

Treasurer's Comments to the General Conference

Spring Meeting

April 6, 2011

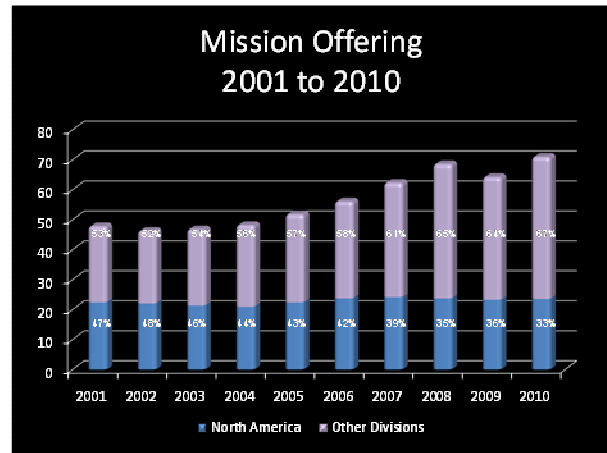
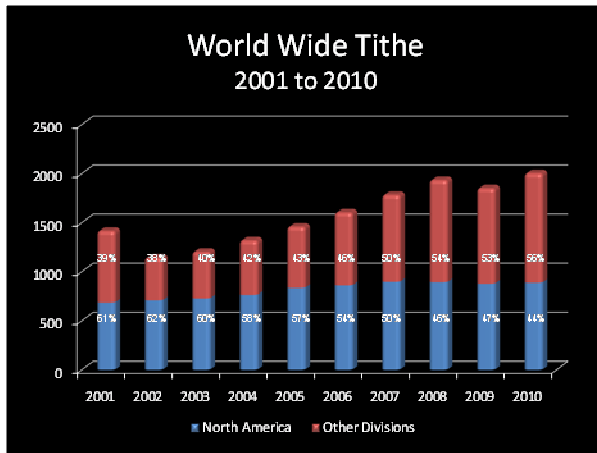
Praise God for His Mercies Endure Forever

“O taste and see that the LORD [is] good: blessed [is] the man [that] trusteth in him” (Psalm 34:24). It is once again a privilege to bring a report of the goodness of the Lord in providing for His children.

2010 Operating Results

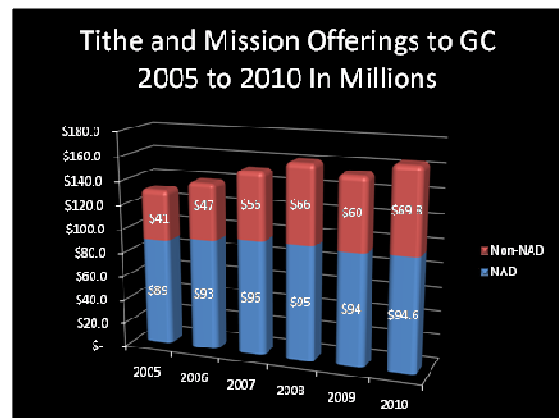
In spite of the severe recession and turbulence in the financial markets over the past three years and the continuing slow recovery of the U.S. economy, 2010 was a strong year financially for the world church and for the General Conference. It is inspiring to see the faithfulness of God's children in returning their tithes and giving offerings for the support of His work even in tough times.

Worldwide tithe passed the US\$2 billion mark in 2010. In spite of the recession and slow recovery of the economy in the U.S., the economies of most of the countries of the world have continued to be strong. This is also reflected in the tithe and offering figures. Worldwide tithe was up 8.2%, totaling US\$2.002 billion. Tithe in the North American Division was up 1.1% over 2009 and totaled US\$887 million in 2010 as compared to US\$877 million in 2009. Tithe from divisions other than North American was up 14.6% and totaled US\$1.114 billion compared to US\$972 million. Some of the increase was due to changes in the exchange rate to the U.S. dollar, but much of it was from increases in the local currencies.



Mission offerings in the North American Division were up 1.4%, from US\$23.3 million in 2009 to US\$ 23.6 million 2010. Mission offerings from outside North America were up 15.8%, from US\$ 40.9 million to US\$47.4 million. As in the case of the tithe some of the increase is due to changes in exchange rates to the U.S. dollar, but the majority is from increases in local currency.

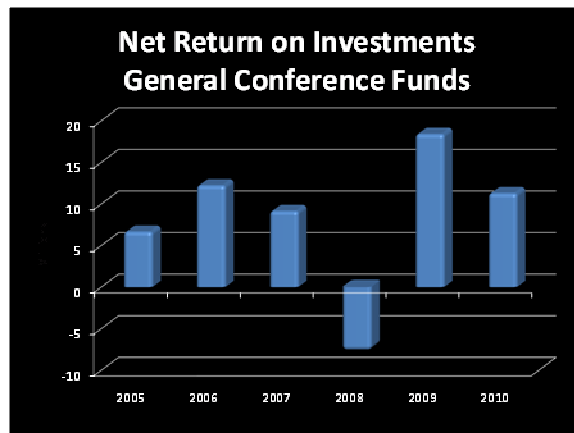
The tithe and mission offerings coming to the General Conference for the World Budget were up from US\$153.9 in 2009 to US\$164.4 in 2010. The graph to the right shows the share of the tithes and offerings received by the General Conference over the past six years. You can see that the portion coming from the divisions outside North America has been increasing rapidly meaning they are beginning to support a greater percentage of the World Budget.



Financial Markets

After having gone through some of the most turbulent times that the financial markets have experienced in the past 75 years, it is encouraging to see the extent of the recovery. But caution must continue to be exercised to be sure that the investment of church funds held to cover retirement obligations, working capital, and major projects that cover multiple years are protected as we can expect

more turbulent times ahead. Interest rates are low compared to recent years, and we need to take that into account and not take unwarranted risks in trying to achieve returns that we may have viewed as normal five or six years ago. The graph below shows the return on GC owned funds from 2005 through 2010 and includes earnings as well as realized and unrealized gains and losses for those years. We can see that much of the decrease in 2008 was recovered in 2009 and 2010. We praise the Lord for having watched over His funds.



General Conference Operating Expenses

In a General Conference Session year there are additional expenses relative to the cost of the session as well as the extra costs of duplicate salaries and expenses incurred in moving new individuals elected at session time and the costs associated with those retiring or not reelected. Although we set aside funds in an allocated function each year during the quinquennium to cover these additional costs, they show up as operating expenses in the year they are expended. We praise the lord that in spite of those additional costs we had a strong financial year with an increase of US\$21.2 million in the combined restricted and unrestricted fund balances of the General Conference. Our Working Policy calls for a certain level of working capital to allow for the smooth operation of the General Conference. We have the practice of voting at Spring Meeting time the allocation of any funds in excess of the recommended working capital so that the funds can be put to work in spreading the good news of Christ's soon return. The amount available for Supplemental Appropriations from the excess working capital in 2010 is US\$13.3 million.

Accounting for not –for-profit organizations is different than for commercial organizations. In a commercial setting there is normally a single bottom line number that gives you a picture of the operations for the year. Additional information on onetime items and revenue trends and expenses help to better understand that figure, but the bottom line is the most meaningful number. In not-for-profit accounting the objective is to be sure the funds have been spent in accordance with any restrictions put on them by the donor or allocated by the governing body. We use fund accounting to help us accomplish this. The unrestricted regular operating funds are the basis of the General Conference World Budget and are available to the Executive Committee to provide appropriations to the world field, support our interdivision missionaries, fund programs, and cover the operating costs of the General Conference headquarters. The other funds benefit the work but are not part of the regular operating budget because of their restrictions. The following breakdown helps to understand the components of the US\$21.2 million increase in fund balances.

	Increase/Decrease 2010 Fund Balance In Millions
Regular Operating Fund	US\$12.5
Donor Advised Fund	11.2
Extraordinary Tithe	(6.4)
Plant Fund	3.0
Charitable Gift Annuity and Endowment Funds	.9
 Total Increase in Fund Balances for the GC in 2010	 US\$21.2

Donor Advised Funds—When a donor provides funds for a specific purpose they are recorded as restricted funds and are used in accordance with the restriction. But sometimes individuals wish to make donations in a particular tax year for tax planning purposes but have not yet determined which projects they wish to support. If accepted by the General Conference these funds are placed in a donor advised fund and the General Conference works with the donor to understand his or her wishes, but before this happens they appear in our accounting records as unrestricted.

Extraordinary Tithe Fund—This fund has the extraordinary tithe received by the General Conference that was voted to be used over a five- to seven-year period. The fund balance should decrease each year as the funds are used to support the approved initiatives.

Plant Fund—This is the fund where we maintain the accounting for the land, buildings, and equipment belonging to the General Conference and includes the funded depreciation.

Charitable Gift Annuity Fund—This fund is used to account for gift annuities where the General Conference is a beneficiary.

Endowment Funds—These are funds where the principal is to be maintained but the income is available for specific purposes.

GC Session Costs

There are many different costs associated with the holding of a General Conference Session and we do not attempt to quantify and track all of them. The items paid directly by the General Conference are charged to the General Conference Session expense and had a budget for the 2010 session of US\$6.2 million. Thanks to good management by the team of individuals involved in the planning and execution of the session, the costs came in under budget at US\$5.5 million. We want to express appreciation to our associate treasurer, George Egwakhe, as well as Sheri Clemmer and Danny Orillosa who worked closely with him, and Pardon Mwansa who chaired the Session Planning Committee, and the hundreds of others who worked on the session.

Some have asked what the total cost is for putting on a session, and my estimate would be US\$15–20 million. That would include all the General Conference's costs, the costs to the divisions and other organizations for the delegate travel and accommodations, and all the other associated costs. It is a large sum of money, but we feel that it is important to the unity of the church. We do not often think of the cost of maintaining unity where we have a chance to discuss major issues and come together on where and how to move together as a church. Jesus in His prayer in John 17.21 prayed, "that they all may be one."

Telling the World

The Gospel Commission seems overwhelming as we look at the great un-entered areas of the world. When I look back at the pioneers and think of the vision they had of a finished work, but realize the very limited resources and means they had and of the difficulty of travel and communications they experienced, I marvel. We know that the work will be finished by the power of the Holy Spirit but are glad to be allowed to have a little part by sharing the Good News. The Lord has inspired individuals over the years to have a vision of using modern technology to help in telling the world. We have watched as radio, local television, satellite television, and the internet have become major instruments in helping finish the work.

One of the most remarkable things to me has been to watch the rapidity of change in the last year or two. We have not only seen what the internet can do in helping reach places where we cannot go on the ground, but have the emergence of a whole new phenomenon in the internet social networking sites. News that used to come from reports through news broadcast now circles the globe in a matter of hours through individuals sharing it with their friends over Face Book, Twitter, and E-Mail. It is credited with bringing down governments. As things really come down to the end and people are looking for answers, it is incredible to think that just a few individuals sharing the answer—“Jesus is Coming, you need to get ready”—can circle the earth in hours. Receiving it from friends will have an impact that no broadcast can match. People can then share with their friends instantly all the promises from the Bible and the true behind-the-scenes picture of the great controversy between good and evil. We can now download all of Ellen White’s books free of charge over the internet. As people start to look for hope they will turn to anyone who has the answer. To realize that that can now happen so rapidly thrills my soul.

Through personal revival and reformation let us all pray that we may “[be] ready always to [give] an answer to every man that asketh you a reason of the hope that is in you with meekness and fear” (1 Peter 3:15).