

INDEPENDENT AUDITOR'S REPORT

District Advisory Board
Mid-Atlantic District Church of the Nazarene
Glen Burnie, Maryland

We have audited the accompanying schedules of selected cash and investment accounts of the Mid-Atlantic District Church of the Nazarene (the Organization) as of January 31, 2019 and 2018, and the related notes to the schedules of selected cash and investment accounts.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules, 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 schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

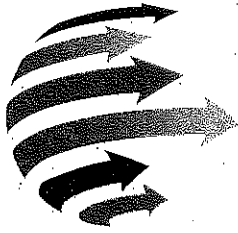
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedules of selected cash and investment accounts referred to above present fairly, in all material respects, the selected cash and investment accounts of the Mid-Atlantic District Church of the Nazarene as of January 31, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America:

UHY LLP

Columbia, Maryland
July 15, 2019



Mid-Atlantic District Church of the Nazarene

108 Central Avenue, Glen Burnie, MD 21061 443-557-0450 manazoffice@gmail.com www.manaz.org

David W. Bowser
District Superintendent
DWBowser@gmail.com

Terry S. Sowden
Assistant District Superintendent
TSowden@juno.com

Kenneth R. Balch
Missional Leadership Specialist
Balchmadmission@gmail.com

March 5, 2020

Mid-Atlantic District Church of the Nazarene
District Finance Committee
108 Central Avenue
Glen Burnie, MD 21061

Dear District Finance Committee:

We have examined the financial statements of NYI, NMI, SDMI and WBI as reported to the Mid-Atlantic District Advisory Board (DAB) by each organization's treasurer and reflected in the 2019 annual report to the District Assembly, along with the accounting records for the same. The financial statements and records are the responsibility of the organizational treasurers for each entity. Our responsibility is to express our opinion as to the integrity of the financial statements and adherence to typical and appropriate accounting record keeping practices.


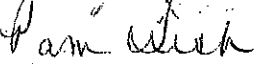

We are not auditors but have endeavored to examine the financial statements and record keeping practices in order to provide some level of comfort that the assets of each organization are being maintained in a proper and orderly fashion.

We believe the financial statements referred to above present fairly the financial position of the entities listed, subject to our comments in the attached "Appendix A". We have also included comments and recommendations in the attached "Appendix A" pertaining to accounting record keeping practice.

Respectfully Submitted

District Audit Committee

Kent Vandervort, Chair
Pam Fish
Sue Cox

3. Finance Committee

In order to properly finance our global and district ministries, we present the following resolutions. The premise on which these are based is the pattern of tithes and offerings, which we teach our people as proper biblical stewardship. The basic principle will be 10% plus missions.

Funding The Mission

1. That each local organized church:
 - a. Give 5.5 percent of its current adjusted income to the District Ministries (which includes all District Auxiliaries i.e. NMI {.225%}, SDMI {.225%}, and NYI {.225%});
 - b. Give 2.25 percent of its current adjusted income to Pensions and Benefits;
 - c. Give 2.25 percent of its current adjusted income to Eastern Nazarene College;
 - d. Give a minimum of 5.5 percent of its current adjusted income to the World Evangelism Fund;
 - e. Send all funds given for District Ministries (including the NMI, SDMI, and NYI auxiliaries), Pensions & Benefits, and Eastern Nazarene College to the district treasurer for distribution; and
 - f. Send the World Evangelism Fund and other Global Mission Special dollars to the general treasurer through the online giving tools at www.fundingthemission.org or mail them to the general treasurer at PO Box 843116, Kansas City, MO 64184.
2. That until a church is officially organized, each church plant give 10% of its current adjusted income, which will be divided between World Evangelism Fund, Pensions & Benefits, Education {ENC}, District Ministries, and the three District Auxiliaries. These funds should all be sent to the district treasurer who will distribute the funds to the various entities.
3. That income for local organized churches and church plants includes all funds which are charitable contributions, less the amount paid to World Evangelism Fund, Ten Percent Mission Specials, District Missional Ministry pledges and other specials that have been approved.
4. That all local organized churches and church plants send their 10% to the district treasurer by the 10th of each month.
5. That a special pledge will be received at the 2020 District Assembly and that it be designated to go to church plants, and other urban and multicultural missions on the district.

District Finance

6. That the district superintendent receive:
 - a. One month, or 5 weeks for serving 20-29 years, or 6 weeks for serving 30 or more years, vacation with pay.

- b. Reimbursement for Social Security, and health insurance in compliance with the Affordable Care Act.
 - c. Reimbursement for all district-related expenses including district and denominational conventions, recruitment trips, preachers' meetings, and travel expenses.
 - d. That the district provide to the district superintendent a tax-sheltered annuity as part of his/her compensation package, the amount to be determined by the district superintendent.
 - e. Premium coverage for disability insurance as developed by the General Board of the Church of the Nazarene.
 - f. That the district provide to the district superintendent a housing allowance as part of his/her compensation package, the amount to be determined by the district superintendent.
 - g. A sabbatical leave, similar to the proposal for local pastors.
7. District journals:
- a. That the district secretary will make available a "PDF" copy of the district journal to each local organized church and each church plant.
 - b. That each church and church plant distribute the journal to their officers and church leaders either in "PDF" form or in printed form.
8. That the cost of the annual Pastors' and Spouses' Retreat, less the pastors' and spouses' lodging and meals, be included in the District Budget.
9. That the interest from all interest bearing accounts, except designated funds, be applied to the Church Extension Fund.
10. That the district financial records be reviewed each year by a qualified accountant within six months of the district assembly with the accountant's report becoming part of the next year's district minutes and that the auxiliary records and Williamson Bible Institute be reviewed by a District Auditing Committee.
11. That the travel allowance for volunteer district business be based on one half the current IRS rate (rounded up to the whole cent), plus tolls, meals, and lodging if necessary.
12. That the salaries and expense accounts in the District Budget be paid on the basis of the district fiscal year.
13. That the District Advisory Board care for the following matters:
- a. Provide for a district missional resource center.
 - b. That all money received from the sale of properties of disorganized churches, less encumbrances and costs, be received by the District Advisory Board for deposit in the Church Planting Fund (50%) and CEF (50%).
 - c. That, on request, the District Advisory Board provides local churches with guidance for auditing their financial books.
 - d. That a pastors' benevolence fund be maintained to assist pastors in personal emergency situations; that the fund be administered by the District Advisory Board.
 - e. That any district line item balances at the end of the statistical year be used at the discretion of the District Advisory Board.
 - f. That all financial matters not provided for in this report be referred to the District Advisory Board for consideration and action throughout the assembly

year.

14. That the chair of the Assembly Finance Committee appoint a Ministerial Support subcommittee to recommend to the district assembly guidelines for the local churches' support of pastors, pastoral assistants, and evangelists.
15. That no district board, committee or other entity shall overspend their district budget line item(s) limit without the prior authorization of the District Advisory Board.

Local Finance

17. We recommend the following:
 - a. That each church adopt Basic Local Church Financial Policies based on the template detailed in Appendix E.
 - b. That each church be encouraged in the stewardship of its possessions as this relates to wills, annuities, and life loans on behalf of the church, with special emphasis on missions and education; and we encourage every church to utilize the Church of the Nazarene Foundation to facilitate planned and deferred gifts from their members to any Nazarene ministry, including gifts to the local church, and to use the Foundation to manage investment accounts, endowments, or charitable trusts. (Visit www.NazareneFoundation.org or call 866-273-2549.)
 - c. That each church provide an annual emphasis on storehouse tithing.
 - d. That each church make an annual contribution to the American Bible Society, the Nazarene Bible College, and the Nazarene Theological Seminary.
 - e. That each church prepare and adopt an annual comprehensive budget and monitoring system in compliance with the *Manual* ¶129.6-129.7, which shall include denominational allocations; that the tithes and offering amount be sufficient to supplement all special offerings in the budget; that pastors promote support of the tithes and offering items; and that a special attempt be made to meet the budget at least on a monthly basis.
 - f. That each church adopt a unified treasury system with all funds in the church account; and that each church treasurer present complete written financial reports including departmental records, balance analysis, year-to-date charts, and denominational allocation status reports to each monthly board meeting. (*Manual* ¶136.3-136.4)
 - g. That all churches consider unpaid monthly denominational allocation payments as outstanding accounts to be paid in full before the end of the statistical year.
 - h. That each church should retain financial records according to the guidelines supplied by the district auditing committee and records should be periodically reviewed by an external entity.
 - i. That all church records be open at all times to examination by the pastor.
 - j. That each church uses the services of a banking system, that all accounts are in the name of the church, and that payments are made by the church only.

- k. That the District Missional Resource Center provide for each church, guidelines for their church insurance programs.
- l. That each pastor explore the availability of matching funds through industries of employees contributing to our college, that the use of such matching funds be in strict compliance with the policies of the companies and Eastern Nazarene College, and the pastors secure the printed policies of the companies and Eastern Nazarene College as guidelines.

Respectfully submitted,

E. JAY LEWIS, *Secretary*

RICHARD A. WILSON, *Chairperson*

