



EVANGELISCHE KIRCHE IN DEUTSCHLAND

(EVANGELICAL CHURCH IN GERMANY)

OBERRECHNUNGSAMT

(HIGH AUDIT OFFICE)

(English Version)

REPORT

ON THE AUDIT OF

THE FINANCIAL STATEMENT FOR 2015

WORLD COMMUNION OF REFORMED CHURCHES

(WCRC)

HANNOVER

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Annex1 - WCRC statement on the report on the audit of the financial statement for 2014

LIST OF IMPORTANT ABBREVIATIONS

BSt.	Buchungsstelle (Booking account, classification level in the finance software KFM)
CHF	Swiss Francs (Currency code according to ISO 4217 for the Swiss zone)
EKD	Evangelische Kirche in Deutschland (Evangelical Church in Germany)
EUR	Euro (Currency code according to ISO 4217 for the Euro zone)
Ev.-ref. church	evangelic-reformed church
GG	Grundgesetz für die Bundesrepublik Deutschland (Constitution for the Federal Republic of Germany)
GLD	Gliederung (Booking account, classification level in the finance software KFM)
GRP	Gruppierung (Booking account, classification level in the finance software KFM)
HHSt.	Buchungsstelle (Booking account, classification level in the finance software KFM)
KFM	Kirchliches-Finanz-Management (finance software of KIGST GmbH, Offenbach am Main)
Nds. MBl.	Niedersächsisches Ministerialblatt (ministerial law gazette of Lower Saxony)
ORA	Oberrechnungsamt der Evangelischen Kirche in Deutschland (High Audit Office of the Evangelical Church in Germany)
ORAG	Church law on the High Audit Office of the Evangelical Church in Germany of 12 th November 1993 (ABl. EKD page 513)
SB	Sachbuchteil (Booking account, classification level in the finance software KFM)
SGB VI	Sozialgesetzbuch / Sechstes Buch (VI) - Gesetzliche Rentenversicherung - (Social Security Code / Book Six (VI) - Social pension fund)
Tz.	Textziffer (classification number of the content statements in this report)
UK	Unterkonto (sub-account - classification level in the finance software KFM)
USD	US – Dollar (Currency code according to ISO 4217 for the US zone)
VERKA	Kirchliche Versorgungskasse VVaG, Berlin
WRV	Weimarer Reichsverfassung (Weimar Constitution)

I. AUDIT BASICS

Audit assignment

The High Audit Office of the Evangelical Church in Germany (ORA) audits the budget and asset accounting of the World Communion of Reformed Churches (WCRC).

The audit assignment is based on an administrative agreement reached between the WCRC and the EKD on 10th/11th December 2014. The Standing Budget Committee of the EKD synod approved the acceptance of this audit assignment in its conference on 12th/13th March 2014.

Audit subject and aim

The report at hand is for the purpose of preparing the decision about the approval of the General Treasurer and the General Secretary for the management in the accounting year 2015 by the Executive Committee of the WCRC.

Possible reporting duties resulting from the hitherto status as a non-profit institution according to Swiss law to the Swiss authorities are not covered by this report.

Subject of the audit was the annual financial statement of the WCRC for the accounting year 2015.

For this, it was precisely audited

- whether the budget and economic management as well as the asset administration in the accounting year 2015 took place correctly and according to applicable law and
- whether the annual accounts 2015 essentially convey an appropriate image of the results and asset situation.

The correctness of accounting was the audit standard in this case. In this respect, the audit aim was to determine whether there were considerable differences between the amounts mentioned in the accounting and those proven in the books and whether the approval and authorization of the annual accounts as well as the approval of the WCRC General Treasurer and the WCRC General Secretary by the Executive Committee can be recommended.

It is furthermore the assignment of the audit to check the budget and economic management of the WCRC. This specifically includes the administrative action,

which is not directly reflected in the annual accounts to be presented. In this case, the audit standards are the correctness and cost effectiveness of the actions.

For this, it was precisely audited

- whether the entrusted resources were deployed in an adequate, economic and thrifty way,
- whether and in which cases of relevance the regulations and principles applicable to the budget and economic management were not complied with and
- what recommendations for action are to be derived from the audit results for the future, if applicable.

As a whole, it is the intention of the audit to support the church-leading persons and organs in the execution of their functions and to stimulate economic thinking as well as responsible action concerning the handling of the resources entrusted to the church.

Type, extent and execution of the audit

The ORA carried out the audit based on a risk-oriented audit approach.

Accordingly, the audit must be planned and executed in such manner that any incorrectnesses and infringements in the accounting and the budget and economic management of the WCRC are recognized with adequate certainty. It was not the aim and task of the audit to trace discrepancies without significance in single cases or the whole.

The audit was carried out according to the dutiful judgment of the auditor in samples and according to certain focuses. These were selected so that they allowed for the significance of the different audit topics, conveyed a meaningful image of the corresponding section and facilitated the conclusion as to whether applicable law had been complied with.

In this context, the following audit focuses were determined:

- correctness and completeness of the annual financial statement (appropriate reproduction of the asset and result situation, adherence to the budget),
- correctness of the asset evidence (correct compilation and applicable recording of the essential asset positions),
- employment process for new employees and
- inspection of single fields of high significance.

If action was taken against existing regulations in the case of single measures of those proven in the accounts and this remained without audit objections, no approval is to be deduced from this fact.

The audit was carried out by Ms. Miriam Böhnke and Mr. Ralph Schönemeier in the period from February to March 2016 – with interruptions. It temporarily took place in the WCRC office in the Calvin Centre in Hanover (Knochenhauerstr. 42).

The following documents were available for the audit among others:

- a) a) the 2015 budget for the WCRC,
- b) b) the financial statement presentation (annual financial statement KFM, SB 00) including the advances and transit accounts (SB 52) as well as the capital account (SB 92) for the budget year 2015 of 11th February 2016 (ZB closure no. 0377).

In addition, further WCRC files, especially the accounting documents (invoice documents and bank statements), were available. The records requested within the audit were submitted resp. access to the corresponding documents – if available - was allowed.

The audit was carried out based on the WCRC budget code (“WCRC General Finance Management Policies“), which has already been applied from the financial year 2013 onwards and was officially put into effect by the Executive Committee of the WCRC at its meeting of 11th to 18th May 2014. The information required on the occasion of the audit was provided by Mr. Gerhard Plenter (Evangelical Reformed Church, Leer) as well as Ms Anna Krueger (assistant for finance and communication). In addition, further staff members were available for further enquiries.

Completeness statement

To ensure the audit basics the ORA has requested a completeness statement for the financial statement 2015 from the WCRC. It was given by the General Secretary within the scope of this audit

Final talk

An extensive talk informing about the substantial results of the audit took place on the occasion of the audit in the WCRC office in Hanover on 11th March 2016.

The WCRC participants were the General Secretary Chris Ferguson, the Finance Co-ordinator, Mr Gerhard Plenter and the Assistant for Finances and Communication, Ms Anna Krüger as well as Mr Ralph Schönemeier and Ms Miriam Böhnke for the ORA.

II. ORGANIZATIONAL CIRCUMSTANCES

The World Communion of Reformed Churches (WCRC) is a non-profit-oriented, international, non-governmental organization representing 225 member churches from over 100 countries with a total of approx. 80 million Christians as a united ecumenical body for reformed churches. It developed from the association of the Reformed Ecumenical Council (REC) and the World Alliance of Reformed Churches (WARC) in 2010 and succeeded them legally. The current WCRC constitution was approved by the Uniting General Council in 2010. The organization is officially based in Geneva.

In its self-concept, the WCRC follows the tradition of the Reformers Johannes Calvin, John Knox and Huldrych Zwingli as well as the reformation movements around Jan Hus and Pierre Valdo.

The World Communion of Reformed Churches is to foster its member churches in their community and support them in the social discussion. In addition, it is also to contribute to the ecumenical movement and the transformation of the world by standing up e. g. for economic and ecological justice, world-wide peace and conciliation, promoting and protecting religious, civil and all other human rights; appealing for emergency relief and continuous development in the world and promoting them as well as pointing out reformed perspectives for unity among the churches (see article V of the constitution).

In terms of articles 60 and the following of the Swiss Civil Code, the WCRC is constituted as an association. In Germany, its status is that of a public body in terms of article 140 GG in conjunction with article 137 paragraph 5 page 2 WRV, awarded by the Federal Government of Lower Saxony, order issued on 11th December 2012¹. It is subject to state supervision by the Ministry of Culture of Lower Saxony.

In addition, a contract for the regulation of issues corresponding to the legislative responsibility of the federal government was concluded between the Federal Republic of Germany and the WCRC dated 11th/14th April 2014. It was ratified by Federal Law on 10th December 2014.

¹ see announcement of the Ministry of Culture of Lower Saxony of 16th January 2013 (Nds. MBI 4/2013, page 67)

The organs of the WCRC are:

- the General Assembly (with President and General Treasurer),
- the Executive Committee and
- the General Secretary.

The Chief Executive Officer of the WCRC is the General Secretary elected by the Executive Committee. According to article XII of the constitution, he bears the responsibility for the management and coordination of their work towards the General Council and the Executive Committee. On 1st September 2014, Rev. Chris Ferguson (United Church of Canada) became the current office holder.

The current WCRC President is Dr. Jerry Pillay (South Africa), the office of General Treasurer was assigned to Dr. Johann Weusmann (Germany).

The current administration of the WCRC is assumed by an operational office directed by the General Secretary. It was based in Hanover (Germany) during the audit period. In addition, a branch is currently still maintained in Geneva.

The accounting year (budget year) is the calendar year.

III. ACCOUNTING / PRESENTATION OF THE ACCOUNTING RESULTS

In the audit period, the WCRC accounting was carried out in the cameralistic accounting style using the software KFM – Kirchliches-Finanz-Management (of the company KIGST GmbH – Offenbach am Main, Germany), which was already deployed for the accounting of the year 2013.

The ORA did not check the software applied. Within the scope of the audit activities, however, there were no indications leading to the assumption that the application might contain essential errors.

According to general financial principles, the annual accounts are to convey an adequate image of both the asset and the result situation. This can be summarized as follows:

Presentation of the result situation

The accounts results of the audit period according to the documents presented for the audit are as follows:

WGRK Annual accounts 2015	Revenues	Expenses
	EUR	EUR
Budget appropriation according to budget	2.477.000,00	2.477.000,00
TARGET COSTS 2015 (plan valuation)	2.477.000,00	2.477.000,00
According to the annual financial statement the following amount to:		
The actual receipts	2.097.630,62	
The transfers from program reserves	513.448,26	
The transfers from other reserves	0,00	
The actual expenditures		1.393.451,49
The allocations to program reserves		599.796,04
The allocations to other reserves		388.524,70
The surplus 2015 (allocation to General Reserve)		229.306,65
ACTUAL COSTS 2015 (result)	2.611.078,88	2.611.078,88

Handling of the General Assembly

The investment budget (SB 02) has been created for the accounting execution of the handling of the General Assembly taking place in the year 2017. There was need for manual correction within the frame of the computer-technical year-end closing bookings in SB 02. Meanwhile, the problem has been solved by the WCRC in cooperation with the software user. Therefore, some last corrective bookings were carried out in the accounting year 2016.

Advances and transit accounts

The advances and transit accounts (SB 52) of the WCRC were randomly audited. They were predominantly balanced within the year-end tasks. This especially refers to the passage accounts. The audit revealed no indications concerning any relevant cases of delayed accounting.

As far as any audit-relevant circumstances arose, these were broached resp. spoken about during the audit statements.

Presentation of the asset situation

The total asset stock of the WCRC amounted to 3,788,198.59 EUR for the year-end closing as of 31st December 2015. Compared with the previous year (modified final stock 2014: 3,075,524.89 EUR), this stock has increased net by 712,673.70 EUR (+23.17 %).

The asset accounting of the WCRC (SB 92) according to the documents presented for the audit are as follows as of 31st December 2015:

Reserve assets (including trust assets, according to SB 92)	opening balance EUR	closing balance EUR	annual percentage change
WCRC Capital			
Reserve Fund	64.320,97	323.731,14	403,31%
North American Reserve Fund	29.804,51	29.804,51	0,00%
IT Provision	12.063,59	12.063,59	0,00%
WCRC North American Trustees	11.012,44	11.012,44	0,00%
21st century reformation fund	3.964,36	3.964,36	0,00%
Alliance for life fund	2.973,51	2.973,51	0,00%
Regional Communication Support	0,00	2.185,16	100,00%
Specific asset items			
UEK special donation	496.089,12	683.056,08	37,69%
Member church sp. donations 2016	0,00	93.317,52	100,00%
Member church sp. donations 2017	0,00	20.000,00	100,00%
General Council Fund	461.871,82	533.278,13	15,46%
CWM Endowment Reserve	1.211.500,00	1.211.500,00	0,00%
Theology & Mission office programs			
Global Institute of Theology (GIT)	2.581,11	28.998,90	1023,51%
Theological Dialogs	20.797,37	6.572,03	-68,40%
Mission	17.805,90	25.272,99	41,94%
Madip	27.965,33	27.965,33	0,00%
Georges Lombard Prize	17.014,65	14.429,47	-15,19%

continuation to the tabel reserve assets			
Reserve assets (including trust assets, according to SB 92)	opening balance EUR	closing balance EUR	annual percentage change
Justice & Partnership offices programs			
Covenanting for justice	12.078,90	2.750,97	-77,22%
Gender ustice	76.836,33	68.137,76	-11,32%
Theological Education for Women	174.649,38	155.841,17	-10,77%
New econ. & financial Archit. (NEFA)	43.379,59	43.367,04	-0,03%
Oikotree (KCTE)	15.144,01	5.063,77	-66,56%
Accra + 10	0,00	7.908,79	100,00%
Partnership Funds			
Partnership Fund A	0,00	101.823,19	100,00%
Partnership Fund B	8.196,00	25.716,00	213,76%
Partnership Fund D	14.176,62	0,00	-100,00%
Partnership Fund E	3.705,55	632,17	-82,94%
General Programs			
WCRC regional support	39.954,00	44.000,00	10,13%
Global South Intership support	38.074,23	38.963,50	2,34%
North American Intership support	1.255,73	0,00	-100,00%
Native American project	3.164,33	3.164,33	0,00%
Custodian funds			
Cooperation & Witness	18.016,30	18.016,30	0,00%
Calvin Publications fund	26.638,17	26.638,17	0,00%
Publications fund	6.204,11	6.204,11	0,00%
UCC Death	5.175,70	5.175,70	0,00%
Provision la pensee economique	16.858,47	16.858,47	0,00%
Equatorial Guinea	4.218,09	4.218,09	0,00%
Zwischenergebnis	2.887.490,19	3.604.604,69	24,84%
Trust assets			
WCRC Europe	188.034,70	183.593,90	-2,36%
total	3.075.524,89	3.788.198,59	23,17%

IV. AUDIT STATEMENTS

1. General statements

1.1 Applicability of the budget code

At the latest meeting of the Executive Committee, which took place in Hanover from 11th to 18th May 2014, the budget code of the WCRC was formally put into effect by resolution. The regulations of the budget code have not yet been entirely implemented, as was already the case within accounting for the years 2013 and 2014.

For instance, the new budget code assumes that the so-called “expanded public accounting system” will be applied. Currently, however, the organizational requirements demanding sufficient time advance have not yet been fulfilled since an evaluation of the fixed assets has to be carried out, among others.

Therefore, the ORA has also mainly based this year’s audit on the general principles of correct accounting with special focus on the continuity of accounting.

1.2 Correctness of the accounting / documentation

The WCRC disposes of a significant accounting. The documents were randomly audited, their presentation is orderly and clearly laid out. The traceability of the audited business transactions was given. Upon request, further differentiated analyses apart from the compulsory annual financial statements were presented within the frame of the audit.

Considering the entire accounting year 2015, it was possible to eliminate almost all the organizational risks from the previous year. For example, an additional employee has been incorporated into accounting to cover substitution in cases of absences due to holiday and illness. The ORA explicitly appreciates the development in accounting.

1.3 Accounting directives

Within the frame of the audit, the ORA pointed out that the required two signatures are always to be carried out on the order for payment in view of compliance with the four-eyes principle.

2. Statements about the year-end closing

2.1 Correctness and completeness of the annual financial statement

The 2015 year-end closing of the WCRC was compiled dated 11th February 2016 (ZB closing no. 0377). It shows a volume of 2,611.078.88 EUR.

For the audit, the documentation from accounting (SB) was provided as annual accounting document. Close inspection and checking of the proven year-end closing results gave no indication for differences of relevant significance.

As a result, according to the findings of the ORA the annual financial statements for the accounting year 2015 show no fundamental breaches.

Finally, it is to be determined that the year-end closing for the accounting year 2015 shows no significant gaps according to the ORA findings.

2.2 Job chart

The job chart presented by the WCRC within the frame of this audit is as follows:

Nr.	function	compensation	plan	result
1	General Secretary	B 3	1,0	1,0
2	Exec. Secretary for Communications	A 15	1,0	1,0
3	Exec. Secretary for Justice and Partnership	A 15	1,0	1,0
4	Exec. Secretary for Theology and Communion	A 15	1,0	1,0
5	Asst. for Finance and Communication	EG 9	1,0	1,0
6	Asst. for Justice and Theology (representation for parental leave)	EG 9	1,0	0,9
7	Asst. for Justice and Theology (parental leave)	EG 9	1,0	1,0
8	Asst. for the Reformed Partnership Fund	EG 9	1,0	1,0
9	Asst. to the General Secretary	EG 9	1,0	1,0
			9,0	8,9
10	Volunteer Assistant	gf. Besch.	450 EUR	50 Std. monthly
11	Intern - Praktikant/in	§ 8 TVPÖD	1,0	1,0
12	Intern - Praktikant/in	§ 8 TVPÖD	1,0	1,0
*	<i>General Council Coordinator</i>	---	1,0	1,0

* Mr. Lessing is employed by the Ev. Church of Westphalia

The job chart is an indispensable staff planning instrument and a corner post of financial controlling. It is to reflect the whole extent of the positions required to fulfill the WCRC tasks. A job chart always bears a so-called target character since it is irrelevant whether positions are staffed or not. To do justice to its function as a controlling instrument, it is necessary to implement regulations ensuring a complete reproduction of the situation of positions, which is also correct concerning the ranking. Supervision of the compliance with the job chart also has to be ensured.

The ORA was provided with the required job descriptions for all positions. Concerning the evaluation of the positions the ORA has stated that all staff members employed according to tariff are uniformly assigned to pay group 9 pay level 3. The employees are not assigned to a level according to their individual qualifications, however. The public servant employees are also uniformly assigned to salary group A15 level 10. There is no determination of levels according to the actual, individual circumstances in this case either.

The ORA raises concerns over the fact that such a generalized assignment of levels is not consistent with the applicable regulations. An individual calculation of the pay or salary level ought to take place, at least for future employments.

2.3 Budget balancing / utilization of the 2015 profit

The balancing of the ordinary budget was induced by an allocation of the profit remaining after execution of all necessary bookings amounting to 229,306.65 EUR to the General Reserve Fund (SB 92, BSt. 5110.00 UK 1).

2.4 Balancing of payment methods and capital asset accounts / depots

For the audit, account and depot statements as well account balance statements were presented for all the payment methods installed in the WCRC as well as for all the asset components proven in the balance sheet (SB 92). In this regard, no statements have resulted.

2.5 Advance and transit accounts

The advance and transit accounts (SB 52) were balanced and traceable on the whole (with few permitted exceptions, e. g. the booking accounts corresponding to the SB 92 balance sheet, where the solvent capital is assigned to the assets).

3. Single statements

3.1 Employment process for new staff

Within the frame of its audit, the ORA examined the employment process for new staff. For this purpose, the WCRC first provided the ORA with a process description (target situation), with the title "Narrative of WCRC Hiring Procedures". These regulations are to be applied for each freely staffable position. The process structures the employment procedure into five phases.

- Evaluation of responsibilities
- Adaptation of the job description
- Advertisement
- Selection process and interviews
- Decision

The ORA appreciates that the WCRC holds a process description concerning this matter available, which reproduces the essential requirements for action.

Subsequently, the ORA checked the described process using concrete particular cases and examined two employment procedures from the recent past.

After this, the ORA came to the conclusion that the essential procedure steps of the "Narrative of WCRC Hiring Procedures" are observed and complied with. The ORA suggests regulating the financial aspects to be observed concerning new employment, e. g. job evaluation, possible assumption of travel expenses to interviews, etc. and adding them to the process description. In addition, a thorough documentation of the entire employment process is to be ensured. No further noteworthy conclusions resulted in this context.

3.2 Granting claims of old-age allowance

An exemption from old age insurance according to § 5 paragraph 1 page 1 no. 3 SGB VI is assumed for the theological staff employed on the WCRC office. This is based on the labor contract agreement of a claim to an "old-age allowance" in the sense of § 82 of the Lower Saxony Civil Service Supply Law.

So far, for the coverage of the agreed supply claims in the form of old-age allowance 30 % of the gross personnel costs per month for each personnel case have been transferred to a supply reserve administered on trust by the Ev.-ref. Church based on a contract concluded for this purpose.

Within the frame of the previous audit, the ORA had advised the WCRC to revise possible pension expectancies from former employments as well as a calculation

(insurance-mathematical expertise or similar) concerning the expected amount of the payments to be effected in future.

On behalf of the WCRC, a corresponding calculation of the amount of the actually to be effected payments was commissioned with the Kirchliche Versorgungskasse VVaG (church pension fund), Berlin (VERKA) and carried out by the latter:

staff name	calculation Verka	so far a total saved up	so far saved monthly	total difference	remaining time to work	prospective pension reserves monthly
	EUR	EUR	EUR	EUR	month	EUR
employee 1	193.778,45	38.237,85	1.820,85	155.540,60	27	5.760,76
employee 2	250.081,61	40.313,91	1.919,71	209.767,70	51	7.769,17
employee 3	193.595,86	27.092,10	1.935,15	166.503,76	41	6.166,81
employee 4	380.433,28	27.788,76	2.315,73	352.644,52	72	13.060,91
Gesamt	1.017.889,20	133.432,62	7.991,44	884.456,58		32.757,65

The scheme clearly shows that the amount of 7,991.44 EUR, which has so far been put aside every month for the four employees, immediately has to be adjusted upwards by 24,766.21 EUR (approx. 410 %) to 32,757.65 EUR per month.

According to the WCRC, the significant increase is due to the extremely modified basis of calculation of the VERKA. The first model was calculated with a supply fee of 30 % based on various pension funds, the new calculation of the VERKA reaches a supply fee of approx. 60 %, in the case of one executive secretary even 90 %.

This means a cost expansion of approx. 297,200.00 EUR per year and thus represents a significant additional expense position for the WCRC. The associated significant cost increases were not available in the year 2015 according to the WCRC. To the knowledge of the ORA, the additional costs have meanwhile been communicated to the membership partners and taken into account in the preliminary budgeting for the year 2016.

3.3 Development of the program budgets

The program budgets which earmarked reserves exist for and contributions are partly provided for by third parties are processed within the ordinary WCRC budget (SB 00).

The various program budgets are each separately administered and settled in the single plans 2, 3, 4 and 5 of the budget. For the year 2015, the program budgets are as follows (all amounts in EUR):

name	opening balance EUR	revenues EUR	expenses EUR	closing balance EUR
Theology & Mission office programs				
Global Institute of Theology (GIT)	2.581,11	29.482,30	3.064,51	28.998,90
Theological Dialogs	20.797,37	6.447,40	20.672,74	6.572,03
Mission	17.805,90	23.561,48	16.094,39	25.272,99
Madip	27.965,33	keine Aktivitäten		27.965,33
Georges Lombard Prize	13.683,88	0,00	65,78	13.618,10
Justice & Partnership offices programs				
Covenanting for Justice	12.078,90	0,00	9.327,93	2.750,97
Gender Justice	76.836,33	13.021,63	21.720,10	68.137,86
Theological Education for Women	174.649,38	-8.992,46	9.815,75	155.841,17
New economic & financial Architecture (NEFA)	43.379,59	720,00	732,55	43.367,04
Oikotree (KCTE)	15.144,01	4.301,08	14.381,32	5.063,77
human dealer	0,00	16.116,89	16.116,89	0,00
Follow Up Accra 10th Anni versary	0,00	38.000,00	30.091,21	7.908,79
Partnership Funds				
Partnership Fund A	0,00	310.887,90	209.064,71	101.823,19
Partnership Fund B	8.196,00	26.000,00	8.480,00	25.716,00
Partnership Fund D	14.176,62	keine Aktivitäten		14.176,62
Partnership Fund E	3.705,55	14.176,62	17.250,00	632,17

continuation to the table				
name	opening balance	revenues	expenses	closing balance
	EUR	EUR	EUR	EUR
General Programs				
WCRC regional support	39.954,00	37.000,00	32.954,00	44.000,00
Justice and partnership office support	0,00	keine Aktivitäten		0,00
General secretary programs	0,00	keine Aktivitäten		0,00
Youth program	0,00	keine Aktivitäten		0,00
Global South Intership support	38.074,23	24.459,30	23.570,03	38.963,50
North American Intership support	1.255,73	11.660,30	12.916,03	0,00
Native American project	3.164,33	keine Aktivitäten		3.164,33
	total 513.448,26	546.842,44	446.317,94	613.972,76

The following statements concerning the program budgets resulted within the scope of the audit:

- Six of the twenty-three programs showed no financial activities in the year 2015.
- For the administration of the program budgets the WCRC practices a procedure which completely transfers the earmarked stocks of the program reserves from the WCRC balance sheet to the ordinary budget for administration every year so as to make the available means visible in the program budget for the responsible executive secretaries. At the end of a financial year, the remaining means are transferred back to the corresponding reserves within the scope of the year-end procedures considering the running revenues and expenses of the projects.
- In the accounting year 2015, the program means were transferred back promptly at the beginning of the accounting year at the beginning of February. Thus, the previously described procedure is given with the original intention of transparency.
- The finance committee of the WCRC had decided that a global administrative cost allocation of 8 % is to be paid from the program budgets to the core budget so as to finance the administrative overhead expenses resulting in the Hanover office.

- The program earnings available (including the means from program reserves) originate from the following sources:

Composition program revenue	EUR	%
removal from program reserves	431.822,99	81,85
donate	74.619,16	14,14
other revenue	21.137,97	4,01
total	527.580,12	100,00

A cursory revision of the program costs has given no indication for misappropriated use resp. assignment of the means.

3.4 Membership fees

The development of the WCRC membership fees within the audited period based on the documents presented shows the following absolute figures:

regional membership fees	plan EUR	result EUR	difference EUR
Africa	20.000,00	15.312,95	-4.687,05
Latin America	3.000,00	4.159,13	1.159,13
Caribbean and North America	222.000,00	275.950,75	53.950,75
Asia	40.000,00	59.909,42	19.909,42
Pacific	2.000,00	3.741,19	1.741,19
Europe	380.000,00	392.744,77	12.744,77
total	667.000,00	751.818,21	84.818,21

Currently, the WCRC office is busy processing the development of the membership fees of the last years so as to obtain an overview of the existing payment obligations and fee backlogs of the member churches. Further new findings concerning the existing payment obligations were achieved in 2015 by means of better communication with the member churches. At the time of the audit, no final results were available on this matter, they are to be expected for the year 2016.

Concerning the inquiry about the handling of differences, the ORA received the confirmation that, according to protocol, active membership is not to be withdrawn from any church (according to minutes of the Executive Committee 2015).

Relating to the planning of WCRC membership fees, it was explained to the ORA upon inquiry that planning is to be based on actual earnings of the previous years in future (according to minutes of the Executive Committee 2014).

3.5 Expat Expenses

The so-called “Expat expenses“ are benefits for the WCRC employees. The right to payment complies with the WCRC internal regulations of the “personnel policies and practices“. These are especially benefits concerning the costs of children’s school fees, rent and meals of children studying outside Hanover, language courses for spouses and children as well travel to the employee’s home country every two years.

The costs spent for this by the WCRC in 2015 can be summarized as follows:

Expat Expenses	plan EUR	result EUR	offsetting EUR
1110. General Secretary	5.000,00	175,00	-4.825,00
1111. Executive Secretaries	7.000,00	14.149,34	7.149,34
total	12.000,00	14.324,34	2.324,34

According to the WCRC, not all presumable costs had been considered in the planning of the year 2015. In the year 2016, the planning was adapted to the actual costs.

For the rest, the ORA carried out a random revision of singular cases and confirms agreement with the regulations of the “personnel policies and practices“.

3.6 Bonus miles

While revising the year-end closing documents, the ORA noticed that a significant proportion of the WCRC costs results from travel expenses, the largest part for air and rail travel. In this context, the airlines and the Deutsche Bahn offer so-called frequent flyer or bonus programs. These bonuses are generally in-kind bonuses, which are taxable in the sense of benefits in kind under certain circumstances. Therefore, the ORA checked the orderly handling of these bonuses.

The large airlines' frequent flyer programs or the Deutsche Bahn bonus program are meant to strengthen customer loyalty by rewarding the customer for the frequent use of the same company with discounts in the form of free flights or bonuses. The participation in such a program means that the travelled miles resp. booked trips with one airline are registered and recompensed with bonuses after having reached a certain amount. These could be free flights, price-reduced flights, a booking class upgrade, access permits to lounges, etc. or non-cash benefits. From a certain turnover onwards, some companies grant a higher membership status, such as "silver", "gold", "senator" or "executive", which grant further advantages to the customer.

So far, the WCRC has not regulated the handling of bonus miles in a mandatory and concrete way. According to the WCRC, the bonus miles are rather left to the employees based on trust. The ORA assesses that this procedure does not entirely comply with Wage Tax Guidelines and, in addition, is not in accordance with the principles of economic and thrifty handling of the budget means provided.

Here, the ORA notes that according to a verdict of the Federal Labor Court of 11th April 2006², the company is generally entitled to the bonus miles collected during business travel. According to ORA assessment, based on its right to give directives the WCRC ought to dispose that the bonuses obtained are to be used exclusively for business purposes. This also refers to bonuses already obtained and credits from the past. In addition, the ORA recommends fixing this in writing in the labor contract for future new hire.

From a tax-based point of view, the following is to be observed. If bonuses obtained in business are employed in business, this has no fiscal consequences. If they are used privately, the situation is different. In this case – from a tax-based point of view – a non-cash advantage occurs as a non-cash income, which is to be taxed. The taxation begins when the bonus is claimed, not when the bonus is credited to the mile account.

² Federal Labor Court, 11.04.2006 - 9 AZR 500/05

Due to its tax obligations towards the staff, the WCRC should inform them that they are obligated to notify the employer about these bonuses. The employer then has to pay the corresponding taxes. This notification has to refer to the month the bonus was claimed in. If the employer does not make the notification at all or not correctly, the employer has to inform the business tax and revenue office.

Within the frame of this audit, the WCRC made the following statement concerning the question of handling bonus miles:

- So far, the handling of bonus miles has been dealt with based on trust.
- The General Secretary and the executive secretaries are currently discussing the finding of a general and universal decision to no longer let this occur merely based on trust.
- According to the current knowledge of the finance department, all bonus miles have been used for business flights. Therefore, there has been no necessity to tax these as a non-cash advantage.

The ORA appreciates the WCRC's intention to come to a corresponding universal decision and recommends considering the procedure and tax issues previously presented by the ORA.

3.7 Risks resulting from currency fluctuations

Within the frame of this audit, the ORA determined that the WCRC realized earnings from currency conversions amounting to 131,511.49 EUR in the accounting year 2015.

Fx gain/ Fx lost	plan EUR	result EUR
Fx gain	0,00	211.615,15
Fx lost	0,00	80.103,66
total	0,00	131.511,49

These gains resp. losses from currency fluctuations had not been planned by the WCRC.

Upon inquiry by the ORA, the WCRC explained that it was not possible to plan currency fluctuations between EUR, CHF and USD. The accordance between accounting and the account balances requires calculating and booking the currency gains and losses continuously because, otherwise, it is not possible to balance the cash accounts. Predicting the rate development is impossible in the process.

The ORA registers the statement. The WCRC can profit from future currency fluctuations or be negatively affected by them. The existing risk resp. chance of these unpredictable developments of the exchange rates is to be considered. To safeguard a negative currency the ORA recommends creating an earmarked reserve, for example.

3.8 Earmarked means

When checking the reserve assets, the ORA noticed that six donation positions from previous years are being kept in the scope of earmarked means. The ORA estimates that they are unused means of donation. These positions have shown no more changes in their assets for several years. The ORA recommends deciding about the further use and assignment of these means promptly.

3.9 Statements from previous audits

Within the current audit, the ORA requested the status of the statements from previous audits. The WCRC office made a detailed comment concerning these statements. The comment is attached to this report as Enclosure 1. The ORA summarizes the results regarding the essential points as follows:

- **Emission of business credit cards to WCRC employees**

The ORA registers the statement concerning the further use of several credit cards. However, the ORA renews its reference to the risks connected.

- **Relocation of the WCRC office to Hanover**

The WCRC was able to hand over a full settlement for the relocation costs to the ORA in the budget year 2015. The UEK grant to finance the relocation costs of the office from Geneva to Hanover amounting to 200,000 EUR was used up to its full extent.

- **Review personnel costs accounting Antex**

Within the frame of the WCRC office relocation and the connected re-organization of its administration, the accounting and revision of the payroll accounting outsourced to a service provider in Switzerland had to be postponed initially. This step was especially necessary in view of some specifics of Swiss social security systems and the duty of supply (safeguarded under private law) concerning which there was an ample need for clarification.

During the audit the High Audit Office was informed that there are no more existing liabilities towards Antex and Axa Winterthur from previous years.

3.10 General notes

Various questions and problems which had arisen during the audit were discussed orally. Any further handling of these points within the scope of this audit is unnecessary since the questions were clarified resp. future observation is to be expected. Essentially, the following points were discussed:

- Implementation of the Bundesreisekostengesetz (federal travel expense law) when carrying out business travel against the background of tax relevance,
- avoiding manual bookings on technical budget posts,
- introduction of an inventory register and
- completion of the personnel and remuneration files (personnel master data sheets).

V. FINAL REMARK

Audit result

Audit of the financial statements 2015

Subject of the audit was the annual financial statement submitted by the WCRC for the year 2015. After the result of this audit, the ORA can confirm that

- the accounting in the accounting year 2015 occurred in due form and essentially in compliance with the principles of orderly accounting,
- the WCRC financial statement conveys an image of the results and assets situation which largely corresponds to the actual circumstances and complies with the general fiscal principles and
- the year-end closing 2015 was correctly developed from the WCRC accounting.

Audit of the economic management and assets administration

With reference to the WCRC management of the budget and economy and the assets administration and as a result of the audit, the ORA can – independently from the questions brought up in the audit statements – confirm that

- the budget resolved by the WCRC Executive Committee was essentially executed in due form, economically and thriftily and
- there are no indications for the fact that the regulations and principles effective for management might have been ignored to a considerable extent.

Recommendation of discharge

According to the dutiful discretion of the ORA, there are no objections against the approval and authorization of the annual accounts by the Executive Committee according to articles X and XIV of the WCRC constitution.

In the overall view, the exoneration of the General Secretary and the General Treasurer for the budget and economic management as well as the asset administration of the WCRC for the accounting year 2015 can be recommended.

Hannover, the 17th March 2016



IN REPRESENTATION

A handwritten signature in blue ink, appearing to be "KVR Schönemeier".

(KVR SCHÖNEMEIER)

OBERRECHNUNGSAMT DER
EVANGELISCHEN KIRCHE IN DEUTSCHLAND



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ON THE REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT FOR 2014

1.2 Correctness of the accounting/documentation

In the year 2015, the accounting was carried out in a continuous manner. All payments were made on the basis of payment-justifying documents. A substitute in accounting is being trained.

1.3 Accounting directives

The accounting directives were adjusted in accordance with the recommendations of the High Audit Office. An order is created prior to every entry. A confirmation of factual and calculative correctness of each payment is documented as well.

2.4 Development of reserves

Changes in the reserves will be booked via the ordinary budget (SB 00) from the financial year 2016 onward. The appropriate grouping figures (withdrawals from reserves: GRP 31xx, allocation to reserves: GRP 91xx) are used.

2.5 Advance and transit accounts

Due to the introduction of credit cards, project advances are given only in exceptional cases, e.g. when staff is travelling to a country where trouble-free use of credit cards is unlikely.

The WCRC office works towards the presentation of significant proof and a prompt settlement of said advances.

On December 31, 2015, one advance to the president remained open, and will be settled promptly. This advance was given for a specific flight the president was supposed to book. After the advance had been issued, it turned out that the flight had been booked at a considerably lower price through the WCRC office. In order to save transfer fees, it was decided to use this advance in a timely manner for other WCRC-related expenses.

3.1 Personnel administration/payroll (Germany)

The decision to give a monthly unlimited bridging bonus as well as an employer's contribution to the voluntary health and care insurance to both theological employees, who had initiated their employment in Geneva, was made by the Personnel Committee after consulting with different experts and a Swiss lawyer. Please refer to 3.1 "Response of Former GS Setri Nyomi" and to the "Relocation Officers Report".



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3.2 Granting claims of old-age allowance

A calculation of the actual payments to be effected was carried out by the *Verka* (church pension fund), and the payments into the pension reserve were incorporated into the budget plan for the year 2016. An excel sheet with the corresponding calculations is provided as an annex.

3.3 Development of the program budgets

In the accounting year 2015, the designated program funds were transferred back at the beginning of the year. Some significant programs were restructured. A transfer will be made as soon as the program executives can be consulted.

Development of the program budget “Georges Lombard Prize”

Please refer to separate statement

Program “Regional Communication Support”

An earmarking of the 2014 funds (4,075.54 EUR) was confirmed. In the budget year 2015, projects that were in accordance with the earmarking were financed with Core funds (1,890.29 EUR). Funds in the corresponding amount (2,185.16 EUR) were allocated to a newly created reserve. Projects in accordance with the earmarking are anticipated in the budget year 2016.

3.4 Membership fees

The WCRC office is processing the development of the membership fees over the past years. New insights into existing obligations have been obtained thanks to an improved communication with member churches. A final result is expected in the budget year 2016.

3.5 Emission of official credit cards to WCRC staff

A basic decision concerning the use of credit cards was made by the Executive Committee. Credit cards are to replace advances, with the exception of project advances under exceptional circumstances, as far as possible (Minutes of the Executive Committee Meeting 2015, page 1, action 21).

3.5 Relocation of the WCRC office to Hannover

A full settlement for the relocation costs was compiled. Please refer to separate statement

3.7 Payment of a rent deposit

The rent deposit was paid as part of a moving allowance of 7,500.00 EUR that Rev. Christopher Ferguson was entitled to as per the “Personnel Policies and Practices” of the WCRC.



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3.8 Performance of the financial assets

The investment of assets was restructured. Self-managed shares were sold; in return, financial assets were invested in funds. A short-term financial investment was made in the form of a savings account. For the financial statement of 2015, bank account and investment statements in foreign currencies were converted to EUR at the end of the year.

3.8 Correction Barnabas Foundation

After consulting with the US donors, it was determined that the original Barnabas means are not earmarked.

3.8 Review personnel costs accounting (Antex)

There are no existing liabilities towards Antex and Axa Winterthur from previous years. All insurances that existed in 2014 have been cancelled. An inquiry with the former provider CBI determined that the payment of 5,000.00 CHF into the pension fund of the former accountant did not involve WCRC funds but was made with personal means of the employee in question.

3.9 General notes

Currency fluctuations on foreign currency accounts are calculated and booked for each bookkeeping entry date so as to be able to carry out a cash reconciliation between the accounting and the account statements so that the accounting shows the actual amount in EUR at all times.

The software provider (KIGST-GmbH) has confirmed that no foreign currency payment module is available for KFM at this time.

KD-Bank has confirmed by phone that the WCRC has been registered as a resident entity since January 1, 2014.

The necessity for setting up separate bank accounts for third-party funded projects has been confirmed by Bread for the World.

The status of the WCRC Michigan Corporation is determined in the "Articles of Incorporation". The resident agent of the corporation is Rev. Dr. Peter Borgdorff, member of the WCRC executive committee. Signatories for the 5th3rd Bank account are Rev. Dr. Peter Borgdorff and Rev. Dr. Clifton Kirkpatrick, also member of the executive committee. The power of attorney for the investments made in 2015 with the Barnabas Foundation and the Presbyterian Foundation is with Rev. Christopher Ferguson (General Secretary) and Dr. Johann Weusmann (General Treasurer).