being Treasurer easier in that we have the funds to carry on the work of the church in Northern New England.

For the year 2022, tithe per capita giving (Chart #2) in the Conference was \$1,347 per member. The average per capita tithe giving in the Atlantic Union for 2022 was \$950 per member. For the North American Division, it was \$969 per member. This places the Northern New England Conference among the leading conferences in the North American Division in this category.

As reported above, tithe is by far the major financial resource of this Conference. As members return 10% of their increase to the Lord, it is used in support of the gospel

ministry here in the Conference and around the world. Our Conference operates on approximately 70% of the tithe received, with the remainder sent on to the world field. However, NNEC does receive approximately 5% in appropriations from large organizations plus 11% funding for retirees. Leviticus 27:30 says tithe is holy, and is handled as such. One of the major responsibilities of the Treasurer is to ensure the proper use of the tithe.

Purposes for which tithe may be used:

- Support of pastors, evangelists, and soul winning support personnel
- World missions through tithe sharing
- Conference operating expenses
- Subsidies for evangelistic activities
- Evangelism equipment
- Employee retirement fund
- Bible/religion teaching and support personnel in schools

Purposes for which tithe may not be used:

- Capital expenditures for buildings and facilities
- Equipment (except as noted above)
- Local church operating expenses
- School operating expenses

Chart #3 indicates the use of tithe in the Northern New England Conference for 2022, the most recent year of the quintennial. The chart shows a breakdown of how tithe funds were spent with the largest portions dedicated to pastoral ministry. The next largest amounts were forwarded to the Atlantic Union, North American Division, and the General Conference.

The Conference Budget/Advance offering received during the last five years is trending upward. If you look Chart #4 tracking the Conference Budget/Advance offering over the past five years, it is tracking above the Consumer Price Index, indicating the offering is surpassing inflation. This is good because it was below inflation in the previous quadrennial.

Your Conference Budget/Advance offerings have supported evangelism, education, Camp Lawroweld, campmeeting, and academy worthy students. The percentages allocated to each are shown in Chart#5.

Evangelism offerings during this past quintennial totaled \$458,286. They have been above \$90,000 every year except 2020 when we did not have an in-person campmeeting. Thank you for your generous support in spreading the gospel of Jesus in the Northern New England Conference.

World Mission offerings totaled \$561,095 in the past quintennial. I pray that we can continue to support our brothers and sisters in foreign lands.

Ingathering offerings (Hope for Humanity) have been in the \$11,000-\$12,000 range per year. 50% of these offerings are retained for community services and disaster relief in our own conference territory. Chart #6 shows amounts of both Evangelism offerings, Ingathering retained by NNEC, and World Mission offerings over the past quadrennial.

OTHER FUNDING SOURCES

In addition to the tithes and offerings, there are other important sources of funds we refer to as non-tithe sources of income (see Chart#7). Appropriations of approximately 5% of tithe from the General Conference, North American Division, and the Atlantic Union, help to fund education, pastoral ministry, and youth work. Rental income from the Brunswick Retirement Village continues to be an important source of non-tithe income. Interest and investment income has increased each year because with more reserves on hand, we have a larger amount earning interest/dividends. As part of the integration of Parkview into the new Midcoast-Parkview health system the Northern New England Conference Administration was retained as a consultant to help bring the spiritual tone that was demonstrably present at Parkview to the entire health system. Midcoast-Parkview Health System had agreed to pay \$1.4 million over a five year period for these services. This agreement began in 2016 and completed in 2020. Finally, income from wills and trusts helped significantly to fund the operations, special projects, and endowments in our Conference. There is now a new endowment of over \$275,000 that helps worthy elementary students in our conference. Additionally, there is a new \$50,000 endowment that helps college students. Around 2017, we received proceeds from an estate that established a special fund for Camp Lawroweld special projects. The total amount was \$338,371. In addition to this, we received over \$103,000 of donations that helped with major renovation projects at Camp Lawroweld totaling \$455,000 as noted in Chart#8. Chart#9 shows how the Rangeley quasi-endowment has provided funding for youth camp operations, equipment, and outdoor education.

Another important source of funding is the payments for teachers by the local church schools. Of the total cost of a teacher, the local church school funds around 65% of the cost and the conference subsidizes the remaining 35%. I am pleased to report the school debt dropped significantly from 2017 to 2022. Chart #10 shows that from 2017 to 2022, our school notes receivable decreased from \$549,474 to \$120,624. Along with this, we decreased our allowance for bad debt from \$383,099 in 2017 to \$8,633 by the end of 2022. We continue to monitor local school budgets closely and to follow policy which requires balanced budgets for both the conference and our local organizations.

One of the most significant financial items from the year 2020 was that in early April 2020, after seeing the decline in remittance through March, the conference executive committee voted to apply for a PPP loan. We received a total of \$1,013,875 of which \$972,870 was forgiven per the terms of the loan. We applied those forgiveness proceeds evenly based on employee funding. This included \$282,745 returned to local

churches and schools which helped reduce any long standing account receivables that the conference was holding from churches and schools. Chart#11 details how the loan forgiveness was allocated. Another area that we saw significant budget savings was employee healthcare. We were significantly below budget in four of the five years of the quadrennial as noted in Chart#12. We also encourage employees to take care of their health by participating in a wellness program which we incentivize. One might think we are budgeting too much for employee healthcare, however, we are budgeting only about 75% of what the North American Division per employee average is.

OPERATING CAPITAL AND LIQUIDITY RATIOS

We have seen our working capital increase steadily in this quadrennial, from 53% to 122%. As of December 31, 2022, Northern New England Conference has 122% of working capital as recommended by the General Conference of Seventh-day Adventists (See Chart #13). Note that the working capital policy was updated to be defined as six months of core expenses on hand. This means that at the end of 2022 we had 7.32 months of core expenses on hand. The Conference's percent of liquid assets to commitments stands at 523% in 2022. The trend as shown in the graph below shows significant increases in both ratios.

FINANCIAL STATEMENT

Included with this document is a copy of the audited financial statements covering the years of this quadrennial. Accompanying these financial statements are footnotes providing valuable insights into the operations of the Conference and explaining the various funds and assumptions built into the financial statement presentation. These statements report the financial activity in the Conference for 2018 – 2022 as summarized by the General Conference Auditing Service. The General Conference Auditing Service provides internal auditors to audit our books on an annual basis in accordance with Generally Accepted Accounting Principles (GAAP). During the session you will hear from me and from the auditor as we explain the financial statements by way of an illustrated report.

I am blessed to have very capable and competent staff, with Joseph Li as Associate Treasurer, Jairo Utate as Human Resource Director/Accountant, and Justin Perrone as Conference Auditor. Each of these individuals contributes so much to making things in Treasury run smoothly. I want to thank each one for their work.

Daniel Battin