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MEMBERS FOR CHURCH ACCOUNTABILITY INC.
ADVMCA@AOL.COM

SOUTHERN CALIFORNIA CHAPTER
9450 JEFFERY DR, REDLANDS, CA 92373

PHONE: 909-793-9430
FAX: 909-335-9887

Mr. Rodney Brady, Chief Financial Officer
South Pacific Division of the SDA Church
Locked Bag 2014
Wahroonga, N.S.W. 2076, Australia

December 13, 2011

Dear Mr. Brady:

Thank you for your letter of 14 November 2011. Members for Church Accountability (MCA) appreciate receiving a response and we agree that "there is a difference in the information that is supplied to a Board and information placed in the public domain." However, after the Board has taken action, accountability then applies to those actions. The focus is not on personnel issues, but rather the focus is on church funds of every description that church leaders invest or loan to any individual or entity. The fact that "all transactions have been approved by the Board" does not shield their actions regarding church funds from scrutiny by lay church members. MCA is asking questions that have arisen from information in the public domain.

The Grant Thornton Report states: "The SDA church and or its affiliates have not invested or loaned \$70m to the Johnson Property Group." This statement is incongruous with the documents submitted directly by the SDA Church to the Johnson Property Group Administration, which are in the public domain, that show there are over \$69 million dollars of mortgages held by the SDA Church for the Johnson Property Group of Companies (JPGC). Further, the documents submitted directly by the Church also show that Australasian Conference has entered into a number of Joint Venture Agreements with "unquantified" amount of claims. Both of these claims were signed by two church officials. If the \$69 million of claims was not for money loaned to JPGC, what other basis is there for the mortgages that are held? We would appreciate having a detailed summary, mortgage by mortgage based on the dollar amounts that were claimed by the Church in the JPG Administration.

Why was the Avondale College Foundation Investments (ACFI) loan to the Johnson Property Group (JPG) purchased from ACFI by the Church? Was the Church protecting individual contributors to ACFI from financial losses? What property secures that loan, the new property purchased or the original property contributed to the Joint Venture? Which of the loans claimed in the Administration was the loan which applies to this loan purchase? We are confused by the Grant Thornton report that says that the loan purchase was done so the "liquidators could make a partial distribution" to the ACFI. Does this mean that ACFI only received the projected 4 cents on the dollar? Why would the ACFI be happy with 4 cents on the dollar instead of a secured position? Did the church take any other action to financially restore ACFI outside of the loan purchase?

With regard to the Creditor's Trust funds, the Administration documents state: "The fund will comprise \$1,200,000 contributed by a secured creditor under their facility and mortgage". Was the Church or its affiliates this "secured creditor", and if so, how is the amount secured?

It was troubling to learn through public domain documents that the Australasian Conference Association appears to have entered into a number of Joint Venture Agreements with seven of the JPGC, where the Australasian Conference holds "Guarantees and mortgages" on the properties, and that six of the companies seem to independently guarantee the Avondale Greens Development Pty Ltd obligations. It is our understanding that Joint Venture Agreements involve not only sharing of profits, but also sharing of

liabilities. Please summarize those Joint Ventures as to: **1.**The project that the Joint Venture involves. **2.** The percentage of Church ownership in the Joint Venture. **3.** The amount of money that the Church, or any affiliates, have contributed to the Joint Venture or otherwise paid on behalf of the Joint Venture. **4.** The amount of losses that have been suffered by the joint amount of debt discharged in the JPG administration for the Joint Venture. **5.** Any limits of liability for the Church as set forth in the Joint Venture Agreement. Please send us copies of the Joint Venture documents for review.

Again, the focus of MCA is on church funds of every description that church leaders invest or loan to any individual or entity. Hence, individuals from Australia contacted MCA concerning the \$69m. If the "Board" has nothing to hide, they should be happy to provide full disclosure, if for no other reason than to avoid the appearance of misappropriation of church funds.

The article by Elizabeth Lechleitner in the November 17, 2011 issue of the Adventist Review is relevant to this discussion. She was reporting on the Annual Council business meeting at the SDA world church headquarters on October 13, 2011. She quoted Paul Douglas, Director of the church's Auditing Service, who was calling for increased "transparency and accountability among Adventist leadership worldwide." Douglas and world church treasurer Robert E. Lemon presented a collaborative document called "Transparency and Accountability in Financial Reporting". The document encourages "church officials worldwide to foster a better culture of leadership, outlining what it calls the 'credibility cycle.' Accountable leadership and transparent auditing build greater trust among all church stakeholders." World church president Ted N. C. Wilson stated: "Transparency and accountability encompass more than just financial activities." Since this document is applicable to the world SDA Church, what does transparency in financial activities mean, in reality, if it does not mean that lay church members are privy to the use and investment of all church funds? After all, who is church administration accountable to, if not to lay church members? Accountability between levels of church administration is hollow!

The Grant Thornton report states: "Because much of the limited information is commercially sensitive, we are limited in the information that should be made available publicly or made available in this report to members." Please explain why "commercially sensitive" SDA Church investments and loans trump "transparency and accountability". Further, what is it about these transactions that justifies "commercial sensitivity" this far after the fact?

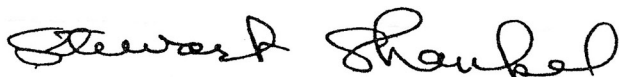
You noted that Keith Johnson was a church member and one of the largest private property developers in New South Wales. Further, you assured us that he is not a relative of the Division officers nor do they have any personal financial relationship with him or his companies. Did members of the "Board" that authorized all transactions have any personal financial relationship, currently or in the past, with Keith Johnson or his companies? Are any of them also mortgage holders of any of the Johnson Property Group of Companies?

MCA is confident you will agree that failure of the Church to be transparent sends the wrong message to lay church members.

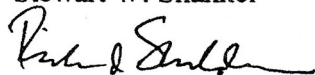
We look forward to hearing from you, with the information and clarifications that we have requested.

Sincerely,

Members for Church Accountability



Stewart W. Shankel



Richard Sheldon



George M. Grames

Cc Grant Thornton