

Southern California Conference

Treasurer's Report

63rd Constituency Session of the Southern California Conference

As we come to this quadrennial session, we are reminded that we must still be about our Father's business. For the past four years, the Southern California Conference has faced financial challenges. Some of our church families had a reduction in salary; others were laid off, and the Southern California Conference employees had a 5 % reduction in salary. However, we praise God for His blessings and guidance over these past four years. Though we have faced financial challenges, God has granted wisdom in meeting these challenges. As a result, financial **improvements** have been manifested in major areas:

- 1) **Increased tithe** by an average of 1.68%, per year;
- 2) **Reduced payroll expense** by 5%;
- 3) **Reduced** office staff by attrition;
- 4) **Managed within** the conference **budget**;
- (5) **Increased recommended working capital** over 100%.

We have already posted online the General Conference Audited Financial Statements for the past four years.

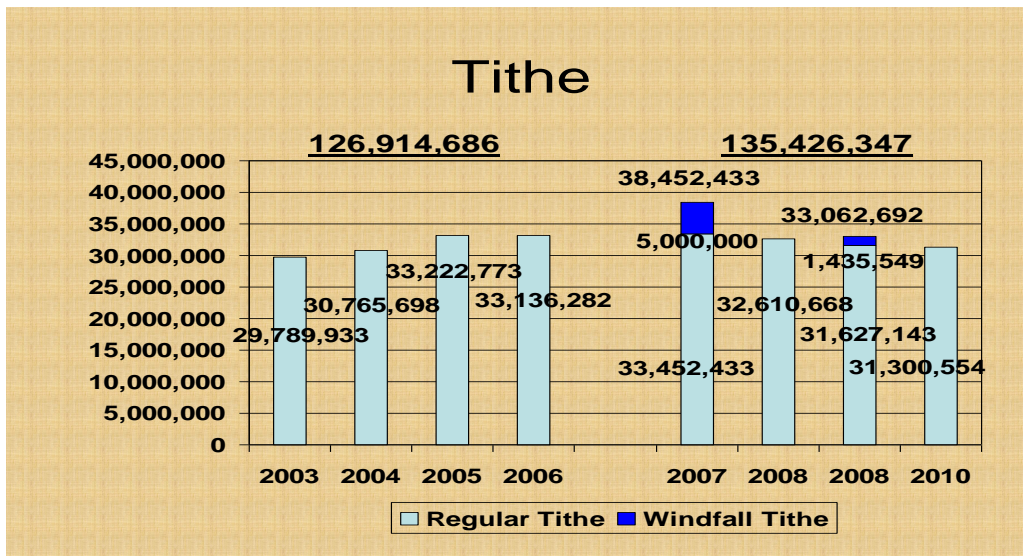
The audited statement is a Consolidated Financial Statement for the years 2007 to 2010. The consolidated financial statement includes conference operating fund, Newbury Park Development fund, plant fund, annuity fund, agency fund, conference education fund, conference retirement fund, and Korean Adventist Press fund.

This morning, my report is based on the conference operating fund. The conference operating fund is the most important fund of conference operations, which includes a major resource of income: tithe. The entire conference operations are based on tithe income. Therefore, diligence in stewardship is essential.

Now I would like to give a brief explanation of the conference financial condition based on 2010 conference operating fund.

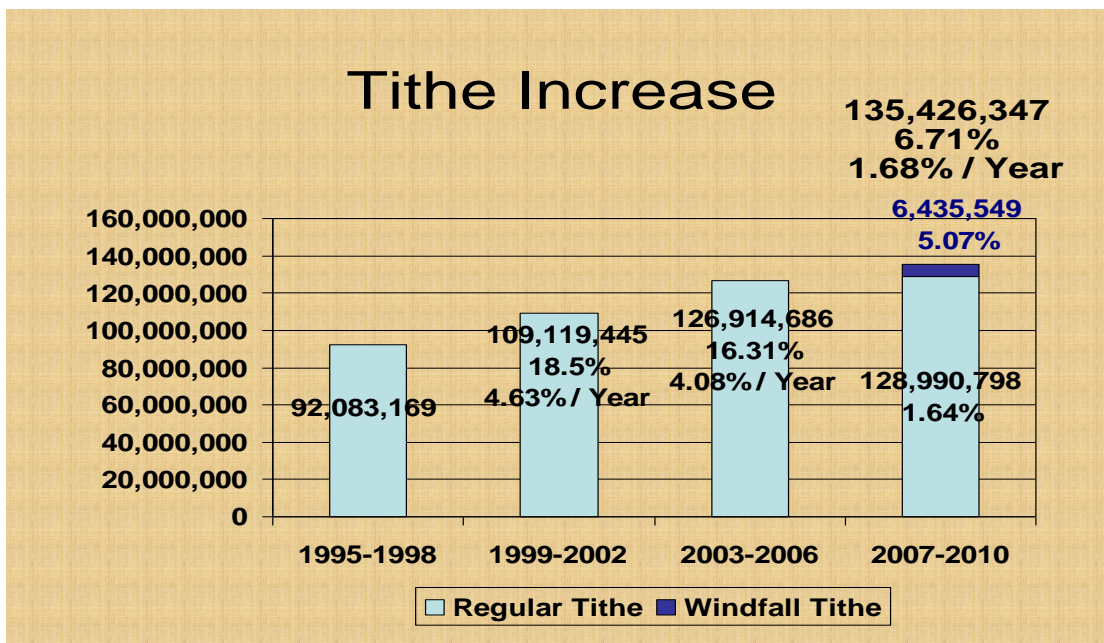
Tithe

During 2003 to 2006, the total tithe received was \$126,914,686.00 and during 2007 to 2010, the total tithe received was \$135,426,347.00, a net increase of \$8,511,661.00.



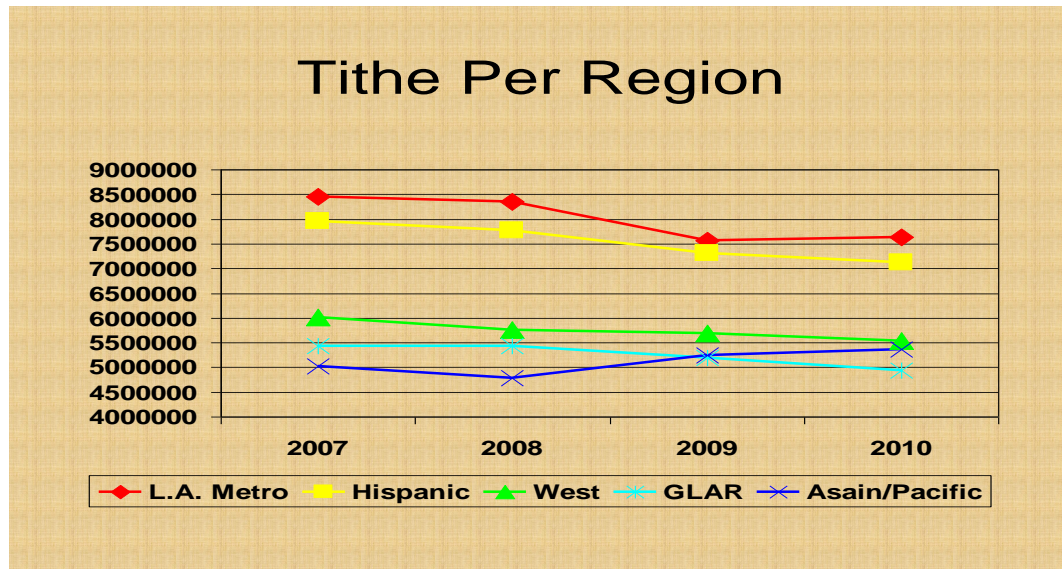
Tithe Increase

Over the last four years, the Southern California Conference has been blessed with a 6.71% increase in tithe. This 6.71% tithe increase is a lower increase than over the previous quadrennium. During 2003 to 2006 quadrennium, we had a 16.31% tithe increase, which is an average of 4.08% tithe increase per year. The Southern California Conference administration realizes the financial challenges of not only the conference operations, but many of our church families who have had obstacles. Our nation's economy has suffered financial difficulties due to the recession.



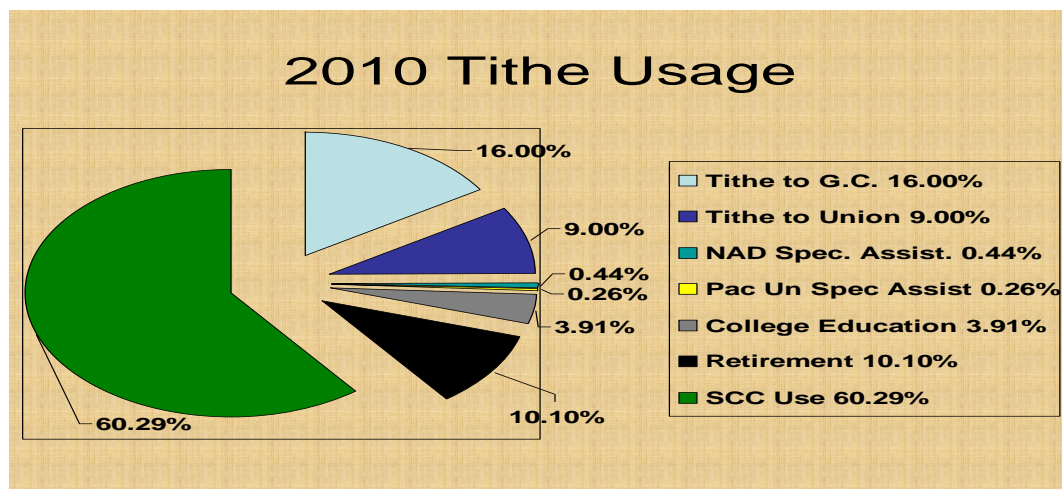
Tithe Per Region

The Southern California Conference has five regions: LA Metro Region, Hispanic Region, West Region, GLAR Region, and Asian/Pacific Region. This graph shows a four-regions' decline in tithe and one-region elevation in tithe over the past four years.



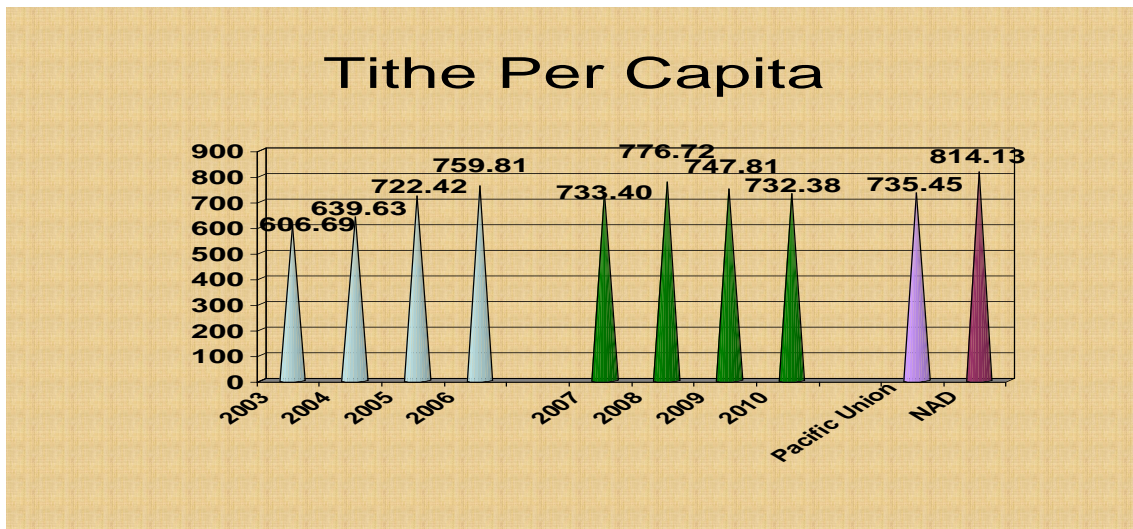
2010 Tithe Usage

As you are aware, the Southern California Conference is a part of the world organization of Seventh-day Adventists and distributes its tithe according to General Conference policy. The Southern California Conference retains about 60.29% of the tithe that the conference receives from the churches.



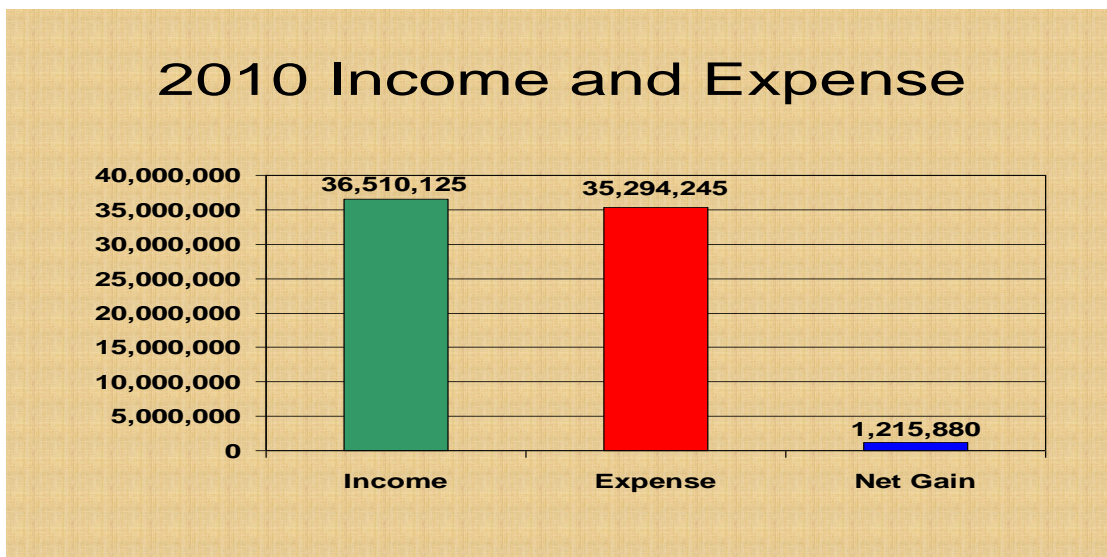
Tithe Per Capita

Tithe per capita has gradually increased since 1999. In 1999 the members' tithe per capita was about \$500.00 per member per year. However, the 2010 tithe per capita was \$732.00, which is merely average amount of the Pacific Union Conference per capita. We praise the Lord for this increase.



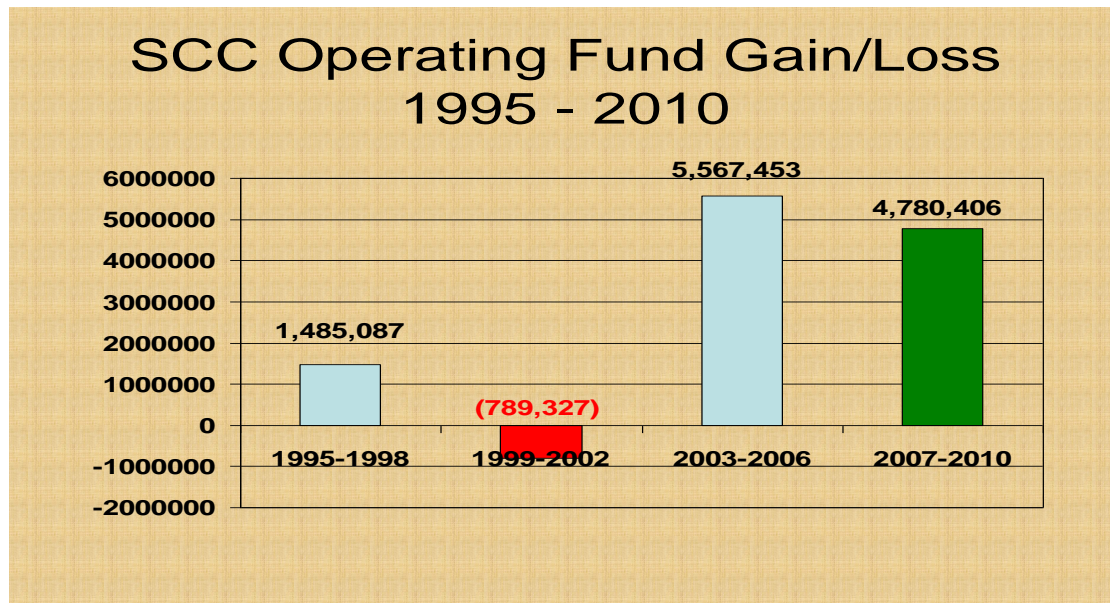
2010 Income and Expense Record

During 2010, the total income for the Southern California Operating Fund was \$36,510,125.00, compared with the expense total of \$35,294,245.00, which is a \$1,215,880.00 net gain.



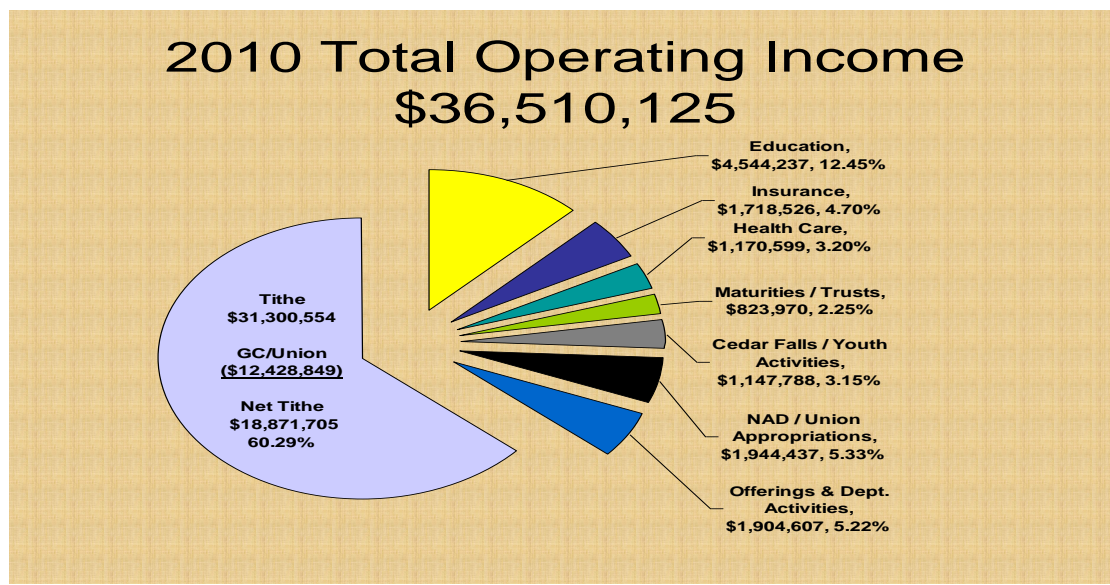
SCC Operating Fund Gain/Loss 1995 – 2010

An additional encouraging report is that when I compare the operating gain/loss for the past eight years, the first four years (2003 – 2006) show \$5,500,000.00 operating gain, and the second four years (2007 – 2010), which is the current quadrennial period, the conference has \$4,780,406.00 gain.



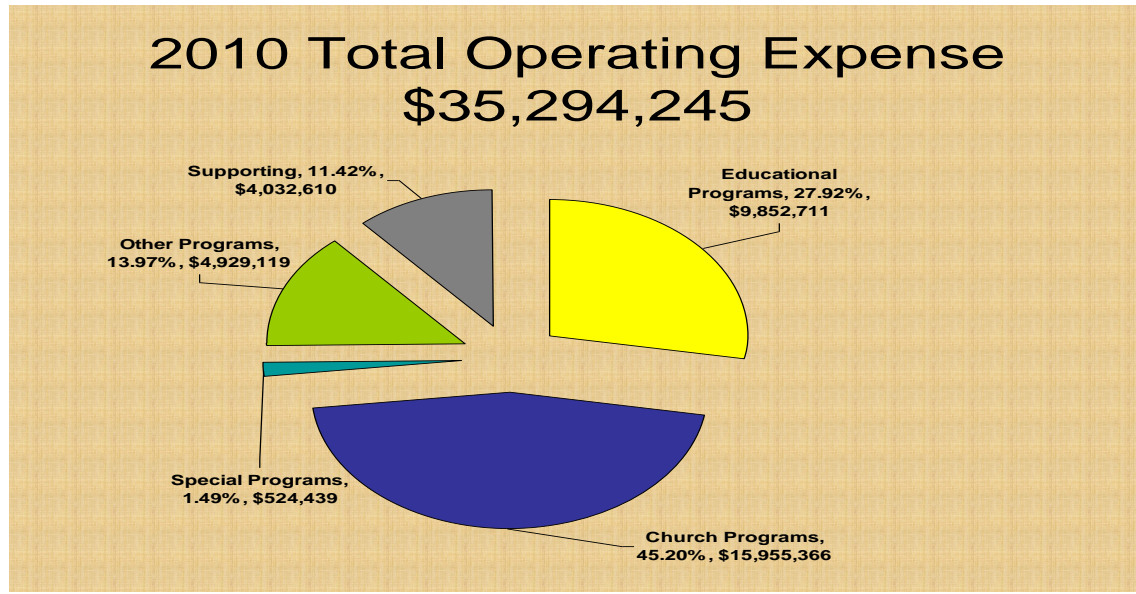
2010 Total Operating Income

In 2010 the Southern California Conference has total operating income of \$36,510,125.00. The conference's source of income is net-retained tithe, which accounts for 60.29% of the total income. Other non-tithe income is 39.71%. The following graph gives more details as to the major source of non-tithe income.



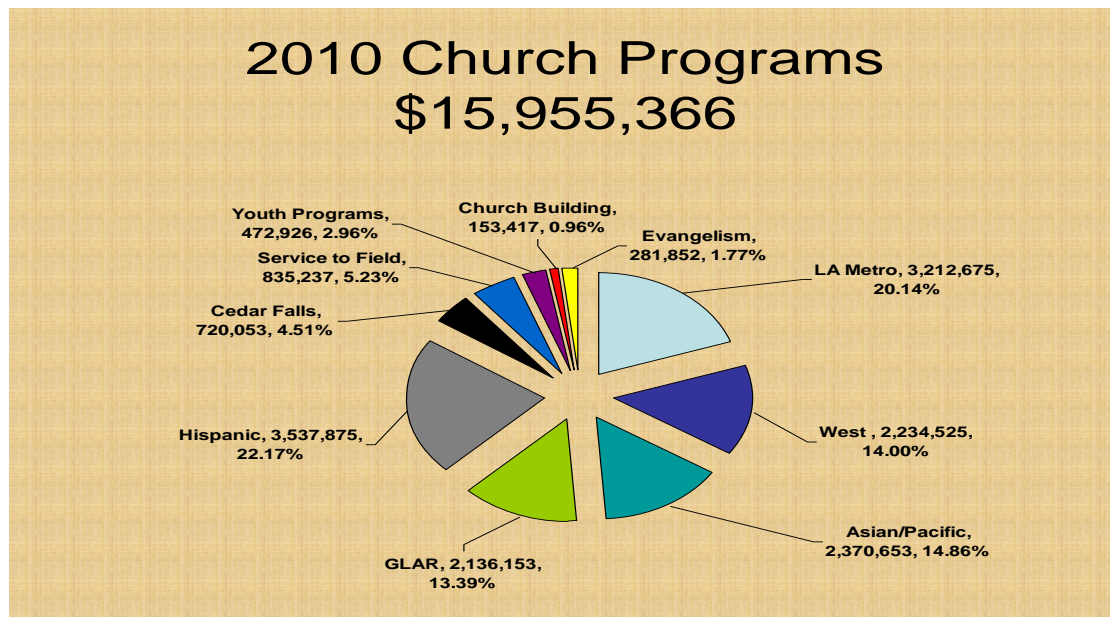
Total Operating Expense - \$35,294,245.00

During 2010, the Southern California Conference's total expense was \$35,294,245.00. The conference used 45.20% of the total expense in funding church programs, primarily for ministerial salaries. Educational programs, mainly teachers' remunerations, totaled 27.92% of the total expense. The following four graphs provide more detailed information.



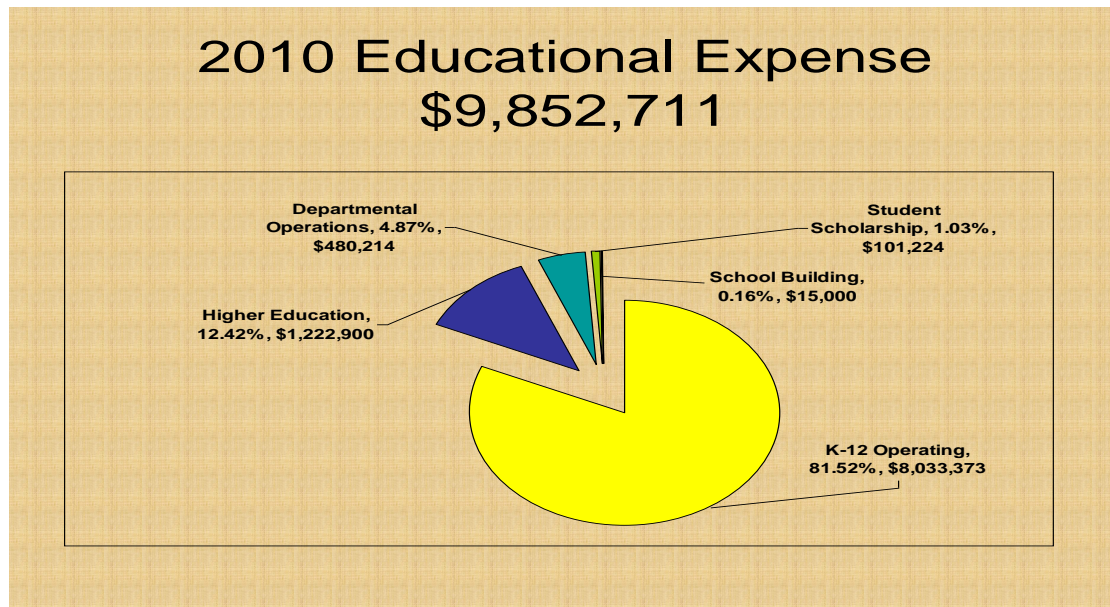
2010 Church Programs \$15,955,366.00

45.20% of the total expense is church programs. Church programs includes five region pastors' remuneration: LA Metro 20.14%, West 14.00%, Asian/Pacific 14.86%, GLAR 13.39%, Hispanic 22.17%, and others 15.44%.



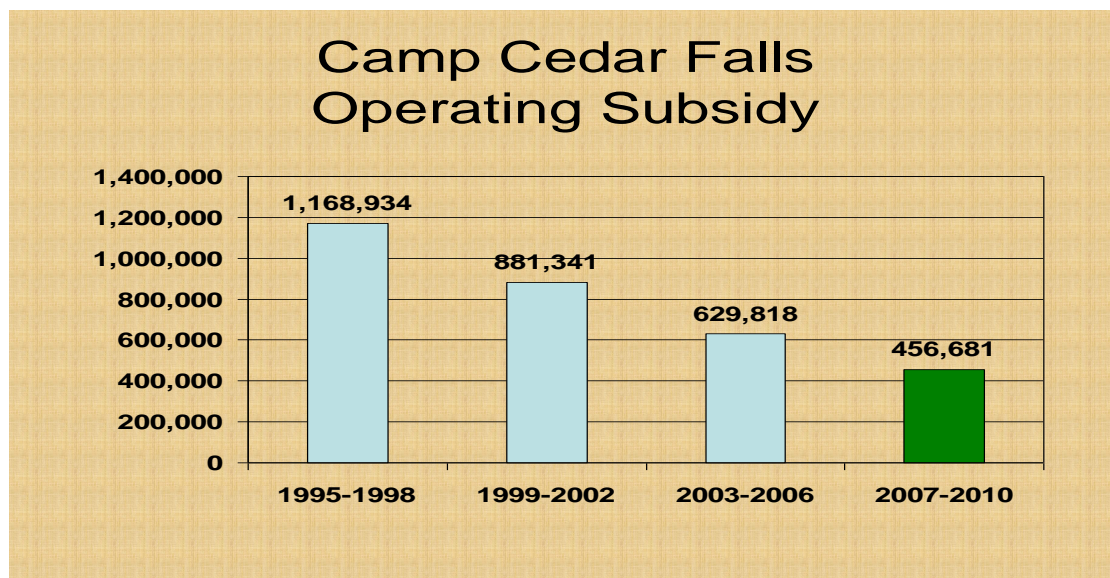
2010 Educational Expense \$9,852,711.00

Educational expense is \$9,852,711.00. Out of \$9,852,711.00, a total of \$8,033,373.00 is used for K-12 operating expense.



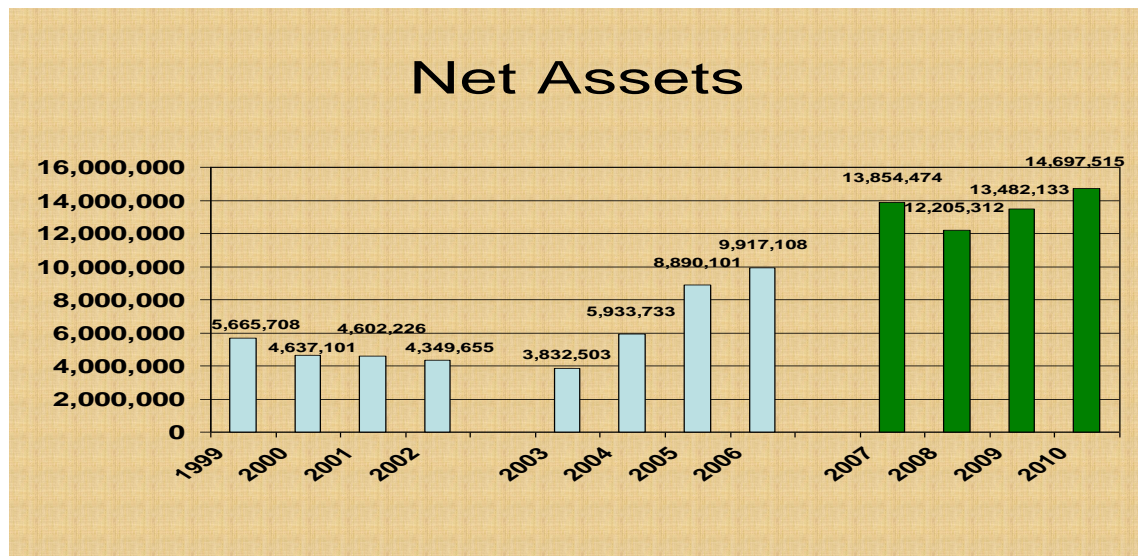
Camp Cedar Falls Report

The conference funds have subsidized Camp Cedar Falls' operation. However, the subsidized amount has been reduced every year. For example, from 1995 to 1998, the conference subsidized Camp Cedar Falls with \$1,168,934.00. This quadrennium, 2007 to 2010, the conference subsidized Camp Cedar Falls' operation with only \$456,681.00. This was a \$712,253.00 savings to the conference. The conference administration appreciates the Youth Department and Camp Cedar Falls for their excellent management of savings of the Lord's resources.



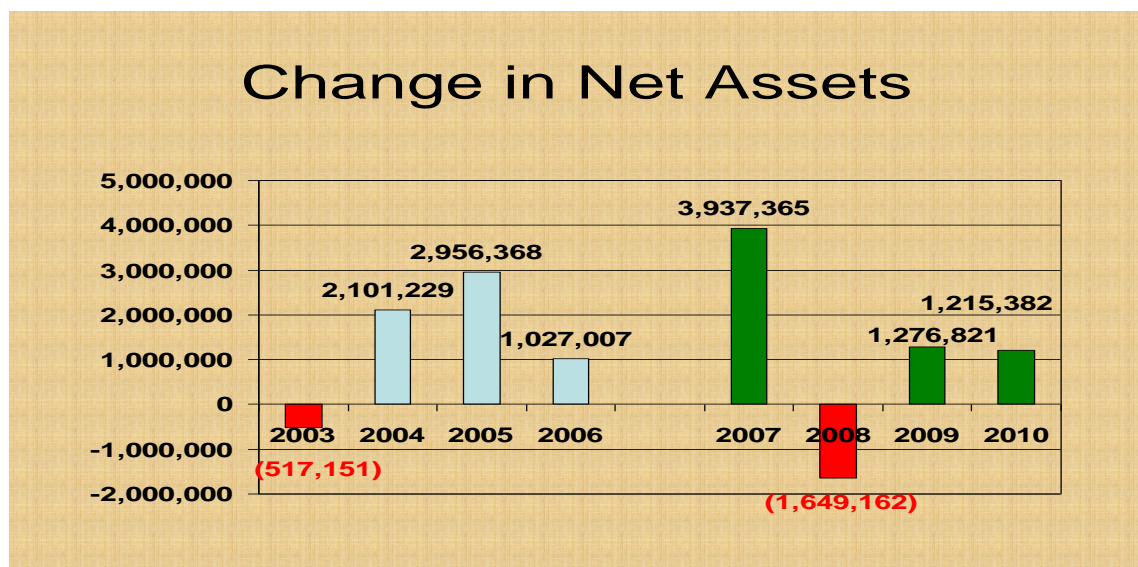
Net Assets

Due to the operating gains of the last four years (2007 – 2010), the conference's net assets have increased from a low of \$4 million in 2003 to almost \$14.7 million at the end of 2010. This is a 284% increase.



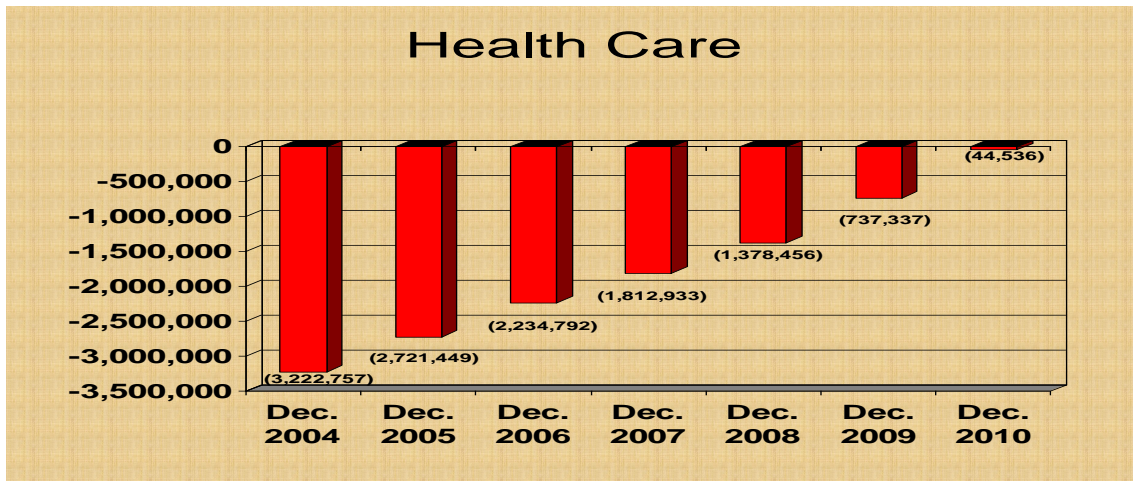
Change in Net Assets

Before 2000, the conference experienced yearly losses resulting in a cash flow crisis. To handle this crisis, the conference made a decision to reduce staffing at all levels: pastors, teachers, office support staff, and health care plan. However, as a result to reduce staff, make changes in the health care plan, and with the Lord's guidance and blessing, the conference has experienced a net gain each year since 2004 as indicated in the chart below, with the exception of 2008. The reason for the loss in 2008 was that in 2007 the Lord blessed our conference with a \$5 million windfall tithe, so the Southern California Conference Executive Committee made a decision to use \$2.4 million from the reserve fund. The \$2.4 million was used as follows: \$1 million for special evangelism and \$1.4 million to adjust employee's benefits according to policy, enhanced conference department activities, and to support schools. Therefore, the conference anticipated a \$1.6 million decrease in net assets.



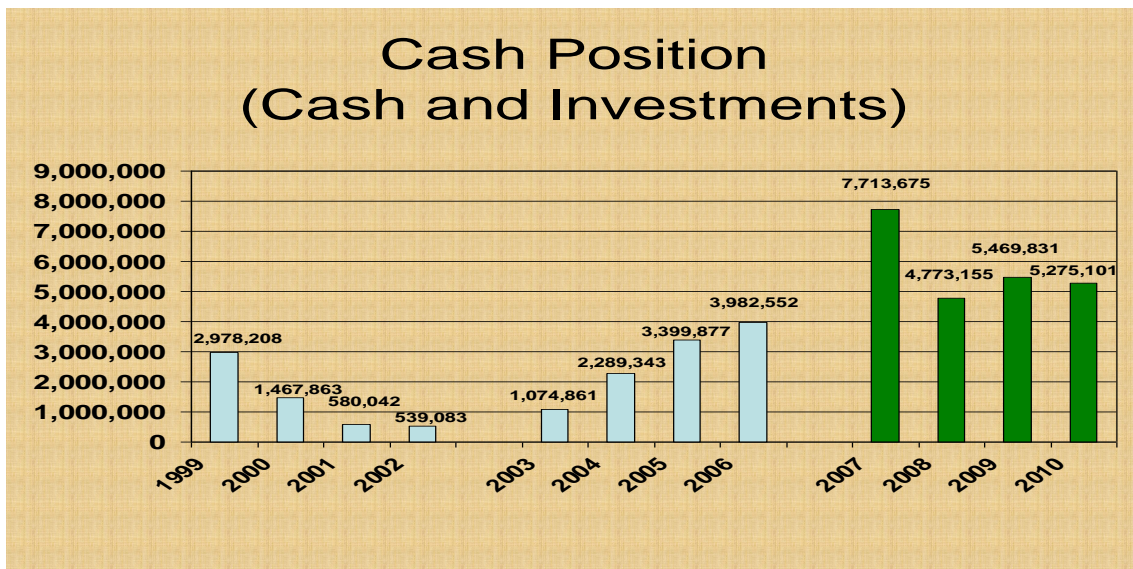
Health Care Fund

Changes were also made in the conference's Health Care Program; moving from a self-funded plan to a commercial contracted plan. In particular, the health care fund had more than a \$3,000,000.00 deficit in that fund. It took seven years to eliminate this deficit.



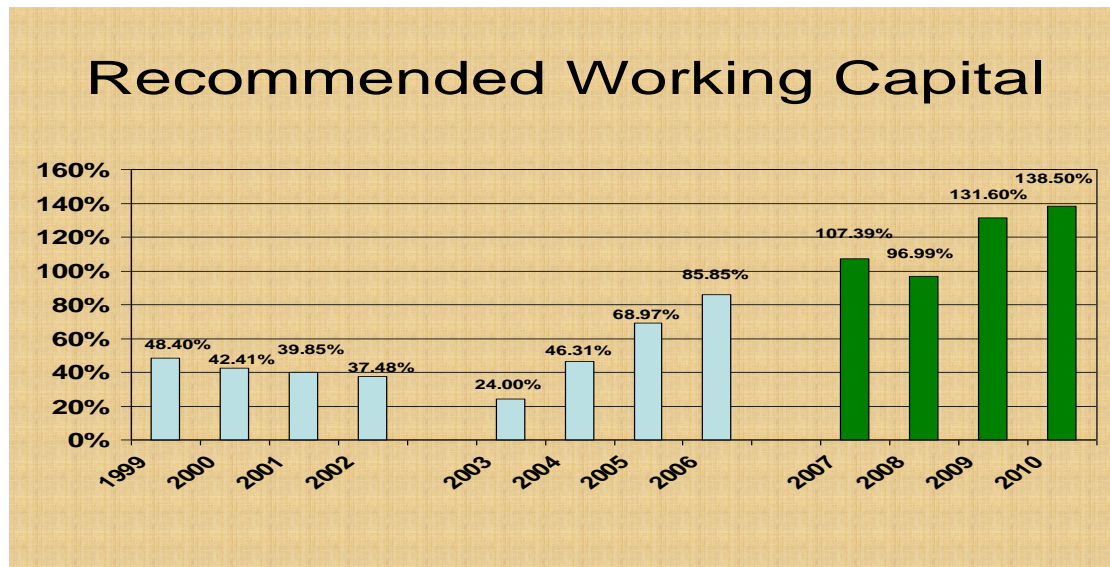
Cash Position (Cash & Investments)

In 2002 the conference had only \$539,000.00 in cash and savings. However, we are pleased to report that on December 31, 2010, we had a balance of more than \$5.2 million. This marked improvement in cash position could only occur because of God's favor and the careful management on the part of our five region directors and departmental directors to stay within their proposed budgets.



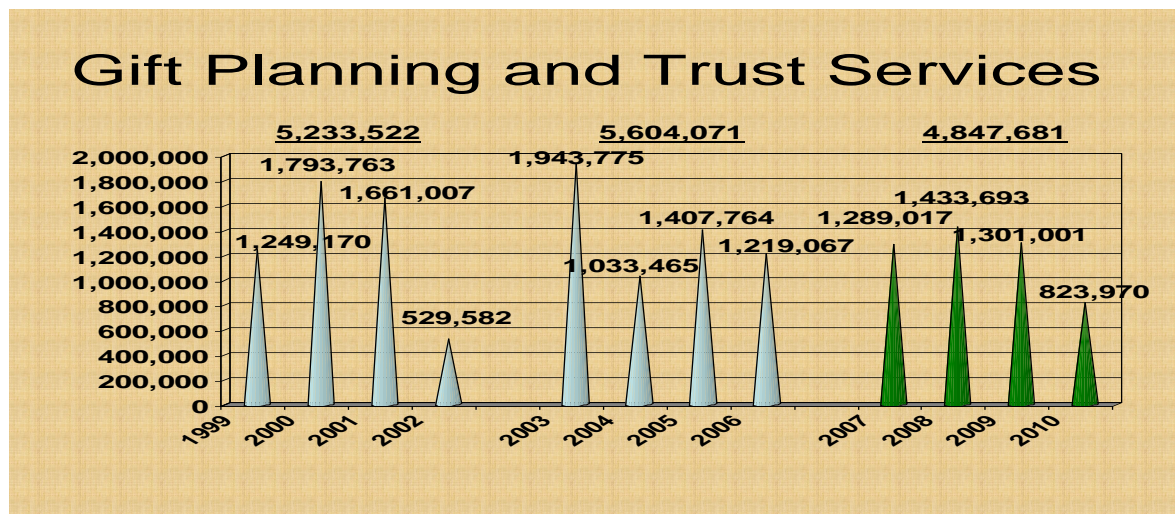
Recommended Working Capital

In 2003 Southern California Conference had only 24% of the recommended working capital. However, in 2010 we had 138.00% of recommended working capital. Once again, we praise the Lord for allowing us to reach a goal of more than 100% of recommended working capital.



Gift Planning and Trust Services

The Southern California Conference has contracted with the Western Adventist Foundation to manage our Trust Services Program. Currently, the conference has three Planned Giving Consultants. The Western Adventist Foundation manages all living trusts, wills, and charitable gift annuities. During this quadrennium, dedicated church members remembered God's work in Southern by leaving over \$4.8 million in maturities and gifts. The conference appreciates the church members and the outstanding professional service which the Western Adventist Foundation provides.



As we give the conference financial progress report, we realize that the conference still face challenges. Some of these challenges are listed below:

Challenges

- ✓ Financial support for Adventist education
- ✓ A strong Stewardship Program that will strengthen the conference and local church finances
- ✓ Financial support for evangelism

Conclusion

In conclusion, one of my favorite promises from God to us, His stewards, is found in 2 Corinthians 9:8. It states, “God is able to make all grace abound to you; so that in all things, at all times, having all that you need, you will abound in every good work” (2 Corinthians 9:8, NIV). Heaven’s blessings will abound as we faithfully give God our time, our resources, and our hearts. Our greatest need is the outpouring of His Spirit, so we might become and remain faithful stewards until we get to heaven, where “we shall cast at the feet of our Redeemer the crowns that He has placed on our heads, and, touching our golden harps, we shall offer praise and thanksgiving to Him that sitteth on the throne” *Counsels on Stewardship*, p. 350. We praise God for His blessings, and we look forward to God’s guidance in the next quadrennium. Thank you for your faithfulness and prayers.