

JUDICIALCOUNCIL DOCKET
MAY 6-9, 2016

Docket 0516-1 IN RE: Request for a Declaratory Decision from the California-Pacific Annual Conference Regarding the Constitutionality of ¶¶ 2701(a) and 2701(b) In Light of the Authority Given the Annual Conference in ¶ 33

Docket 0516-2 *IN RE: Review of a Bishop's Decision of Law in the Desert Southwest Annual Conference Regarding the Duties and Responsibilities of the Conference Lay Leader in Light of ¶¶ 424.6, 605.5, and 607.6*

Bishop's Report To The Judicial Council Of The United Methodist Church

1. This is the form which the Judicial Council is required to provide for the reporting of decisions of law made by bishops in response to questions of law submitted to them in writing during the regular business of a conference session. The reporting of such decisions is mandatory, whether or not they are appealed. (See ¶¶ 56, and 2609 of 2008 *The Book of Discipline*, and Judicial Council *Decision 153*, ¶ 3 under "jurisdiction.")

2. This form may also be used to report decisions on questions of law when such decisions are appealed by one-fifth of the members of the conference. (See ¶¶ 56 and 2609 of 2008 *The Book of Discipline*, and Judicial Council *Decision 153*, ¶ 2 under "jurisdiction.")

Please check whether this report is under 1 or 2

Report of an episcopal decision made by Bishop Robert T. Hoshibata

during the session of the Desert Southwest Conference, meeting at

Renaissance Glendale Hotel and Spa, Glendale, AZ on June 21, 2015.

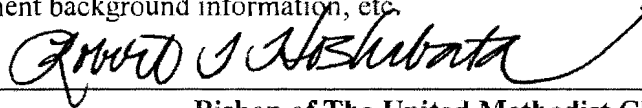
Subject: Duties and Responsibilities of the Conference Lay Leader

Please attach the following relevant documents and information:

If under No. 1 - The text of the written request for decision; the decision, and, optionally, the reasoning behind it; notation of appeal, if taken; pertinent background information, etc.

If under No. 2 - The parliamentary situation; the decision, and, optionally, the reasoning behind it; transcript of the appeal taken; pertinent background information, etc.

Signed,



Bishop of The United Methodist Church

Date mailed to the Secretary of the Judicial Council July 20, 2015

Required copies to:

Secretary of the Judicial Council (13 Copies)

Bishop (1 Copy)

BISHOP'S REPORT TO THE JUDICIAL COUNCIL
OF THE UNITED METHODIST CHURCH

Report of an episcopal decision made by Bishop Robert T. Hoshibata during the session of the Desert Southwest Annual Conference, meeting at Glendale, Arizona, on June 21, 2015.

Subject: Duties and Responsibilities of the Conference Lay Leader

STATEMENT OF FACTS

On June 21, 2015, during the morning plenary session of the Desert Southwest Annual Conference, meeting at Glendale, Arizona, the Conference Lay Leader was recognized for a moment of personal privilege. After being duly recognized by presiding bishop, Robert T. Hoshibata, the Conference Lay Leader offered the following:

“We have just elected our leadership for the coming year. I pray that all will serve with inspiration, wisdom and boldness. As Conference Lay Leader I am elected to be an advocate for the laity and for the ministry of the laity of our Desert Southwest Conference. Accordingly, under the provisions of Paragraphs 51 and 2609 of the Book of Discipline dated 2012, I respectfully request a bishop’s Decision of Law regarding the following questions:

“First, do Paragraphs 424.6 and 607.6 which deal with attendance at Cabinet meetings when matters other than clergy appointments are discussed mean that the Conference Lay Leader shall be notified and invited to participate when the Cabinet agenda includes coordination, implementation or administration of the conference program?

“Second, does Paragraph 605.5 which deals with the agenda of the Annual Conference, mean that the agenda for the Annual Conference shall provide time for an oral presentation by the Conference Lay Leader?”

ANALYSIS AND RATIONALE

Paragraph 51 of the 2012 *Book of Discipline* outlines the process by which a bishop is required to respond to a request for a ruling. It provides: “A bishop presiding over an annual, central, or jurisdictional conference shall decide all questions of law coming before the bishop in the regular business of a session, provided that such questions be presented in writing and that the decisions be recorded in the journal of the conference.” It further states: “Such an episcopal decision shall not be authoritative except for the pending case until it shall have been passed upon by the Judicial Council. All decisions of law made by each bishop shall be reported in writing annually, with a syllabus of the same, to the Judicial Council, which shall affirm, modify, or reverse them.” Furthermore, reference is made by footnote to Judicial Council Decision 33, which sets the limits of the jurisdiction of the Judicial Council “as to Declaratory Decisions so that they do not include moot or hypothetical questions; and the same principle applies to requests for rulings by a Bishop in an Annual Conference, which requests should be based upon some action taken or

proposed to be taken, wherein under the specific facts in each case some doubt may have arisen as to the legality of the action taken or proposed.”

DECISION

The request for a Decision of Law was properly presented in writing, and offered during a regular session of the Desert Southwest Annual Conference. However, the request does not reference any business, consideration, or discussion of the conference session in which doubt arose regarding the legality of the action taken or proposed. The request is therefore improper and the two questions posed in the request for a Decision of Law are “moot and hypothetical,” and pursuant to Judicial Council Decision 33, should not be decided.

Sunday, June 21st, 2015
8:30a.m. – 10:30 a.m.

Gathering music was provided by the Sugar Thieves Band.

CALLED TO ORDER

Bishop Hoshibata called the session to order at 8:30. Rev. Bob Burns, incoming Dean of the Cabinet, led us in an opening prayer.

MONITORING REPORT

Diana Volere and Rev. Katherine Tang reported that overall monitoring went really smoothly this year. Tang stated that the Conference was very intentional in Holy Huddle participation. Things that were suggested as needing attention: More diversity of speakers related to age, gender and diversity.

NOMINATIONS – ELECTIONS

Sharon Scobie thanked all for their service over the past year. She asked both laity and clergy to please complete the skills survey. Corrections have been made and the Nominations Report is on the app. M/A

The Bishop greeted all with a “Happy Father’s Day!”

POINT OF PERSONAL PRIVILEGE

In accordance with ¶51 and ¶2609 of the 2012 *Book of Discipline*, Jim Nibbelink requested a Bishop’s Decision of Law regarding the following questions:

Do the *Book of Discipline* ¶424.6 and ¶607.6 which deal with attendance at Cabinet meetings when matters other than clergy appointments are discussed, mean that the Conference Lay Leader shall be notified and invited to participate when the Cabinet agenda includes coordination, implementation or administration of the conference program?

Does the *Book of Discipline* ¶605.5 which deals with the agenda of the Annual Conference mean that the agenda for the Annual Conference shall provide time for an oral presentation by the Conference Lay Leader?

The Bishop let the Conference and Nibbelink know that he would take these questions under advisement.

PERSONNEL COMMITTEE RECOMMENDATIONS

Darlene Bradner, member of the Personnel Committee on behalf of Peggy Tenney presented the following Recommendations in Report #9.25:

Recommendation No. 1 – Changes to Exempt Salary Levels – increases these ranges by 1.5% from the 2015 range. M/A

1 Recommendation No. 2 – Changes to Non-Exempt Salary Levels – increases these ranges by
2 1.5% from the 2015 range. M/A

3
4 **10.04 INCLUSIVITY** Rev. Stephen Govett presented the resolution along with Rev. Tom
5 Jelinek. The Bishop gave the tables five minutes for a time of Holy Huddle discussion.
6 Discussion and debate followed. The question was called. M/A

7
8 Govett gave final remarks before the vote. Bishop Hoshibata asked Jim Nibbelink to offer prayer
9 before the vote. M/A

10
11 **10.03 ECONOMIC INEQUALITY**

12 Kent Wilson and Rev. Tom Jelinek presented the resolution. The Bishop gave the tables five
13 minutes for a time of Holy Huddle discussion. Questions and discussion followed. Rev. Jimelvia
14 Martin was asked by the Bishop to offer prayer before the vote. Jelinek gave final remarks before
15 the vote. M/A

16
17 **10.06 PETROLEUM AND NATURAL GAS INVESTMENTS**

18 Sarah King presented the resolution. The Bishop gave the tables five minutes for a time of Holy
19 Huddle discussion. Questions and discussion followed. King gave final remarks before the vote.
20 Seamus Flannery was asked by the Bishop to offer prayer before the vote. M/A

21
22 **POINT OF PERSONAL PRIVILEGE**

23 Rev. Bob Klein reported there will be assistance available for churches and clergy who need
24 assistance with health benefits in this year of transition and in the years to come and the
25 Conference Board of Pension and Health Benefits will continue to work on ways to assist with
26 this issue.

27
28 **CONFERENCE FINANCE AND ADMINISTRATION RECOMMENDATIONS**

29 Lois Hedden reported on report 9.14 (page 71 – 2015 Journal Volume 1)

30
31 Opened up for questions, none were put forward.

32 Recommendation No. 1 – 2016 apportioned Conference Budget M/A (\$6,182,616.00)

33
34 The question was asked if the 2016 budget was an increase or decrease. Response was it is a
35 decrease of 1.57% from 2015 budget

36 Recommendation No. 2 – Special Days and Causes M/A

37 Recommendation No. 3 – Conference Advance and Benevolence Specials M/A

38 Recommendation No. 4 – Other Recommendations M/A

39
40 **LOCAL PASTORS RECOGNITION**

41 Bishop Hoshibata along with the Cabinet presented licenses to the following who have
42 completed their license to be a Local Pastor:

43 Lana Sue Fong

44 Brooke Burris Isingoma

45 Misty Howick

46 Lenore Carmen Renfro

1 Paul Hyung Cho

2 Maribel Mojica-Calvo

3 The District Superintendents accepted the licenses for those not present.

4
5 **10.02 ESTABLISHING A SCREEN TO REMOVE AND AVOID INVESTMENT IN**
6 **ILLEGAL SETTLEMENT ON OCCUPIED LAND**

7 Jim Nibbelink presented the resolution. The Bishop gave the tables five minutes for a time of
8 Holy Huddle discussion. Questions and discussion followed. Nibbelink gave final remarks
9 before the vote. M/A for endorsement.

10
11 **10.01 DIVEST FROM CATERPILLAR UNITED NATIONS GUIDING PRINCIPLES**
12 **AND SUPPLY OF WEAPONS**

13 Jim Nibbelink presented the resolution. The Bishop gave the tables five minutes for a time of
14 Holy Huddle discussion. Questions and discussion followed. Nibbelink gave final remarks
15 before the vote. Lonna White was asked by the Bishop to offer prayer before the vote. M/A for
16 endorsement.

17
18 **MISSION PROJECT AWARD**

19 Bishop Hoshibata introduced a video of the Bishop interviewing “Charlie the Tuna.” Total
20 collection was reported: 26,871 cans of tuna; 24,811 lbs. of beans. The winner of the District
21 competition was the North District. Rev. Candace Lansberry and Jerry McGuire accepted the
22 award: a singing fish plaque and a small stuffed “Charlie the Tuna.”

23
24 **POINT OF PERSONAL PRIVILEGE**

25 Marjie Hrabe was recognized by the Bishop. She addressed the Conference Lay Leader, Jim
26 Nibbelink and asked him to model scripture by taking his concerns directly to the Bishop.

27
28 The Bishop announced to the Conference that three decks of special cards with apportionments
29 moments on each card will be handed out to each church at the end of worship.

30
31 **CLOSING MOTIONS**

32 Rev. Nancy Cushman moved that all written reports that have appeared in Conference Journal
33 2015 vol. 1 and reports presented during this Annual Conference be adopted. M/A

34
35 She reported the attendance at this Annual Conference was clergy 242; lay members 270; guests
36 160; for a total of 672 persons.

37
38 **ACKNOWLEDGEMENTS**

39 Cushman requested a moment of personal privilege before the closing motions.

40
41 She asked for the Conference to recognize her staff, report #9.28 on page 104. The people listed
42 in report #9.28 have worked tirelessly for many long hours not only here but before Conference
43 on your behalf. Many of them have served in these positions for years and their steady leadership
44 has been a great blessing. Cushman thanked Haley Dillabough who was at the help desk for the
45 entire Conference. A special thank you to the Spanish and Korean translators, Marianne
46 Hutchinson and her volunteers and Mitsy Kendall. Kathy Doyle who served as our stage

1 manager is a new volunteer this year. She also thanked Rose Ann Chapman, the child care
2 coordinator who has served in this capacity for 6 years. Thank you too for her many assistants;
3 one of whom has served for twelve years: Sarah Cushman.

4
5 Cushman thanked the Desert Southwest Conference staff, who are not only very capable, but
6 who extend themselves to be helpful and supportive: Rev. Anthony Tang, Cynthia Satchel,
7 Christina Dillabough, David Topping, and the rest the Conference Communications team and all
8 other office staff who are invaluable in making the Annual Conference a success.

9
10 Finally, Cushman acknowledged Sally West, office manager, who has served in this role for 12
11 years through three Bishops and three Conference Secretaries. Sally is retiring this year and it is
12 with deep gratitude and love that she be recognized and presented with gifts: 120.00 was
13 donated to the "Imagine No Malaria" campaign in her name, saving twelve lives and she was
14 presented with a framed Ethiopian Cross.

15
16 Carla Whitmire, who has been apprenticing all year, will serve as the new Conference Secretary
17 Office Manager.

18
19 Cushman also thanked Bishop Hoshibata for his grace-filled leadership.

20
21 The evaluation surveys have been placed online. In order for this Conference to be a meaningful
22 time together your feedback is needed. If you do not have computer access, please go to your
23 church office to complete the evaluation on line. Be sure to pick up all of your personal
24 possessions before leaving today.

25 26 **INVITATION TO ANNUAL CONFERENCE 2016**

27 Rev. Neil Leftwich reported that next year's Annual Conference dates will be **June 16th – 19th**,
28 2016 at the Renaissance Glendale Hotel. He encouraged the Conference to pray for one another
29 and love one another as we continue on the journey of faith.

30
31 Now for the long awaited and much talked about closing motions.

32 33 **CLOSING MOTIONS**

34 Rev. Nancy Cushman moved that Daily Proceedings from Thursday, June 18th through Sunday,
35 June 21st, Document 2.00 through 2.04, be electronically posted on the Conference website by
36 the end of the day.

37
38 She moved to suspend Rule III.D., the 24 hour rule, so that ALL the Daily Proceedings and can
39 be approved subject to editorial privileges.

40
41 Conference members have 15 days to contact Nancy Cushman at: NCushman@dscumc.org with
42 editorial corrections. These Daily Proceedings will be approved subject to those corrections.

43
44 Cushman moved that the Conference Secretary and Journal Editor be authorized to publish all
45 reports and official materials not acted upon with full editorial privileges.

46

1 She reminded the Conference of the rule that all items including address changes that are to be
2 included in the 2015 Conference Journal must be received by Christina Dillabough,
3 cdillabough@dscumc.org, at the Conference Communications Office by July 10, 2015.

4
5 Finally, Cushman moved that this 31st Session of the Desert Southwest Annual Conference stand
6 adjourned following closing worship.

7
8 All of Cushman's closing motions passed.

9
10 The Bishop thanked, Marilee Clark, Rev. Ann Thomas, Rev. Nancy Cushman, Jim Nibelink
11 and Bishop Elias Galvan who have been at the head table during this session of the Annual
12 Conference.

13
14 Adjourned at 10:40 a.m.

15
16 **Sunday Morning Worship**
17 **Sunday, June 21st, 2015 10:30 a.m. – 12:00 p.m.**
18 **Renaissance Glendale Hotel & Spa, Media Center**
19 **Theme: A Service of Sending Forth and Communion**

20
21 Gathering music and prelude was provided by The Sugar Thieves.

22
23 Before the service began, an explanation of Communion logistics was offered. A fresh loaf of
24 bread was provided for each table by "UMOM Helpings Cafe" to share with those at each table
25 and others as movement during Communion throughout the Conference occurs. Also a
26 consecrated loaf of bread is available on the stage for each church to take a loaf of bread back to
27 share with their local church during a communion service.

28
29 Rev. Mary Klaehn explained there are also gluten free wafers for those who need gluten free
30 products. She demonstrated putting the wafers into the pyx provided.

31
32 Rev. Don Strauch, Director of TMM Family Service, was introduced. Today's offering will be
33 dedicated to the TMM Family Service for hiring TMM's first resident Chaplain.

34
35 The Prelude was followed by the Call to Worship led by Colby Rynders, son of Rev. Melissa
36 Rynders. The Opening Songs "People Get Ready" and a rendition of "This Little Light of Mine"
37 were performed by The Sugar Thieves Band and were followed by an invitation for the younger
38 people to join Bishop Hoshibata on the main stage.

39
40 The Bishop thanked the Childcare Coordinators; Rose Ann Chapman and Sarah Cushman.

41
42 The Bishop talked about the different kinds of fathers we have; strong, silent, and God who is
43 like a father to us. He thanked the younger people for sharing Father's Day with him.

44
45 The Bishop opened one of the special decks of cards and invited one of the younger people to
46 choose a card and show it to the Conference. The Bishop did not pick the correct card and so he

1 called on “Dazzling Dan, the Magic Man” to help him out. Dazzling Dan explained that many
2 card tricks involve math and putting things in order. He reminded all that doing things in threes
3 are important to us for our faith tells us: God created us, Jesus saved us and the Holy Spirit
4 sustains us. Just as with the cards, God puts things for us in a brand new order and our faith in
5 God touches us and creates us in a brand new way. Dazzling Dan mixed the cards and completed
6 randomly putting them back into the correct order.

7
8 The Bishop stated that sometimes when we go through life we wish things could happen
9 magically like Dazzling Dan’s card trick, but it’s not always that easy. We need to be reminded
10 that God is always working in our lives so we can learn about God’s love, justice and peace. The
11 Bishop closed with prayer and asked the youth and Conference to repeat after him.

12
13 The Bishop introduced members of the Tongan United Methodist Church under the leadership of
14 Rev. Timote Piukala. “Father in Heaven” was performed by singers; Jasmine Tautuaa and Pou
15 Sonasi who were accompanied on the piano by Lisa Marie Piukala from the Tongan United
16 Methodist Church. Members of TUMC had made candy leis (representing love and aloha) and
17 they presented them to all the fathers present as a “Thank You” in celebration of Father’s Day.
18 The Bishop offered a prayer of thanksgiving for fathers and those who have served in a fatherly
19 role.

20
21 A Responsive Prayer for Illumination was led by Rev. Susan Holden followed by a dramatic
22 reading of Ezekiel 37 by K. Sean Buvala; A Voice from the Noise: “Dry Bones.”

23
24 Bishop Hoshibata gave “A Message of Renewal” lifting up Ezekiel’s vision; a valley of dry
25 bones. He stated that those of us who live in the desert know of the desolate place of the valley
26 of dry bones. Ezekiel in his image sees a valley that is filled with dry bones. They are parched,
27 dry bones, without life. This is an image that depicts what lifelessness might look like. We are
28 here in an oasis of comfort at the Annual Conference. Some of us may be feeling like we are
29 leaving here and going back into a valley of lifeless, dry, brittle bones when we go back to our
30 churches. Ezekiel tells us that even in this lifeless valley, God has the power to revive.

31
32 Death and bones coming back to life can be a bit scary. It is a reminder that through God’s love
33 we are lifted out of any moment of desolation. We are given the opportunity to receive that gift
34 of new life. The dry bones needed God to breathe life into them for them to come back to life.
35 The Bishop asked: “What will it take for us to breathe life back into our churches?” In
36 despairing times we need to discern what will bring life back into our churches for people
37 outside the church who need the church.

38
39 We have three priorities through the Strategic Direction and these three priorities help us bring
40 vitality into our churches. But bringing vitality back to our churches will not work unless we are
41 dispensers of God’s spirit and love. He asked the members of the Conference to ask: “Is my
42 work made more inspirational because of God’s presence in all I am doing.”

43
44 Violence and violation have invaded our country. The challenge for us is to lean on God for
45 strength at these moments, preach the good news to our churches and hold in prayers those who
46 are suffering from the loss and grief. We need to make a statement wherever we are that violence

1 in not a part of who we are or the whole human race. We have the privilege to stand up for what
2 is right and just. The Bishop admonished all to go back to our congregations saying we made a
3 commitment to let God's Spirit come into our lives to refresh us, renew us, so we can become
4 agents of love and peace. He asked the Conference to "Breathe in God's spirit and breathe out
5 God's love, breathe in God's spirit and breathe out God's joy and breathe in God's spirit and
6 breathe out God's peace."

7
8 Rev. Susan Holden led the Invitation to Offering of Our Gifts and Our Lives. The offering was
9 designated for TMM Family Services. Music was provided by The Sugar Thieves; "Live
10 Forever."

11
12 Bishop Hoshibata led the Conference in "A Celebration of the Sacrament of Communion" as he
13 consecrated the elements and invited the Conference to join in communion.

14
15 The Bishop asked the Conference to greet each other with blessing and peace. Nadalynn Erazo
16 led the Prayer of Thanksgiving. Worship was concluded with the singing of "Loving Spirit"
17 (Sung to UMH #584) as the Conference was encouraged to "be inspired to inspire." The Bishop
18 reminded the Conference of the gifts of cards and a loaf of bread to be picked up before leaving
19 the "Imaginarium."

20
21 The Bishop offered words of blessing and sending forth and invited the congregation to join
22 responsively with words of blessing and mission. The postlude was provided by the Sugar
23 Thieves Band.

Docket 0516-3 *IN RE: Review of a Bishop's Decision of Law in the East Ohio Annual Conference Regarding the Rights of an Elder in Light of ¶¶ 358.3 and 362 and in Comparing ¶ 16.7 with ¶ 20*

August 28, 2015

The Judicial Council of The United Methodist Church

ATTN: Rev. F. Belton Joyner, Jr., Secretary
1821 Hillandale Road, Suite 1B, PMB 334
Durham, North Carolina 27705

E-mail: judicialcouncil@umc.org

Grace and Peace to You.

In review of the Judicial Council Docket for October 2015, I find no mention of a Question of Law I submitted to Bishop John Hopkins on June 15, 2015 during the regular business of the 2015 session of the East Ohio Annual Conference, in accordance with ¶51 of the 2012 Book of Discipline. Neither have I received nor read any report that the bishop has of yet answered this Question of Law.

I timely raised and submitted this Question of Law to the bishop, providing him a written copy, after a failed request for a declaratory decision. He willingly received this Question. At the same time I submitted a written copy to the Secretary of the East Ohio Annual Conference (Rev. Cynthia Patterson) so that she might properly record it in the Journal (i.e., the Daily Proceedings) of the conference. Subsequently, I have thrice (on June 23, July 2, and August 5) requested of Rev. Patterson the opportunity to access these Daily Proceedings in order to review whether this Question has been recorded there, and to be able to read the bishop's answer. Each time Rev. Patterson has stated the Daily Proceedings are not yet available to be accessed or read/reviewed. I am confident she is working diligently to so prepare the Daily Proceedings for our Conference. She is an excellent Conference Secretary.

I now herewith inquire of The Judicial Council if it has received this Question of Law and the bishop's answer thereto, and/or anything I should do in this regard to facilitate same.

I understand that all such answers are subject to review by The Judicial Council, and fully expected the bishop's answer to be included on your October 2015 Docket.

Thank you very much for your attention to this matter.

Sincerely yours,

Rev. Wayne W. Scott

Dear Rev. Joyner,

Upon returning from my recently concluded renewal leave, I had opportunity to read both Rev. Wayne Scott's e-mail to you as well as your e-mail to me.

It appears Rev. Wayne Scott claims he submitted a Question of Law to me during the course of the 2015 session of the East Ohio Conference. After reading the document Rev. Scott handed me during the course of the annual conference's clergy session on Monday, June 15, I subsequently read and reviewed his document as I had opportunity during the days annual conference was in session.

I noted several points in the document which contained inaccurate or incorrect information. I also came to conclude that the matters Rev. Scott cited as a basis for requesting a Bishop's Ruling of Law were, in essence, an improper request for a ruling on a matter that had previously been before the administrative bodies of the annual conference. Judicial Council Decisions Nos. 799, 867, 1064, 1092, 1167, and 1188, when read together, appear to provide a reasonable basis for my conclusion. Rev. Scott's attempt to have me make a Bishop's Ruling of Law was not proper and therefore out of order.

Finally, based upon the failure of the clergy session to approve the request for a declaratory decision and based upon the Judicial Council decision not to entertain the previous attempt for review by Wayne Scott (see Judicial Council Decision No. 1276 and Judicial Council Memo No. 1291), it appears to me that the request for a decision of law is unrelated to the business of the conference session.

Sincerely,

John L. Hopkins,
Resident Bishop
Ohio East Area
The United Methodist Church

*Docket 0516-4 IN RE: Appeal of the Opinions and Decisions of the Western Jurisdiction
Committee on Appeals in the Matter of Filimone Havili Mone*

IN THE MATTER OF: REV. FILIMONE HAVILI MONE

APPEAL TO JUDICIAL COUNCIL

RE: WESTERN JURISDICTION COMMITTEE ON APPEAL'S

OPINION ON APPEAL, DATED AUGUST 18, 2015

ACKNOWLEDEMENT

Firstly, we express gratitude to the Western Jurisdiction Committee on Appeals for the monumental task they had fulfilled in adjudicating the appeal from Reverend Havili Mone and Counsels. We acknowledge the complexity of the case and the diligence with which you discharged your duties. May the Lord continue to bless each of you.

Secondly, the Opinion released is interesting and we wish to occasionally respond to specific assertions by the committee in our explanations of our Appeal questions.

APPEAL

In accordance with paragraph 2716.1 of the Book of Discipline;

"...an appeal may be taken to the Judicial Council only upon questions of law related to procedures of the jurisdictional committee on appeals,"

We therefore wish to appeal to the Judicial Council based on the following questions of law:

- **Can a Jurisdiction Committee on Appeals alter its composition that is spelled out in paragraph 2716.1 of the Discipline?**

*"Each jurisdictional and central conference, upon nomination of the College of Bishops, **shall** elect a committee on appeals composed of four clergy, one diaconal minister, one full-time local pastor, and three laypersons who have been at least six years successively members of the United Methodist Church, and an equal number of corresponding alternates.....Any vacancy shall be filled by the College of Bishops."*

The actual composition of the WJCOA only had 8 members including the President and the Secretary. There was no explanation of the discrepancy. This conflict begs more question as to which is Church Law? Is it the Book of Discipline or the Jurisdiction's? Which one should we follow?

- **When the Presiding Officer at the Church Court proscribed the redacted civil deposition transcript from admission as an exhibit, does the Book of Discipline conflicts lawfully with that decision by allowing it to be included in trial records and eventually ending up with a committee on appeal?**

In item C60, second page, second paragraph from top, of the Trial Records, the following entry is made:

“Bishop asks if Respondent had objections to the redacted deposition. He did. Bishop Gwinn rules that the deposition cannot be admitted as a document, but the same questions could be asked of Respondent by Church Counsel if Respondent takes the stand.”

The quotes above beg another question of whether a President of the Court’s ruling become Church Law. We affirm it is. We proclaim that the Book of Discipline only allows admissible exhibits to become Trial Records and does not include any documents banned from admission. The committee on appeal claimed that the Church Counsel withdrew the document as though he was not ordered to do it. As a matter of Law, the document should not have been admitted.

The committee also stated that *“...it was never seen by the Trial Court,No member of the Committee considered the transcript. Finally, the members of the Committee on Appeal, along with all members of the Judicial structure of the church, are capable of, and indeed required to, disregard irrelevant or mistakenly tendered evidence.”*

From the quotation above, it would seem that some members of the Committee may have seen the redacted transcript, yet at the beginning of the hearing on 18th August, 2015; President Tang had assured the assemblage that he had electronically retracted the redacted transcript and that no one should have seen it. Furthermore, how could the Committee affirm that the Trial Court never saw the document if none of them were at the trial, unless someone that was at the trial had communicated with them?

- **Why was Reverend Marv Vose allowed to be both witness and Assistant Church Counsel yet Mr. Taniela M. Lavulo were not permitted to be both Assistant Counsel for Respondent as well as witness?**

In pre-trial for Reverend Mone's church court, the Assistant Counsel for Respondent, Mr. Taniela Lavulo was prohibited from being both Assistant and a Witness. This ruling was observed and it became a disadvantage to the Respondent's trial.

At the trial, Rev. Marv Vose was both the Complainant and a witness. He then shows up at the Appeal hearing as an Assistant Counsel for Reverend Ron Hodges. Having made this observation prior to the commencement of the appeal hearing in Las Vegas, Rev. Keith Watson and Mr. Lavulo approached President Tang, Secretary Rev. Renae Extrum-Fernandez, and Rev. Susan Griffin to voice our objection to Rev. Vose's presence. The President did not think there was any conflict and allowed Rev. Vose to remain. Mr. Lavulo asked President Tang if he could ask if Rev. Vose had had any contact whatsoever with discussions of the case with any member of the Committee on Appeal. President Tang said he would and he did, but got silence with no one answering in the affirmative or the negative.

- **Why has the Church not responded to our assertion that there is no mention in trial record of the Presiding Officer’s ruling on our motion for dismissal?**

In our Appellant Brief in Chief, dated July 20th, 2015, item #V. on the fourth paragraph we asserted with

“We re-directed to their response with a motion to dismiss the case entirely. The Presiding Officer also denied our motion for dismissal at one of our Pre-trials but I do not see any mention of it on index”.

The church has only responded to the ruling against our motion to strike Charge #1, and our overlooking the alleged missing emails for which we had already apologized. There is no mention on record of the Presiding Officer’s negative ruling on our motion for dismissal.

Here again is a question of law. If a Presiding Officer’s ruling in a Church trial becomes reference and regarded as part of Church Law to be quoted in future trials as appropriate, then it should be included in the Trial Record.

- **Why has the Church and Committee on Appeal insisted that Charge #2 remain valid after the Presiding Officer had granted our motion to strike it in Pretrial?**

We have all heard the technical arguments on both sides. Item C60.a of the Trial Records outlines the ruling by the Presiding Officer at Pre-trial. Item IV of the Appellant Brief in Chief outlines our argument of why Charge #2 is double jeopardy. The Committee on Appeal has conveniently quoted from provisions of the 2008 Book of Discipline instead of the 2012 print. Everyone with law background has tried to impress us all with what attaches to what, technical meaning of double-jeopardy, etc. but some common sense facts remain, i.e. a just resolution was reached that resolved the charges, the respondent had already reported the allegations to the authorities prior to the signing of the resolution, there is no new underlying conduct to justify a new charge, and the civil authorities had exonerated the respondent.

All this charge does now by remaining on record associated with Rev. Mone is draw undue injustice to himself, his family, and associates.

- **As a matter of timing and law of fairness to the Respondent, could the church have postponed the trial until after the Judicial Council’s ruling in spring of 2015 that reinstated the existence of the Committee of Investigation?**

Prior to trial in February 2015 we had motioned a couple of times for postponement of the trial to afford more preparation time for the Counsel for the Respondent but to no avail. Although our team was not aware that the Judicial Council would be tabling the reinstatement of the Committee of Investigation early 2015, we find it hard to believe now that the Bishop and all the leadership in the Rocky Mountain Conference and the Western Jurisdiction had not known about it. The Counsel for the Respondent raised this issue at the appeal in Las Vegas, but we see no response regarding it.

Conclusion

We submit this appeal and pray for its favorable consideration.

Reverend Filimone Havili Mone

Respondent, 09/17/2015

Reverend Keith Watson

Counsel for Respondent, 09/17/2015

Taniela M. Lavulo

Assistant Counsel, 09/17/2015

WESTERN JURISDICTION COMMITTEE ON APPEALS
THE UNITED METHODIST CHURCH

IN THE MATTER OF: FILIMONE HAVILI MONE

ON APPEAL FROM THE TRIAL COURT OF
THE ROCKY MOUNTAIN ANNUAL CONFERENCE

OPINION ON APPEAL

This matter was heard on oral argument on August 18, 2015. After consideration of the record on appeal, the briefs of the parties, oral argument by clergy counsel, questions from the Committee members, and after due consideration and deliberation the Western Jurisdiction Committee on Appeals (hereinafter, occasionally, "Committee") unanimously affirms the judgment of the trial court and its penalty as against Appellant as alleged in the Second Amended Bill of Charges and Specifications.

Although Appellant advanced various arguments and issues in his appeal, the contentions and allegations of error and lack of evidence are difficult to assign to individual charges. However, as outlined in the Appellant's Brief in Chief, after a broad discussion of "Issues", and although not

in numerical order, the Appellant narrows his focus on Charge #1 and Charge #2, violations of The Discipline of the United Methodist Church (hereinafter, occasionally, "BOD" or "The Discipline") paragraphs 2702.1.e of the 2008 Discipline and paragraph 2702.1.d of the 2012 Discipline. The two charges were, respectively, based on the continued impermissible practice of ministry while on voluntary leave of absence, and failure to report cases of suspected child abuse or neglect (which is required by the Book of Discipline paragraph 341.5 of BOD, 2008 and 2012).

Appellant makes a procedural argument that as to Charge #1, the Presiding Officer's decision not to dismiss Charge #1 should have been made in writing, not verbally. He does not contest that there is ample evidence (both testimonial and documentary evidence, as well as admissions by the Appellant) that prove the charge and specifications of the allegation that Appellant continued to preach, preside, conduct weddings and baptisms, etc., while on voluntary leave of absence. He cites a "procedural error" surrounding two "missing" e-mails, that were later pointed out to him, and were not missing at all.

As to Charge #2, Appellant urged the Presiding Officer to find that, because Appellant and the Church had entered into a Just Resolution Agreement (hereinafter, occasionally, "JRA") regarding, in part, the failure

to report a suspected case of sexual abuse, the terms of that agreement meant that his failure to report had been “resolved”, despite the obvious intent that the charges were stayed pending compliance with the Just Resolution Agreement. Although Appellant argues that the charge is vague due to the term “without prejudice to refiling”, he admits that he did understand that he was to abide by all of the terms of the Agreement or the charges would be reinstated. Prior to trial, Appellant made a motion to the Presiding Officer urging dismissal of the charge based on “double jeopardy”. The Presiding Officer, instead of issuing a legal finding that the concept of “double jeopardy” as defined in the Book of Discipline did or did not attach under the circumstances, allowed the Appellant to present the affirmative defense of double jeopardy to the Trial Court.

The standard of review for the Committee is to determine if the weight of the evidence supports the two charges (to which the Committee answers “yes”), and did errors of Church law vitiate the Trial Court’s decision and/or the penalty (to which the Committee answers “no”). Book of Discipline (2008) paragraph 2715.7 (hereinafter “BOD”). “The appellate committee shall not reverse the judgment nor remand the case for a new hearing or trial on account of errors plainly not affecting the result.” BOD para. 2715.8.

A. WEIGHT OF THE EVIDENCE CONTENTIONS

1. Charge #1 - Disobedience to the Order and Discipline of the United Methodist Church para. 2702.1.e of the 2008 Discipline and paragraph 2702.1.d of the 2012 Discipline - Failure to abide by the Just Resolution Agreement, the Discipline regarding the boundaries pursuant to a Voluntary Leave of Absence, and the Guidelines for Appropriate Conduct by Current and Former Pastors.

The Committee discussed whether Charge #1, Specifications 1.1 - 1.27 were supported by sufficient evidence. The Committee found that Charge #1 and the Specifications thereunder were supported by not merely sufficient evidence, but overwhelming evidence and admissions of the Appellant. As mentioned above, the only basis for an appeal on this charge seems to be various alleged errors of church law which are discussed below.

2. Charge #2: Disobedience to the Order and Discipline of the United Methodist Church para. 2702.1.e of the 2008 Discipline and paragraph 2702.1.d of the 2012 Discipline - Failure to Comply with Mandatory Reporting of Suspected Child Abuse or Neglect.

The committee reviewed Charge #2 and the specifications 2.1 through 2.4. Again, there can be no appeal as to the weight of the evidence: Appellant himself admits he did not report as was required both by the Discipline and criminal law. Instead, he contends that this charge subjected him to “double jeopardy”, and therefore his failure to report should be

excused/dismissed/resolved. We will discuss the question of this as a possible error in church law below.

B. SUPPOSED ERRORS OF CHURCH LAW, AND THE EFFECT OF THOSE ERRORS, IF ANY.

Because the errors claimed by Appellant seemed to attack the entire case in various ways (not just one of the charges), the Committee identified the alleged errors to determine, first, if they were errors at all, and second, if the errors were egregious enough to vitiate the Trial Court's verdict. The Committee found that the alleged errors were, indeed, not errors at all:

1. Double jeopardy did not attach/apply to Appellant until the filing of the charges by Church Counsel, which was after Appellant had admittedly already breached the Just Resolution Agreement. The Counsel for Appellant informed the Committee that Appellant did understand what he was signing, and what it meant should he violate its terms. There was no requirement to, nor error in, not explaining every clause in the agreement either to Appellant when he signed it, or the Trial Court when the issue arose as an affirmative defense, especially given the jury instructions by the court regarding that affirmative defense..

2. Appellant alleges as error that the Church breached JRA 10b with regard to attendance at a celebration of his ministry. He also argues

that this excuses his own breaches. However, there was no evidence produced that anyone had planned a celebration. JRA 10b merely allows him to attend such a party so long as it is held within 14 days. There is no requirement that conference leadership facilitate the celebration so there was no breach.

3. Matthew 18 has been argued as requiring District Superintendent Sione Tukutau to come to speak with Appellant before divulging the situation to the Cabinet. While biblically accurate and faithful, that is not the state of church law. Moreover, even considering the analysis of the writer of the Gospel of Matthew, the church has complied by bringing the charges “to the church” as argued by Church Counsel on the first day of trial.

4. It has been pointed out that there was a “lack of a neutral, third party mediation”. This is not required pursuant to the Discipline. The paragraphs relied upon by the Appellant come from the Administrative and Judicial Handbook, 2014, (page 33) which carries the weight of guidelines rather than church law. These guidelines offer three options, but the Bishop is not limited to those.

5. As mentioned above, the fact that Appellant or his counsel could not find two missing e-mails having to do with the double jeopardy

arguments is not a violation of church law: the existence and whereabouts of those e-mails was pointed out by Counsel for the Church.

6. The Presiding Officer's decision to issue his ruling denying the motion to dismiss Charge #1 verbally, instead of in writing, is not an error. He is under no requirement to do so. Also, there had been at least two discussions regarding the dismissal issue, and according to the evidence it was not abrupt.

7. There was no violation of church law regarding the redacted civil deposition transcript: in fact, Counsel for the Church withdrew it as a document and it was never seen by the Trial Court, but still remained part of the record, and in compliance with the BOD. It is also not an error of church law that the withdrawn exhibit was sent along with the entire court documents: in fact the BOD requires that all documents be provided to the Committee on Appeal. No member of the Committee considered the transcript. Finally, the members of the Committee on Appeal, along with all members of the Judicial structure of the church, are capable

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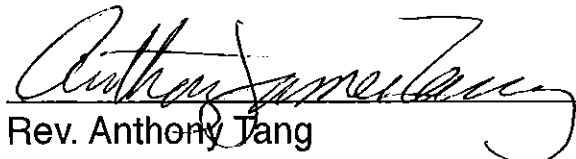
of, and indeed required to, disregard irrelevant or mistakenly tendered evidence.

Finally, even assuming arguendo that any of these instances above are “errors of church law”, they clearly did not have any effect on the outcome of the Trial Court, nor are they substantial enough to vitiate the Trial Court’s verdict and penalty.

CONCLUSION

The Committee sees no reason to disturb the Trial Court’s decision as to guilt or innocence. In light of the Trial Court’s findings of guilt, the penalty of termination of Membership in the Rocky Mountain Conference is not excessive.

Dated: August 18, 2015



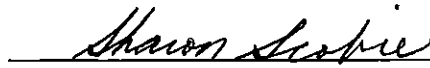
Rev. Anthony Tang
Presiding Officer of the Committee on Appeals

Dated: August 18, 2015



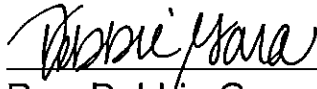
Rev. Renae Extrum-Fernandez
Secretary of the Committee on Appeals

Dated: August 18, 2015



Ms. Sharon Scobie
Member of the Committee on Appeals

Dated: August 18, 2015



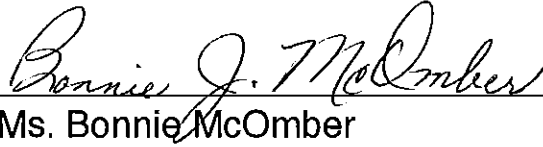
Rev. Debbie Gara
Member of the Committee on Appeals

Dated: August 18, 2015



Rev. Elmar De Ocera
Member of the Committee on Appeals

Dated August 18, 2015



Ms. Bonnie McOmber
Member of the Committee on Appeals

Dated: August 18, 2015



Rev. Susan Griffin
Member of the Committee on Appeals

Docket 0516-5 IN RE: Request for a Declaratory Decision from the Council of Bishops Regarding Legislation Called Plan UMC Proposed for the 2016 General Conference

The Council of Bishops of The United Methodist Church will be requesting a declaratory decision of the Judicial Council at your next meeting. Here is the action item from the May 2015 COB meeting:

15C -- 038 The COB approved the recommendation to request a declaratory decision from the Judicial Council on the proposed legislation called Plan UMC. The action taken was in no way in support or opposition of Plan UMC but made in order to better facilitate the work of GC2016.

Docket 0516-6 IN RE: Review of a Bishop's Decision of Law in the California-Pacific Annual Conference Regarding the Authority of the Bishop to Establish a Task Force and Regarding the Constitutionality of ¶ 414.1 and ¶ 415.1

Request for a Bishop's Ruling of Law

Under the provisions of ¶2609.6 of the 2012 Book of Discipline as modified by Judicial Council Decision 1244, I ask for a decision of law on the following matters which have come before the 2015 session of the California-Pacific Annual Conference:

- 1) Was the Rules and Structure Task Force properly established and constituted? Does the Bishop have the authority under ¶414.1, ¶415.2 or any other part of the Discipline to establish a task force without legislative action by the annual conference to bring recommendations to the annual conference or does such action violate Judicial Council Decision 1257? Does the Bishop have the authority under ¶414.1, ¶415.2 or any other part of the Discipline to select all the members of a task force between sessions of the annual conference in a way which does not follow the rules of the annual conference on how to fill vacancies between sessions of the annual conference or does such action violate Judicial Council Decision 1257? May the Bishop appoint himself/herself to serve as the chair of the task force either with or without vote or does this violate Judicial Council Decision 1023?
- 2) If the Rules and Structure Task Force was improperly established and constituted, are all actions of the 2015 annual conference based upon its recommendations invalid so that the rules and structures remain unchanged by these actions?
- 3) Since the Congregational Loan Task Force was established and constituted in the same way as the Rules and Structure Task Force, was it also improperly established and constituted? And if it was improperly established and constituted, are all actions of the 2015 annual conference based upon its recommendations invalid so that the rules and structures remain unchanged by these actions?
- 4) Is the part of ¶414.1 which gives the bishop the responsibility "to lead and oversee the spiritual and temporal affairs of The United Methodist Church" unconstitutional? Does ¶414.1 violate ¶47 of the Constitution by giving an individual bishop the responsibility reserved to the Council of Bishops in the Constitution to "plan for the general oversight and promotion of the temporal and spiritual interests of the entire church"? Does ¶414.1 violate the constitutional separation of powers in the Judicial Council Decisions such as 827 and 831 by giving the bishop the authority over matters which are part of the legislative branch, not the executive branch?
- 5) Is the part of ¶415.2 which gives the bishop the duty "to provide general oversight for the fiscal and program operations of the annual conference(s)" unconstitutional? Does ¶415.2 violate ¶47 of the Constitution by giving an individual bishop the responsibility reserved in the Constitution to the Council of Bishops to "plan for the general oversight and promotion of the temporal and spiritual interests of the entire church"? Does ¶415.2 violate the constitutional separation of powers in the Judicial Council Decisions such as 827 and 831 by giving the bishop authority over fiscal and program operations of the annual conference which are part of the legislative branch, not the executive branch?



Bert Roark

Lay Member, 2015 Session of the California-Pacific Annual Conference

Ruling on Questions of Law Raised by Bert Roark
At the 31st Session of the California-Pacific Annual Conference
of The United Methodist Church

Background Information

Questions 1, 2 and 3: Answering these questions requires a historical context. In 2012 the California-Pacific Annual Conference of The United Methodist Church was in a serious financial and administrative crisis. The situation was serious enough that the bishop in her role as spiritual and temporal leader of the annual conference requested the assistance of the General Council on Finance and Administration. The General Council on Finance and Administration worked with the conference's treasurer and her staff, the director of human resources, the Conference Board of Pensions, Council on Finance and Administration (then called the Council on Financial Resources), and Navigation Essential Ministry Team, the conference co-lay leaders, the bishop and cabinet, in a full assessment of the crisis. While the GCFA focused on a fiscal assessment, such an assessment brought clarity to the administrative aspect of the crisis. The GCFA worked with the annual conference leadership for the period of October 2012 – July, 2013, rendering a final report of its findings on July 28, 2013 (Addendum 1). The findings of the GCFA were reported to the 2013 Session of the Annual Conference through the Episcopal Address (Addendum 2). In addition, the Conference Council on Finance and Administration and the Treasurer also rendered a report and recommendations to the 2013 Session of the Annual Conference (Addendum 3).

As a response to the final GCFA findings, the bishop requested that the chairs of all the conference agencies that would need to respond to the findings, the conference co-lay leaders, the dean of cabinet, as well as appropriate conference staff, work together to address such findings. These conference officers and staff functioned as a task force called the Strategic Financial Planning Task Force. The meetings of this task force were facilitated by the bishop. At such meetings all conference staff persons, the dean of cabinet and the bishop had voice but no vote. Each aspect of the work that this task force led between sessions of the annual conference was referred back to the appropriate conference agency that had disciplinary responsibility for the matter at hand for their actions and recommendations to the annual conference. The bishop in her Episcopal Address to the 2014 Session of Annual Conference briefly referenced the work of the Task Force (Addendum 4). A full and comprehensive report of the Task Force's work was rendered to the 2014 Session of the Annual Conference (Addendum 5) for its action.

As a direct result of this initial work, and in consultation with conference leaders and staff, the bishop organized two additional task forces: A Rules and Structure Task Force and a Congregational Loan Program Task Force. Both were a continuation of the administrative assessment and effort to assist the annual conference to come out of financial and administrative crisis. Similarly to the Strategic Financial Planning Task Force, these task forces sought to bring to the table the leaders of the conference agencies charged with responsibility for rules and

structure and the Congregational Loan Program along with others with relevant expertise, and staff persons related to these areas of ministry.

The purpose of the Rules and Structure Task Force was to assist the annual conference in aligning its rules and structure with the mission of The United Methodist Church and the vision statement of the annual conference (adopted at its 2014 Session) in clear and helpful ways, and to assure that such rules and structure were consistent with *The Book of Discipline of The United Methodist Church 2012* (Addendum 6). The meetings of this task force were facilitated by the bishop. At such meetings all conference staff persons, the dean of cabinet and the bishop had voice but no vote. The Rules and Structure Task Force referred all its findings and recommendations to the appropriate conference agencies including the Conference Rules Committee (then called Systems Assessment) for their deliberations and recommendations to the annual conference. To facilitate the decision-making work of the annual conference, a comprehensive report on recommended rules and structure changes was brought to the 2015 Session of the Annual Conference. All the recommended rules and structure changes were approved by the annual conference. (Addendum 7)

The Congregational Loan Program Task Force was organized and charged with the work of holistically reviewing the current structure and fruitfulness of the California-Pacific Annual Conference Congregational Loan Program with the specific goals of making Congregational Loans a vibrant program for the local churches of the California-Pacific Annual Conference and reviewing and where necessary, recommending revisions of the Congregational Loan Program's work and guidelines in order to align the Congregational Loan Program to the present mission and vision of the California-Pacific Annual Conference (Addendum 8). The meetings of this task force were facilitated by the bishop. At such meetings all conference staff persons, the dean of cabinet and the bishop had voice but no vote.

The Congregational Loan Program Task Force did preliminary work on the Congregational Loan Program guidelines as per the purpose and function of the Congregational Loan Program as defined by the annual conference and those paragraphs of *The Book of Discipline of The United Methodist Church 2012* pertaining to church building projects and related loan processes. This work revealed that the Conference Congregational Loan Committee had been making changes to the guidelines of the Congregational Loan Program without appropriate approval of the annual conference as required by the rules of the annual conference. It was further learned that in a annual conference restructuring approved by the Session of the 2012 Annual Conference the Congregational Loan Program had been placed under the Conference Council on Finance and Administration but that this structural change had never been implemented.

The work of the Congregational Loan Program Task Force helped facilitate the implementation of the restructuring decision of the 2012 Session of the Annual Conference but the work itself was done by the Conference Congregational Loan Committee under the guidance and care of the Conference Council on Financial Administration as per the action of the 2012 Session of the Annual Conference. The work of the Congregational Loan Program Task Force was then submitted to the Conference Council of Finance and Administration for its ongoing Congregational Loan Program work and reported to the 2015 Session of the Annual Conference through recommended rule and structure changes, all of which were approved (See Addendum 7).

The work of both the Rules and Structure and the Congregational Loan Program Task Forces were both referenced in the bishop's Episcopal Address to the 2015 Session of the Annual Conference (Addendum 9).

Ruling on Questions of Law:

On Questions 1, 2 and 3: According to Par. 401 of *The Book of Discipline of The United Methodist Church 2012*, the bishop has "...responsibility for ordering the life of the Church." Disciplinary Par. 414.1 gives bishops the specific responsibility "To lead and oversee the spiritual and temporal affairs of The United Methodist Church..." Furthermore, disciplinary Par. 415.2 gives bishops the Presidential Duty of providing "general oversight for the fiscal and program operations of the annual conference," which may "include special inquiry into the work of agencies to ensure that the annual conference and general church policies and procedures are followed."

Par. 33, Article II of the Constitution of The United Methodist Church clearly states that "The annual conference is the basic body in the Church...." and "...shall discharge such duties and exercise such powers as the General Conference under the Constitution may determine." In addition, Judicial Council ruling 831 states that an annual conference cannot delegate its authority to a committee.

The bishop acted within the responsibilities and authority given to bishops in The United Methodist Church. The Rules and Structure and the Congregational Loan Program Task Forces were organized and functioned in ways that did not violate the authority and power granted to the annual conference as the basic body of the Church. The annual conference did not delegate its authority to the bishop or the task forces in question assuming all decision-making authority and power over the recommendations brought forth to it by the task forces.

Therefore, these questions are not appropriate requests for a decision of law as defined by Par. 2609.6 of *The Book of Discipline of The United Methodist Church 2012*, and therefore moot.

Questions 4 and 5 address the constitutionality of giving a bishop the responsibility "to lead and oversee the spiritual and temporal affairs of The United Methodist Church," and the duty "to provide general oversight for the fiscal and program operations of the annual conference" as per Par 414.4 and Par. 415.2. of the *Book of Discipline of The United Methodist Church 2012*, respectively. As per Par. 16.5 of The Constitution of The United Methodist Church, only the General Conference has the authority "to define and fix the powers, duties, and privileges of the episcopacy....."

rendering these questions inappropriate requests for a decision of law as defined by Par. 2609.6 of *The Book of Discipline of The United Methodist Church 2012*, and therefore moot.

Respectfully Submitted by Minerva G. Carcaño, Presiding Bishop



The attached document contains the FINAL findings of an engagement requested by the California Pacific Annual Conference and the General Council on Finance and Administration of the United Methodist Church, conducted in the fourth quarter of 2012.

GCFA Final Report

Rev. Matthew C. Conover
Director of Financial Services
General Council on Finance and Administration
for the United Methodist Church
MConover@GCFA.ORG



1 Music Circle North
PO Box 340029
Nashville, TN 37203-0029

July 28, 2013

Bishop Minerva Carcaño
Resident Bishop
Ms. Archana Carey
Treasurer / Director of Finance and Facilities
PO Box 6006
Pasadena, CA 91101

Bishop Carcaño & Ms. Carey:

It has been our pleasure to be able to extend the hands of ministry from the General Council on Finance and Administration to the California Pacific Annual Conference. We sincerely appreciate the hospitality shown by all members of your staffs and thank God for all you do in creating disciples of Jesus Christ to transform the world.

You will find attached our final report. Within the report you will find some closure to issues raised in the preliminary report, as well as some issues that will require more investigation by the Conference leadership.

As previously stated in the preliminary report, we look forward to watching your conference emerge from struggling with financial reporting into becoming a conference that exudes transparency in all of its reporting and transactions that support those reports.

Should you have any questions, feel free to contact us.

Blessings,

Rev. Matthew C Conover
Director of Financial Services
General Council on Finance and Administration
The United Methodist Church
mconover@gcfa.org

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Not for Profit Accounting Slides Presented by GCFA at the November 16, 2012 Meeting	Error! Bookmark not defined.
Preliminary Findings Grid Presented at the November 16, 2012 Meeting	Error! Bookmark not defined.
IRS Form 990 for Frank and Georgia Lynch Funds	Error! Bookmark not defined.

STEPS ALREADY PUT INTO PLACE

We want to expressly thank the staffs of Bishop Minerva Carcaño and Archana Carey for their transparency and willingness to explore the issues set before them.

In response to many of the issues they have encountered prior to 2012, the following steps have already been initiated:

- **New G/L System** – The prior system was run on an outdated DOS platform that was very rigid in nature, and produced reporting that was difficult to understand. California - Pacific has since acquired the Shelby General Ledger system which is specifically designed to handle most church situations, and has a myriad of reporting abilities, including the ability to export data to Microsoft Excel.
- **Reconciling Accounts** – Prior to Ms. Carey’s arrival, an outside consultant was acquired to perform basic checking account reconciliations. This practice was stopped, and all reconciliations have been brought in-house and are performed by the Controller. Previously, no balance sheet accounts, outside of the checking account, had been reconciled. There has been a push by Ms. Carey to get all balance sheet accounts reconciled, and she has made much headway in this area.
- **Monthly Remittances** – Prior to Ms. Carey’s arrival, it appears there was a practice of holding remittances from churches for specific purposes were being held for extended periods of time (including Special Sunday offerings or payments from the churches for pension obligations). This practice has since stopped, and any payments for such remittances are being completed on a monthly basis.
- **Bank Accounts** – Upon her arrival, Ms. Carey found the usage of one bank account for multiple funds, including the undesignated and designated funds, as well as the temporarily restricted funds. This allowed the co-mingling of various funds which presents an internal control risk. Since this time, the conference has established several bank accounts, including:
 - **General Funds** – Undesignated funds
 - **Payroll** – Funding payroll
 - **Designated Funds** – Funds requiring a separate account
 - **Credit Union Account** – Holds the proceeds from the sale of church held assets

WORK COMPLETED

The following is a synopsis of the work completed by GCFA:

- On site engagement:
 - Review of 2011 financial statements
 - Review of 2011 general ledger
 - Review of 2011 preliminary unaudited fund balances
 - Review of Post-Retirement Health Benefits Obligations
 - Review of a pension fund payment in December 2011
 - Review of the Lynch Charitable Remainder Trust
 - Review of some reconciliations started in 2012
 - Issuance of preliminary findings
 - Meeting with Conference leadership concerning preliminary findings

- Post – Site engagement
 - Re-creation of the 2011 ending trial balance
 - General church obligation reviews
 - Valuation of 2011 year end cash balances for individual funds
 - Valuation of 2011 loan or receivable balances for individual funds
 - Fund review and classification
 - Review of the Lynch Fund Form 990's
 - Review of the 2011 audited financial statements
 - Review of the 2011 and 2012 Apportionment Budget
 - Review of the 2011-2012 Post Retirement Health Benefits Valuation
 - Review of several camps reports
 - Status meetings
 - Beginning balance reviews

ENGAGEMENT FINDINGS

The following is a summary of our engagement findings with the California - Pacific Annual Conference:

- 1) 2012 Beginning Balances
- 2) Inter-Fund Transfers
- 3) Fund Account Usage
- 4) General Board of Global Ministry Fund Balances
- 5) General Church Fund Balances
- 6) December 2011 Pension Fund Obligation Payment
- 7) Unfunded Status of Future Retiree Health Insurance Payments
- 8) Lynch Charitable Remainder Trusts
- 9) Auditor Status and Practices

FINDING #1 – BEGINNING BALANCES

One of the primary purposes of the engagement was to develop an opening balance sheet for 2012 (ending balances for December 31, 2011). We used the balances given to us by the external auditors, and made a primary adjustment with the treatment of the Lynch Funds. In summary form, the following is the result of our efforts.

Adjusted Balance Sheet	
California – Pacific Annual Conference	
December 31, 2011	
ASSETS	
Cash	2,837,626.14
Accounts Receivable	685,425.16
Accts Receivable - Apportionments	797,382.92
Lynch Trust	8,905,352.00
Investments	14,061,225.63
Loans Receivable	8,344,892.12
Fixed Assets	2,831,789.49
TOTAL ASSETS	38,463,693.46
LIABILITIES	
Miscellaneous Accounts Payable	(1,490,177.45)
Payables to General Church	(939,832.66)
Pension & Post Retirement Payables	(30,291,707.27)
Lynch Fund Encumbrance	(8,905,352.00)
Mortgage	(385,761.47)
TOTAL LIABILITIES	(42,012,830.85)
TOTAL FUND DEFICIT	3,549,137.39
TOTAL LIABILITIES + FUND BALANCES	(38,463,693.46)

A more detailed Balance Sheet is on the following page.

(Finding #1 Continued)

Balance Sheet											
California - Pacific Annual Conference											
December 31, 2011											
	Unrestricted / Undesignated - General Fund	Unrestricted / Designated					Temporarily Restricted	Permanently Restricted	Total All Funds	Per Audit	Difference from Audit
		Trustees	Congregational Loan	Pensions	Camps	Other Designated					
ASSETS											
Cash	425,030.28	1,148,144.79			553,783.32	710,667.75		2,837,626.14	2,184,601.00	653,025.14	
Receivable from Other Funds	1,161,846.47	3,138,524.58			1,504,734.28	1,942,654.10		7,747,759.43	7,747,759.43	7,747,759.43	
Accounts Receivable			366,571.94	91,895.05	226,958.17			685,425.16	4,235,516.88	(3,550,091.72)	
Accs Receivable - Apportionments	797,382.92							797,382.92	1,097,908.00	(300,525.08)	
Lynch Trust							8,905,352.00	8,905,352.00	8,905,352.00	-	
Endowments											
Investments	405,691.43	1,644,183.14	3,412,795.89		4,275,729.90		3,985,394.38	14,061,225.63	10,893,086.00	3,168,139.63	
Loans Receivable		8,344,892.12						8,344,892.12	8,344,892.12	-	
Fixed Assets	-	2,481,789.49	350,000.00					2,831,789.49	2,858,334.00	(26,544.51)	
TOTAL ASSETS	1,203,074.35	4,406,097.13	3,779,367.83	91,895.05	6,561,205.67	2,663,321.85	12,890,746.38	46,211,452.89	38,519,690.00	7,691,762.89	
LIABILITIES											
Payable to another Fund	(987,403.02)		(3,128,534.69)	(3,631,821.72)				(7,747,759.43)		(7,747,759.43)	
Payables to General Church						(939,832.66)		(939,832.66)	(1,971,800.00)	1,031,967.34	
Pension Payables					(707.27)			(30,291,707.27)	(31,708,000.00)	1,416,292.73	
Lynch Fund Encumbrance							(8,905,352.00)	(8,905,352.00)		(8,905,352.00)	
Misc Payables	(96,982.97)	(190,312.11)	(90,604.55)	(199,801.49)	(801,465.90)	(111,010.43)		(1,490,177.45)	(390,113.00)	(1,100,064.45)	
Mortgage	(385,761.47)							(385,761.47)	(385,761.00)	(0.47)	
TOTAL LIABILITIES	(987,403.02)	(482,744.44)	(33,510,139.24)	(3,831,623.21)	(802,173.17)	(1,050,843.09)	(8,905,352.00)	(49,760,590.28)	(34,455,674.00)	(15,304,916.28)	

(Finding #1 Continued)

	Unrestricted / Undesignated - General Fund	Unrestricted / Designated					Temporarily Restricted	Permanently Restricted	Total All Funds	Per Audit	Difference from Audit
		Trustees	Congregational Loan	Pensions	Camps	Other Designated					
FUND BALANCES () = Positive Balance	(141,504.00)										
General Funds											
88100 PLANT FUND	(141,504.00)							(141,504.00)			
53100 Trustee's Insurance Fund	(2,818,834.00)							(2,818,834.00)			
45100 CONGREGATIONAL LOAN FUND	(1,126,627.00)	(1,126,627.00)						(1,126,627.00)			
40100 BOARD OF PENSIONS		(14,435,433.00)						(14,435,433.00)			
41100 BOARD OF PENSIONS/HIP			(2,889,346.00)					(2,889,346.00)			
61100 PENSION AND OTHER BENEFITS			766,523.00					766,523.00			
85100 CAMP CAPITAL PROJECTS			33,709,679.00					33,709,679.00			
86100 CAMPS DESIGNATED FUNDS				(163,103.00)				(163,103.00)			
84100 CAMP OPERATIONS FUND				3,945,674.00				3,945,674.00			
22100 JUBILEE FUND					(3,311,051.00)			(3,311,051.00)			
16100 Contingency Funds					(1,575,043.00)			(1,575,043.00)			
82100 Strategic Initiatives					(612,050.00)			(612,050.00)			
46100 MOVING EXPENSE FUND					(181,199.00)			(181,199.00)			
27100 NATIVE AMERICAN MIN.					(53,572.00)			(53,572.00)			
48100 Vital Presence Ministries					(49,614.00)			(49,614.00)			
25100 COOP ADVERTISING FUND					(24,905.00)			(24,905.00)			
71100 BISHOP'S SPECIAL FUNDS					(24,360.00)			(24,360.00)			
26100 PACIFIC ISLANDERS/SOMOAN-AMERICAN					(23,656.00)			(23,656.00)			
24100 EMIC CRISIS FUND					(17,312.00)			(17,312.00)			
30100 GOLDEN CROSS FUND					(13,655.00)			(13,655.00)			
21100 PACIFIC ISLANDERS COMMISSION					2,802.00			2,802.00			
28100 New Ministries					41,891.00			41,891.00			
44100 CLERGY SALARY SUPP. FUND					119,595.00			119,595.00			
19100 Designated Funds											
Temp Rest - A/C Offerings								(72,873.84)			
Temp Rest - children								(18,959.23)			
Temp Rest - communications								(5,795.00)			
Temp Rest - Communications								(1,058.48)			
Temp Rest - congregational								(858,562.01)			
Temp Rest - disaster								(126,677.45)			
Temp Rest - discipleship								(27,941.98)			
Temp Rest - ethnic								(137,115.84)			
Temp Rest - Gen Church								(93,633.69)			
Temp Rest - health								(28,894.04)			
Temp Rest - lynch fund								(5,604.54)			
Temp Rest - misc								121,014.76			
Temp Rest - mission								(55,704.17)			
Temp Rest - missions								652.46			
Temp Rest - scholarship								(2,047.02)			
Temp Rest - sexuality								(2,241.78)			
Temp Rest - youth								(108,448.08)			
Temp Rest - pre 2010								(178,588.83)			
40 Remainder Trusts											
40 Endowment Funds								(1,436,501.00)			
40 Endowment Funds								(2,956,018.00)			
Audit Adjustments	(74,167.33)	22,108.31	0.48	(1,856,084.59)	(17,350.84)	(36,903.50)	407,124.62	(1,555,272.85)			
Total Fund Balances () = Good	(215,671.33)	(3,923,352.69)	(14,435,432.52)	29,730,771.41	3,739,728.16	(5,759,032.50)	(1,602,478.76)	3,549,137.39	(4,064,016.00)	7,613,153.39	
TOTAL LIABILITIES + FUND BALANCES	(1,203,074.35)	(4,406,097.13)	(14,625,744.63)	(3,779,367.83)	(91,895.05)	(6,561,205.67)	(2,653,321.85)	(49,760,590.28)	(38,519,690.00)	(11,240,900.28)	

(Finding #1 Continued)

Narrative of the financial condition of the conference:

As can be seen in the above balance sheet as of 2011, the conference was financially in a deficit position in its fund balances. The primary difference between the Balance Sheet presented by the external audit and the above is the treatment of the Lynch Funds. The audited financials posed the Lynch Funds as a receivable, which is incorrect according to several sources we have discussed the situation. The funds should be, instead, treated as an investment, but offset in the liability section as being encumbered. More information regarding the Lynch Funds can be found under Finding # 8.

It should also be noted that there are several funds that now make up the Unrestricted Undesignated Funds, also known as the General Funds. For this category of funds, all funds, at the end of each year, will be liquidated into a category called the General Fund. With that, the funds all start new with any funding each year.

Subsequent events:

- 2012 Annual Conference refunded amounts paid into the Jubilee Funds (over \$3 Million) that exceeded the initial expenses of the fund's purpose. This payment created a larger deficit fund balance, nearly \$6.5 Million.
- During its meeting prior to Annual Conference, the Conference Council on Finance and Administration reviewed the preliminary findings. During their review, several decisions were made as to how to handle the older outstanding fund balances, as well as some of the inter-fund borrowing issues. This will be discussed later in this report.

Recommendation(s):

1. We recommend Cal-Pac prepare a thorough financial & strategic plan which will provide guidance for moving out of a deficit funding position as well as provide for the future growth of the Annual Conference

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #2 – INTER-FUND TRANSFERS

There comes a time in the financial life of many nonprofits in which undesignated funds do not exist to pay for high priority expenses such as payroll. This appears to be the case for the California - Pacific Annual Conference as well. It appears that there had been some transferring from one fund into another fund without the knowledge and subsequent authorization of the fund stakeholders. Ideally, any inter-fund transfers should also carry with it an agreement as to the nature of the amount transferred, designating it as a gift or a loan, and thus if a loan, any interest due during the period of the inter-fund loan.

There have been over 500 transactions in 2011 related to moving funds from one to another. Some, if not most, of these moves may be legitimate in nature. However, when inter-fund transfers start to occur, the stakeholders of these funds become confused as to the amount they actually have available in their funds. Since a majority of those inter-fund transfers supported expenses out of what should be deemed as the undesignated fund; the amounts originally thought to be in these designated funds may not be substantiated with actual cash balances in a bank.

The following is what we have discovered as far as the amount of funds borrowed or loaned to other funds:

Summary of Funds Loaned to or Borrowed From			
Through December 31, 2011			
Funds Owed to (receivable) the following:		Remaining Cash Allocated to:	
Trustees	1,161,846.47	425,030.28	
Congregational Loan	3,138,524.58	1,148,144.79	
Other Designated	1,504,734.28	553,783.32	
Temporarily Restricted	1,942,654.10	710,667.75	
	7,747,759.43		2,837,626.14
Funds required loans from the above:			
General Funds	(987,403.02)	-	
Pensions	(3,128,534.69)	-	
Camps	(3,631,821.72)	-	
	(7,747,759.43)		-

To summarize the above chart, the conference, as a whole, as of December 31, 2011, had a cash balance of \$2.8 Million. The following funds had enough cash and fund assets to loan a total of \$7.7 Million to other funds: Trustees, Congregational Loan, Other Designated, and Temporarily Restricted Funds.

(Finding #2 Continued)

What appears to have happened is the General Fund, the Pensions Fund and the Camps Fund all borrowed \$7.7 Million from the previous list.

This has created a very difficult situation for the conference. In some cases, funds were donated to the conference for a particular stated use; which may not have been followed.

Recommendation(s):

1. An appropriate inter-fund transfer policy needs to be developed and approved to include the following:
 - a. The policy needs to stress the importance of transparency in the manner in which the funds will be transferred.
 - b. An established line of authority needs to be drawn out as to who has the authority to approve such transfers.
 - c. The authorization needs to contain a designation of the transfer being sought. Should the transfer be considered a gift versus a loan? If it is a loan, should interest be charged for the usage of those funds?

- 2.) Until which time all inter-fund borrowing has been re-paid, a liability and receivable should exist on the balance sheet of each of the funds in question.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #3 – FUND ACCOUNT USAGE

During our investigation of the trial balance for the Annual Conference, it appears that there are well over 500 different fund balances; and subsequently each fund balance carried its own asset and liability accounts. It also appears that the methodology in which the balances were shown for internal reporting was unclear as to the nature of each fund (undesignated unrestricted; designated unrestricted; temporarily restricted, or permanently restricted). This left each fund stakeholder questioning if their particular fund would carry funds over from year to year. The co-mingling of funds in the same bank account also added to the confusion.

In totality, it was next to impossible to understand the internal reporting, and how the individual funds fit into the larger, consolidated audited financial statements. Given the unaudited financials for 2011, we have developed a more appropriate fund schema.

The number of individual funds have been decreased from over 500 to 155. Also, within the designation of “Temporarily Restricted Funds” a new subset has been created to group the over 128 fund balances making up the Temporarily Restricted Fund balance. A new list of funds includes the following:

Previous Fund Description	Funding Category	Amount
17100 - Council on Finance and Admin Fund	Unrest - Undesig - NOW General Fund	
18100 - PROF & ADMIN SUPPORT SVCS	Unrest - Undesig - NOW General Fund	
20100 - Connectional Ministries	Unrest - Undesig - NOW General Fund	
32100 - COMMISSION ON RELIGION AND RACE	Unrest - Undesig - NOW General Fund	
33100 - STATUS ROLE OF WOMEN	Unrest - Undesig - NOW General Fund	
34100 - Joint Commission - Church Extension	Unrest - Undesig - NOW General Fund	
39100 - Center for Leadership Excellence	Unrest - Undesig - NOW General Fund	
50100 - DISTRICT SUPERINTENDENTS FUND	Unrest - Undesig - NOW General Fund	(215,671.33)
54100 - BOARD OF TRUSTEES OPERATING BU	Unrest - Undesig - NOW General Fund	
55100 - BOARD OF TRUSTEES	Unrest - Undesig - NOW General Fund	
56100 - EPISCOPAL RESIDENCE FUND	Unrest - Undesig - NOW General Fund	
57100 - SUSTENTATION FUND	Unrest - Undesig - NOW General Fund	
72100 - CONFERENCE DEVELOPMENT OFFICE	Unrest - Undesig - NOW General Fund	
73100 - L.A. EPIS.AREA (GCFA) FD	Unrest - Undesig - NOW General Fund	
76100 - BOARD OF ORDAINED MINISTRY	Unrest - Undesig - NOW General Fund	
78100 - ANNUAL CONFERENCE SESSIONS FUN	Unrest - Undesig - NOW General Fund	
79100 - CONF SECRETARY & JOURNAL	Unrest - Undesig - NOW General Fund	
88100 - PLANT FUND	Unrest – Desig	(3,311,051.00)
53100 - Trustee's Insurance Fund	Unrest – Desig	(1,575,043.00)
45100 - CONGREGATIONAL LOAN FUND	Unrest – Desig	(612,050.00)
40100 - BOARD OF PENSIONS	Unrest – Desig	(181,199.00)
41100 - BOARD OF PENSIONS/HIP	Unrest – Desig	(53,572.00)
61100 - PENSION AND OTHER BENEFITS	Unrest – Desig	(49,614.00)
85100 - CAMP CAPITAL PROJECTS	Unrest – Desig	(24,905.00)

86100 - CAMPS DESIGNATED FUNDS	Unrest – Desig	(24,360.00)
84100 - CAMP OPERATIONS FUND	Unrest – Desig	(23,656.00)
22100 - JUBILEE FUND	Unrest – Desig	(17,312.00)
16100 - Contingency Funds	Unrest – Desig	(13,655.00)
82100 - Strategic Initiatives	Unrest – Desig	2,802.00
46100 - MOVING EXPENSE FUND	Unrest – Desig	41,891.00
27100 - NATIVE AMERICAN MIN.	Unrest – Desig	119,595.00
48100 - Vital Presence Ministries	Unrest – Desig	(163,103.00)
25100 - COOP ADVERTISING FUND	Unrest – Desig	(25,492.00)
71100 - BISHOP'S SPECIAL FUNDS	Unrest – Desig	3,945,674.00
26100 - PACIFIC ISLANDERS/SOMOAN-AMERICAN	Unrest – Desig	(2,889,346.00)
24100 - EMLC CRISIS FUND	Unrest – Desig	766,523.00
30100 - GOLDEN CROSS FUND	Unrest – Desig	33,709,679.00
21100 - PACIFIC ISLANDERS COMMISSION	Unrest – Desig	(14,435,433.00)
28100 - New Ministries	Unrest – Desig	(2,818,834.00)
44100 - CLERGY SALARY SUPP. FUND	Unrest – Desig	(1,126,627.00)
Audit Adjustments	Unrest – Desig	(1,888,230.14)
19124-30105 A/C worship srvc 6/17/10 730pm	Temp Rest - A/C Offerings	(4,504.48)
19302-30105 A/C retirement srvc 6/19/10	Temp Rest - A/C Offerings	(2,144.75)
19404-30105 A/C morning worship 6/20/10	Temp Rest - A/C Offerings	(38,393.99)
19409-30105 A/C ordination srvc 6/20/10	Temp Rest - A/C Offerings	(3,346.06)
19435-30105 WORSHIP CONVOCATION	Temp Rest - A/C Offerings	(4,064.05)
19455-30105 A/C celebration concert 6/18/10	Temp Rest - A/C Offerings	(447.42)
19505-30105 CONVOCATION	Temp Rest - A/C Offerings	(17,853.09)
19759-30105 BISHOP'S APPEAL FOR CST IN 6/06	Temp Rest - A/C Offerings	(2,120.00)
19110-30105 CHILD MIN. SP. PROJ.	Temp Rest – children	(16,856.08)
19134-30105 "for children" offrng 6-22-08	Temp Rest – children	(3,051.80)
19135-30105 SANCTUARIES OF SAFTY	Temp Rest – children	149.27
19139-30105 Preschool weekday school dir	Temp Rest – children	799.38
19112-30105 CCOM TECHNOLOY	Temp Rest – communicaitons	(1,002.66)
19123-30105 PAUMCS CHAPTER GROUP	Temp Rest – communicaitons	(4,451.03)
19140-30105 Telling Our Stories	Temp Rest – communicaitons	(341.31)
19100-30105 IGNITING MINISTRIES	Temp Rest – Communications	(1,058.48)
19114-30105 RANDBURG UMC	Temp Rest – congregational	(60,221.16)
19228-30203 Brawley UMC Filipino Min 12052	Temp Rest – congregational	(15,000.00)

19228-30501 EL MESIAS UMC	Temp Rest – congregational	(69,220.86)
19228-31101 Koreatown LA New Church WJCUMC	Temp Rest – congregational	(25,000.00)
19228-31102 Koreatown UMC, Waipahu HI 12083	Temp Rest – congregational	(40,000.00)
19228-31904 San Diego Korean UMC	Temp Rest – congregational	(2,200.00)
19228-32002 Temecula UMC Korean Min	Temp Rest – congregational	(2,000.00)
19228-32304 Wesley UMC - Honolulu	Temp Rest – congregational	(1,337.78)
19228-32305 Westminster UMC - Vietnam 12054	Temp Rest – congregational	(20,000.00)
19452-49905 BCD - North Glendale UMC sale	Temp Rest – congregational	(159,922.54)
19453-30105 BCD - El Mesias	Temp Rest – congregational	(295,233.00)
19454-30105 BCD - Arleta	Temp Rest – congregational	(166,633.47)
19756-30105 STEWART MEMORIAL	Temp Rest – congregational	(1,793.20)
19402-30105 SLO UMC FIRE	Temp Rest – disaster	5,190.47
19130-30105 Disaster Help AC offerg 6-18-11	Temp Rest – disaster	(5,274.29)
19104-30105 HURRICANE NO ADVANCE NUMBER	Temp Rest – disaster	(29,864.00)
19113-30105 SOUTHERN CALIFORNIA FIRES	Temp Rest – disaster	(37,746.22)
19115-30105 Cal-Pac Mississippi Rebuild	Temp Rest – disaster	(1,427.68)
19121-30105 EMERGENCY DISASTER GRANTS	Temp Rest – disaster	(6,348.64)
19127-30105 Japan Help:A/C offering 6-17-11	Temp Rest – disaster	(3,951.24)
19162-30105 Domstic disastr offrng:6-18-08	Temp Rest – disaster	(4,138.98)
19228-30803 Hawaii Floods 901670	Temp Rest – disaster	(38,375.93)
19325-30105 global disaster offrng 6-20-08	Temp Rest – disaster	(3,264.70)
19401-30105 EMERG. NEEDS	Temp Rest – disaster	(3,886.24)
19431-30105 Flood LA Korean Camp	Temp Rest – disaster	2,410.00
19101-30105 Spirit Quest	Temp Rest – discipleship	(4,881.19)
19102-30105 ADULT & FAM. SP PROJ.	Temp Rest – discipleship	(2,985.16)
19111-30105 Fall Retreat Camp	Temp Rest – discipleship	(300.90)
19118-30105 Lectionary Retreat	Temp Rest – discipleship	(13,723.18)
19125-30105 SINGLES MINISTRY	Temp Rest – discipleship	(3,048.51)
19138-30105 Shalom Zone Reinvestment	Temp Rest – discipleship	36,072.69
19153-30105 BIKE COAST TOUR	Temp Rest – discipleship	(3,207.56)
19154-30105 LEADERSHIP DEVELOPMENT	Temp Rest – discipleship	(2,014.73)
19160-30105 Riverside District Union	Temp Rest – discipleship	(60.00)
19224-30105 MEDIATION SKILLS TRAINING INST	Temp Rest – discipleship	(1,168.02)
19225-30105 CONF DISABILITY MINISTRY COMM	Temp Rest – discipleship	2,543.52
19228-31902 SHALOM SUMMIT	Temp Rest – discipleship	(11,200.00)
19305-30105 DESIGNATED EVANGELISM	Temp Rest – discipleship	(1,953.88)
19306-30205 CONF PWJ COORDINATOR	Temp Rest – discipleship	(12,440.29)
19425-30105 LAY MINISTRY ACADEMY	Temp Rest – discipleship	(11,067.83)
19449-30105 Cal-Pac Abolitionist Conf. T/F	Temp Rest – discipleship	7,120.63
19745-30105 DRUG & ALCOHOL	Temp Rest – discipleship	(5,627.57)

19137-30105 Latin American Property Trust	Temp Rest – ethnic	(13,999.58)
19141-30105 Spanglish	Temp Rest – ethnic	1,701.69
19228-30303 CAMBODIAN YOUTH TRAINING	Temp Rest – ethnic	(20,000.00)
19228-30304 CTR - PACIFIC ASIAN MINISTRY	Temp Rest – ethnic	(50,750.00)
19228-30308 Cal Pac Latino Plan MOB 12065	Temp Rest – ethnic	(50,000.00)
19303-30105 KOREAN MINISTRY COUNCIL	Temp Rest – ethnic	(840.01)
19412-30105 Hispanic Mission	Temp Rest – ethnic	(3,227.94)
19407-30105 CHRISTIAN ED. SUNDAY	Temp Rest - Gen Church	(93,633.69)
19117-30105 AIDS MINISTRY T/F	Temp Rest – health	(28,894.04)
19754-30105 LYNCH FUNDS FOR RETIREES	Temp Rest - lynch fund	(5,604.54)
19116-30105 Bishop Swenson-'07 birthday	Temp Rest – misc	(7,377.50)
19129-30105 LYDIA AND JOE TEMPLETON	Temp Rest – misc	(6,974.99)
19131-30105 Good Samaritan Fund	Temp Rest – misc	(18,000.00)
19150-30105 ADMINISTRATION	Temp Rest – misc	(17,297.92)
19151-30105 IN CONF PROJ.	Temp Rest – misc	(13,731.59)
19152-30105 OUT OF CONF. PROJ.	Temp Rest – misc	(20,266.05)
19220-49903 D. Gara - "Qube" gift	Temp Rest – misc	(153.04)
19228-31602 PARTNER'S PROJECT	Temp Rest – misc	(38,200.00)
19228-31903 STRANGER 173-HO	Temp Rest – misc	(9,050.00)
19228-40204 Big Pine-Center Fire #901670	Temp Rest – misc	(6,000.00)
19230-30105 CHURCH TRIAL	Temp Rest – misc	37,336.89
19231-30105 JULL TRUST	Temp Rest – misc	(1,530.19)
19301-30105 Central conf pension offrng	Temp Rest – misc	(100.00)
19410-30105 Legal Counsel for Redistricting	Temp Rest – misc	(5,085.00)
19413-30105 CAMP LIVING HOPE	Temp Rest – misc	(6,931.62)
19416-30105 COVENANT RELATIONSHIP-P/Y	Temp Rest – misc	(626.95)
19417-30105 SFTJ-LA	Temp Rest – misc	(3,847.11)
19417-30106 SFTJ-SD	Temp Rest – misc	(8,738.26)
19417-30110 SFTJ – OC	Temp Rest – misc	(9,512.69)
19417-49905 STRENGTH JRNY INC-LA	Temp Rest – misc	10,433.39
19417-49909 SFTJ - UNDESIGNATED	Temp Rest – misc	17,882.99
19419-30105 EMLC CONSULTANT	Temp Rest – misc	(2,037.12)
19423-30105 CEDAR GLEN DISTRICT CAMP PROG	Temp Rest – misc	875.00
19443-30105 PRAYER & HEALING	Temp Rest – misc	1,508.93
19600-30105 FUND BALANCE	Temp Rest – misc	(24,709.56)
19700-30105 UMSM	Temp Rest – misc	232.75
Undetermined	Temp Rest – misc	4,185.53
19701-30105 SPECIAL FUND	Temp Rest – misc	(4,376.68)
19707-30105 CONFERENCE HISTORICAL SOCIETY	Temp Rest – misc	(437.04)

19708-30105 WEST JURIS-ARCHIVES & HISTORY	Temp Rest – misc	(207.41)
19752-30105 ARCHIVES - SPECIAL GRANT	Temp Rest – misc	(293.54)
19755-30105 CLERGY MATES	Temp Rest – misc	(3,423.30)
	Temp Rest – misc	(5,216.67)
19762-30105 PRIOR YEAR BALANCE	Temp Rest – misc	(390.73)
Audit Adjustments	Temp Rest – misc	263,074.24
19119-30105 HOPE FOR CHILDREN OF AFRICA	Temp Rest – mission	(21,670.53)
19226-30105 Bible Translation	Temp Rest – mission	(18,547.69)
19228-31401 NEW JERUSALEM MISSION #48	Temp Rest – mission	(15,100.00)
19418-30105 MISSIONAL STEWARDSHIP	Temp Rest – mission	(2,576.46)
19753-30105 ST VOLUNTEERS IN MISSION	Temp Rest – mission	2,190.51
19126-30105 HABITAT FOR HUMANITY	Temp Rest – missions	(1,366.04)
19136-30105 Mission Possible	Temp Rest – missions	3,008.50
19222-30105 nothing but nets offrng 6-19-08	Temp Rest – missions	(990.00)
19132-30105 CST AFRICAN STUDENT SCHOLARSHIP	Temp Rest – scholarship	(953.31)
19403-30105 Grant Hagiya Scholarship Fund	Temp Rest – scholarship	(1,093.71)
19103-30105 SEX EDUC. MATERIAL	Temp Rest – sexuality	(2,241.78)
19105-30105 Youth Ministry Consultant	Temp Rest – youth	(4,582.00)
19106-30105 YOUTH LEADERSHIP SEMINAR	Temp Rest – youth	(231.67)
19108-30105 YOUTH WORKER ACADEMY	Temp Rest – youth	(3,225.22)
19109-30105 YOUTH MINISTRY SUNDAY	Temp Rest – youth	(49,763.21)
19120-30105 YOUTH ALIVE	Temp Rest – youth	(6,938.77)
19122-30105 YOUTH OFFERING	Temp Rest – youth	(300.00)
19128-30105 YOUNG ADULT CONVENTION	Temp Rest – youth	301.47
19164-30105 WINTER RETREAT	Temp Rest – youth	(5,428.69)
19216-30105 CEDAR GLEN CONF CAMP PROGRAMS	Temp Rest – youth	(6,140.10)
19227-30105 URBAN KIDS CAMP	Temp Rest – youth	(24,060.44)
19414-30105 ROCK ART CARAVAN	Temp Rest – youth	(967.45)
19415-49905 HUB Insurance - Youth Project	Temp Rest – youth	(7,100.00)
19761-30105 Clippers Basketball	Temp Rest – youth	(12.00)
Pre 2010 Temp Rest		
19228-30101 AALM GRNT 4 ANAHEIM VIETNAM/ENG	Temp Rest – congregational	(21,000.00)
19228-32301 W-438 1ST KOREAN UMC OF LA	Temp Rest – congregational	2,000.00
19228-32302 WESLEY UMC - SAN DIEGO	Temp Rest – congregational	(17,400.00)
19228-32303 W-422 PACIFIC KOREAN UMC	Temp Rest – congregational	(3,333.00)
19228-30202 BELLFLOWER FILIPINO UMC	Temp Rest – congregational	(7,466.37)
19228-30306 CHULA VISTA UMC	Temp Rest – congregational	(10,000.00)
19228-31201 LINDA VISTA UMC	Temp Rest – congregational	5,000.00

19228-30701 GUAM TYPHOON PONGSONGA	Temp Rest – disaster	(50,200.00)
19228-31901 SUPER TYPHOON PAKA	Temp Rest – disaster	(31,600.00)
19228-30102 ACTION 4 PEACH W/UMC SOC PRI	Temp Rest – discipleship	(17,300.00)
19228-30302 COVENANT DISCIPLESHIP #141	Temp Rest – discipleship	(6,800.00)
19228-32001 TRANSGENERATIONAL MIST 98-2	Temp Rest – discipleship	43,000.00
19228-30702 GBGM - LINDA VISTA VIETNAM MIN	Temp Rest – ethnic	(10,000.00)
19228-30703 GBHEM-ENGLISH/ASIAN INTERNSHIP	Temp Rest – ethnic	(5,000.00)
19228-30801 HACIENDA HEIGHTS KOREAN	Temp Rest – ethnic	6,000.00
19228-30901 INDO-CHINESE CAUCUS OF UMC	Temp Rest – ethnic	(12,800.00)
19228-31202 LEADERSHIP SEM INDO CHINESE-AM	Temp Rest – ethnic	(5,999.00)
19228-31301 METH THEOL 2 KOREA-AMER PASTOR	Temp Rest – ethnic	730.00
19228-31601 PACIFIC ISLANDERS NAT'L CAUCUS	Temp Rest – ethnic	1,157.03
19228-30305 CAMBODIAN AMERICAN UMC	Temp Rest – ethnic	(18,000.00)
19228-32701 50TH BRAVO TEST	Temp Rest – misc	(5,000.00)
19228-30301 CHAMORRA - OUR LIFE	Temp Rest – misc	(7,950.00)
Undetermined	Temp Rest – misc	(14,700.00)
19228-31302 MISCELLANEOUS	Temp Rest – misc	8,072.51
Endowment Funds	Permanently Restricted	(3,985,394.38)
	Total All Funds	3,549,137.39

Recommendation(s):

- 1.) The key stakeholders should be given short easily understandable reference materials as to the nature of fund accounting and the funds themselves (undesignated unrestricted; designated unrestricted; temporarily restricted, or permanently restricted).
- 2.) A policy should be developed as to the nature and usage of specific funds; as well as an overarching policy regarding fund accounting in general. The policy should address:
 - a. Guidance as to the determination of the fund category in which new funds should be accounted.
 - b. Guidance as to the determination of the usage of other balance sheet accounts (assets or liabilities) for each fund.
 - c. The origin and types of income allowed in each fund.
 - d. The origin and types of expenses allowed in each fund.
 - e. The disposition of any residual or deficit spending for each fund at the end of the year.
 - f. Future plans for balances in reserves.

- 3.) A review of the new chart of accounts in the Shelby System should be conducted to assure adherence to the above generated policies.
- 4.) We recommend Cal-Pac obtain legal advice as to the California and Hawaii laws for non profit organizations regarding the possibility of the write off of some of the older stagnant funds.
- 5.) We recommend Cal-Pac, in its chart of accounts; establish one fund specifically for all of the older, stagnant funds in which to account for them all within that one fund. Until legal advice is sought, **it is our recommendation NONE of the accounts be written off at this time.** Instead, the establishment of a separate fund balance and accompanying liability which will have to be maintained within Shelby, but detailed on a separate MS Excel sheet, is recommended. Only once the legal advice is obtained as to the treatment of these funds should any fund be written off.

This is contrary to the CFR discussion at Annual Conference in which several accounts were to be written off and inter-fund borrowing was paid off in the general fund.

- 6.) We recommend Cal-Pac retain a firm (and our speculation Cal-Pac may be required by law to conduct) to review records from 2011 to determine the following:
 - The value of funds sent to the conference from its churches for the express usage for special Sundays or other general church funds. Along the same lines, the firm needs to determine the value of the funds actually sent to the general church; thus determining the balance due to the general church.
 - The value of funds sent to the conference from its churches for the express use of paying pensions, as well as the amount paid or designated to be paid to the General Board of Pension and Health Benefits.
 - The value of funds received for various grants from other general agencies that remain as a fund balance in the general ledger.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING # 4 - GENERAL BOARD OF GLOBAL MINISTRY FUND BALANCES

During our investigation of the trial balance for the Annual Conference, it appears that there are 41 funds representing over \$592,000 which appear to be designated funds from GBGM grants. Of those 41 funds, 38 of them had no activity in 2011. The listing of these funds and amounts are as follows:

Items with NO activity in 2011:

19228-30101 AALM GRNT 4 ANAHEIM VIETNAM/ENG-P/Y	(21,000.00)	
19228-30102 ACTION 4 PEACH W/UMC SOC PRIN - P/Y	(17,300.00)	
19228-30201 BALDWIN PARK UMC - P/Y	(14,700.00)	
19228-30202 BELLFLOWER FILIPINO UMC - P/Y	(7,466.37)	
19228-30203 Brawley UMC Filipino Min 12052 -P/Y	(15,000.00)	
19228-30301 CHAMORRA - OUR LIFE - P/Y	(7,950.00)	
19228-30302 COVENANT DISCIPLESHIP #141 - P/Y	(6,800.00)	
19228-30303 CAMBODIAN YOUTH TRAINING - P/Y	(20,000.00)	
19228-30304 CTR - PACIFIC ASIAN MINISTRY - P/Y	(50,750.00)	
19228-30305 CAMBODIAN AMERICAN UMC - P/Y	(18,000.00)	
19228-30306 CHULA VISTA UMC - P/Y	(10,000.00)	
19228-30501 EL MESIAS UMC - P/Y	(69,220.86)	
19228-30701 GUAM TYPHOON PONGSONGA - P/Y	(50,200.00)	
19228-30702 GBGM - LINDA VISTA VIETNAM MIN-P/Y	(10,000.00)	
19228-30703 GBHEM-ENGLISH/ASIAN INTERNSHIP-P/Y	(5,000.00)	
19228-30801 HACIENDA HEIGHTS KOREAN - P/Y	6,000.00	
19228-30803 Hawaii Floods 901670 - P/Y	(38,375.93)	
19228-30901 INDO-CHINESE CAUCUS OF UMC - P/Y	(12,800.00)	
19228-31101 Koreatown LA New Church WJCUMC- P/Y	(25,000.00)	
19228-31102 Koreatown UMC, Waipahu HI 12083-P/Y	(40,000.00)	
19228-31201 LINDA VISTA UMC -P/Y	5,000.00	
19228-31202 LEADERSHIP SEM INDO CHINESE-AM-P/Y	(5,999.00)	
19228-31301 METH THEOL 2 KOREA-AMER PASTOR-P/Y	730.00	
19228-31302 MISCELLANEOUS - P/Y	8,072.51	
19228-31401 NEW JERUSALEM MISSION #48 - P/Y	(15,100.00)	
19228-31601 PACIFIC ISLANDERS NAT'L CAUCUS-P/Y	1,157.03	
19228-31602 PARTNER'S PROJECT - P/Y	(38,200.00)	
19228-31901 SUPER TYPHOON PAKA - P/Y	(31,600.00)	
19228-31902 SHALOM SUMMIT - P/Y	(11,200.00)	
19228-31903 STRANGER 173-HO - P/Y	(9,050.00)	
19228-31904 San Diego Korean UMC - P/Y	(2,200.00)	
19228-32001 TRANSGENERATIONAL MIST 98-2 - P/Y	43,000.00	
19228-32002 Temecula UMC Korean Min - P/y	(2,000.00)	
19228-32301 W-438 1ST KOREAN UMC OF LA - P/Y	2,000.00	
19228-32302 WESLEY UMC - SAN DIEGO - P/Y	(17,400.00)	
19228-32303 W-422 PACIFIC KOREAN UMC - P/Y	(3,333.00)	
19228-32304 Wesley UMC - Honolulu - P/Y	(1,337.78)	
19228-32701 50TH BRAVO TEST - P/Y	(5,000.00)	
	(516,023.40)	

Items with Activity in 2011:

19228-30308 Cal Pac Latino Plan MOB 12065 - P/Y	(25,000.00)	
19228-40308 Cal-Pac Latino plan mob#12065 - inc	(25,000.00)	
19228-40204 Big Pine-Center Fire #901670 - inc.	(16,000.00)	
19228-50204 Big Pine-Center Fire #901670 - exp.	10,000.00	
19228-32305 Westminster UMC - Vietnam 12054-P/Y	(20,000.00)	
19228-42305 Westminster UMC-Vietnam MOB #13110	(20,000.00)	
19228-52305 Westminster UMC Vietnam MOB # 13110	20,000.00	
	(76,000.00)	
	(592,023.40)	

The General Board of Global Ministries was contacted regarding the balances contained in the preliminary report. GBGM was unable to discern if any of the fund balances were indeed from their agency. They were also unable to discern whether any of the funds had any restrictions or stipulations as to the usage. Therefore, it has been determined not all of the balances previously thought to have been sourced from the General Board of Global Ministries were indeed from GBGM.

As to the activity (or more appropriately, inactivity) of the funds listed, a detailed analysis of the funds has been completed by the Conference Staff. The analysis, unfortunately, was unable to put finality to the answer if there had been any unrecorded activity in these funds. With that, it would be prudent the funds as stated continue to be carried at the stated value, as there are no other records stating otherwise. Upon investigation, these items were incorporated into the category of "Temporarily Restricted". The balances were also investigated as to the latest activity within each fund. With this, the "Temporarily Restricted Fund" was divided into more broad sub-funds, extracting, among them, all funds with balances that had been stagnant prior to 2010. One of the sub-funds was deemed "Pre-2010 Balances" and is listed as such. Please see Finding #2 above for a new list of the funds and their balances.

Recommendation(s):

No other recommendations are required here outside of the adoption of the balances in Items #2 & #3 above.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #5 – GENERAL CHURCH FUND BALANCES

During our investigation of the trial balance for the Annual Conference, it appears that there are several funds specified as being directly related to funds remitted to the Annual Conference that should have been subsequently remitted by the Annual Conference to GCFA for items such as Special Sundays and Advance Specials.

One of the recommendations in the preliminary report was to perform, “A reconciliation of the remittances by the conference compared to the receipts held at GCFA completed for the 2011 remittances.” A review was completed, and the results were inconclusive. We were simply able to discern that all payments sent to GCFA were indeed credited to the Annual Conference. The review that would conclusively be able to discern the absolute balances due to the general church would be to perform a very detailed analysis of the amounts sent from individual churches to the Annual Conference, and thus should have been sent on to GCFA. With the absence of this, it is impossible to determine the liability remaining to the general church.

Accounts Payable to the General Church		
California - Pacific Annual Conference		
Through December 31, 2011		
20018	PEACE W/JUSTICE (WR ORD)	(2,403.17)
20020	NATIVE AMERICAN AWARENESS	(408.42)
20025	AFRICA UNIVERSITY	(9,942.63)
20101	WORLD SERVICE	(342,224.14)
20102	GENERAL ADMINISTRATION	(39,761.94)
20104	INTERDENOMINATIONAL COOP.	(9,578.62)
20105	EPISCOPAL FUND / ACCOUNTS PAYABLE YEAR END / Accounts Payable	(94,131.79)
20106	MINISTERIAL ED. (75%)	(83,493.50)
20107	Global Aids Fund	(137.22)
20108	BLACK COLLEGE	(46,948.78)
20109	WORLD ADVANCE	(3,182.68)
20110	NATIONAL ADVANCE / ACCRUED VACATION PAYABLE	(7,518.80)
20111	U.M.C.O.R.	(8,574.90)
20112	WORLD SERVICE SPECIALS	(415.00)
20113	YOUTH SERVICE FD.(30%)	(1,864.71)
20114	U.M.STUDENT DAY	(7,099.80)
20115	ONE GREAT HOUR	(7,803.49)
20116	WORLD COMMUNION SUNDAY	(170,196.76)
20118	HUMAN RELATIONS DAY	(477.39)
20120	CONF ADV SPCLS (SUB 17)	(103,668.92)
	Total	(939,832.66)

Recommendation(s):

It is highly recommended the Annual Conference possibly obtain professional assistance in conducting this detailed review. It cannot be stressed enough that this review is not being recommended based on the amount owed to the general church, but is recommended based upon the amount provided by local churches to the Annual Conference in trust (over \$930,000), to send on to the general church.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #6 - DECEMBER 2011 PENSION FUND OBLIGATION PAYMENT

During the course of 2011, remittances of direct billings to churches for the payment of their share of the pension obligation were accumulated in an interest bearing account, as had been the practice for some time. The remittance to the General Board of Pension and Health Benefits had typically made during the last month of the year. In 2011, there appeared to have been a shortfall of the amount of the pension obligation liability needing to be paid to GBoPHB. The total obligation had been \$4,040,110. The churches sent in remittances of \$3,572,277, or \$467,833 short of the amount needed to pay the full obligation. Before the full amount of the remittances was known, it appears that the Conference Board of Pensions authorized a withdrawal of \$1,000,000 from the interest the remittances had been earning over the last several years; as well as a withdrawal of \$100,000 from a fund that is used for special needs of the conference.

The conference subsequently paid the amount of the remittances to the GBoPHB (\$3,572,277) and used \$467,833 of the amount deposited by the Conference Board of Pensions to pay the rest of the obligation for 2011. The issue at hand seems to be what happened to the remaining \$632,167 the Conference Board of Pensions transferred to the annual conference general fund.

We would contend the full amount of the interest acquired over the years on earnings of church remittances is undesignated unrestricted funds, and thus can be used by the conference for any purpose. Without investigating prior years, there may have been a shortfall of pension obligations prior to 2011, which may have been satisfied by withdrawals out of apportioned funds.

Either way, we do not see that a receivable / payable relationship should exist between the Conference Board of Pensions and the Annual Conference itself, respectively.

Recommendation(s):

No actions are required outside of communication of the above findings to both the CFR and the Conference Board of Pensions.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #7 - UNFUNDED STATUS OF FUTURE RETIREE HEALTH INSURANCE PAYMENTS

As of the end of 2011, the post-retirement health benefit liability was decreased from \$65,233,000 to \$30,291,000. The reasoning behind the significant decrease, according to the actuarial study, was primarily the participation rate for the benefits dropping from 90% to 33%.

According to the Audited Financial Notes, there are no assets as of 2011 to fund the \$30.2 Million liability. Although the conference has been able to keep up with yearly requirements to date, since this liability exists, future annual payments will start growing significantly as the retirement age of the pastors the fund represents gets closer. This amount will create a substantial financial stress upon the conference.

Recommendation(s):

- 1.) A conversation needs to take place between the Conference Treasurer, the Pensions Officer and the Actuary regarding the significant decrease in the liability. The Pensions Officer and Treasurer should both understand the impact of the change in the number of future benefits recipients, and the implications for the Annual Conference.
- 2.) It is recommended (although not required by FASB) in future financial statement presentations to note any significant change in the assumptions made for the valuation of the post retirement benefits liability.
- 3.) It is recommended the Pensions Board and the Conference Council on Finance and Administration meet jointly at least once each year to discuss matters relating to pensions and post retirement benefits and their impact to the financial health of the conference.
- 4.) A combination of one, two or all three of the following must be considered as soon as possible:
 - a. The funding needs to be raised from the churches to cover the amount of the obligation.
 - b. The retirees having benefitted from the plan will have to increase the amount they pay into the plan.
 - c. The benefits of the plan need to be lowered to match the amount of funding.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #8 – LYNCH CHARITABLE REMAINDER TRUSTS

An Accounts Receivable resides on the 2010 audited financial statements in the amount of \$9,389,512 representing the corpus of the two Charitable Remainder Trusts from Frank and Georgia Lynch. The corpus of the trusts will, as we understand, not be transferred to the Annual Conference until the death of a nephew of the couple. Until that time, the corpus will remain with the trusts. Also, until that time, interest from the trusts is being used to fund special payments to retired pastors of the Annual Conference, thus creating a quasi-pension fund.

There are several issues with the presentation, administration and future usage of the trusts:

- 1.) The trust should not be stated as an accounts receivable on the Annual Conference's financials. The full amount may or may not be realizable, and it is not fully known how much the future expenses of the trust will be between now and the day the trust passes to the conference. Should the trust be correctly stated on the balance sheet of the conference, it should be shown as a Restricted Investment with a corresponding liability for the present value of future payments made out of the trust, including payments to any heirs, commissions to investment advisors, expenses of the trust, as well as payments to retirees.
- 2.) The full amount of the trust is shown as an offset to the funded (or unfunded) status of the pension plan. There are a couple of items of concern with this...
 - a. It is still not certain if the full amount will be realizable.
 - b. If currently, interest income generated from the fund is used to make payments to current retirees, will this practice continue once the fund is in the hands of the conference? If the practice will continue, it may be argued that the full amount cannot be used as a funding source for the, (lack of better terms) "official" pension plan administered by the General Board of Pension and Health Benefits.
- 3.) It is not known if the funds are invested according to the social principles of the United Methodist Church. Should one argue that there is no control over the way in which the fund is invested; the argument could be made if we have no control over the investment, should it be shown on the balance sheet of the conference at all?
- 4.) After looking at the IRS Form 990 for each fund, it appears that the Frank Lynch fund is experiencing a significantly higher rate of return than the smaller Georgia Lynch fund.
 - a. The Frank Lynch fund has \$18.8 Million in assets at fair market value (of which only 40% will eventually go to the California – Pacific Annual Conference) on which they earned \$1.981Million in Capital Gains, or approximately 10.5%; (Expenses to administrate the trust by Union Bank totaled \$122,535 or 0.65% of the fair market value).
 - b. The Georgia Lynch fund has \$5.4 Million in assets at fair market value (of which only 40% will eventually go to the California – Pacific Annual Conference) on which they earned \$207,389 or approximately 3.8%; (Expenses to administrate the trust by A. Wright totaled \$39,153 or 0.73% of the fair market value)

(Finding #8 Continued)

c. Why is there such a difference in earnings as well as administration fees?

Recommendation(s):

- 1.) Further study into all of the above issues needs to be conducted.
- 2.) Possible consultation with the treasurer of the Dakotas' Annual Conference may be advisable as they, too, have received a portion of the trust from the Lynch's.
- 3.) The intent of the fund needs to be solidified, and future usage after the transfer of the fund should be finalized.
- 4.) A relationship with the respective funds trustees should be built.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FINDING #9 – AUDITOR STATUS AND PRACTICES

With all of the above findings, the California - Pacific Annual Conference received what is known as an “unqualified” opinion on its audit for 2010. There appear to be too many irregularities and concerns as stated in the above seven preliminary findings that had not yet been addressed by the current auditors. Upon further investigation into the audit firm of Macias Gini & O’Connell, LLP, they pride themselves in being “Proud to be Boring Accountants.” (We encourage you to visit their website, www.mgocpa.com, for more information.)

Furthermore, to assist in the preparation of their services for their nonprofit clients, they rely heavily on the resources of BDO Seidman, LLP, and their Institute for Nonprofit Excellence. What this means is that they may lack in expertise of nonprofit clients, and thus need to have to draw on their relationship with BDO Seidman for questions regarding nonprofits.

Recommendation(s):

- 1.) Further study of auditors, their practices, and possible selection of a replacement firm is required.

Finding Assignments:

Assigned to: _____ **Date of Response Required:** _____

FURTHER NEXT STEPS AND FOLLOW UP:

Upon investigation of the conference website, there are no references to the past years' financial statements, or audits. As an initial sign of transparency, it is recommended that the 2010 and 2011 audited financial statements be posted on the conference website.

The CFR should develop a model in which the findings, recommendations and actions required are prioritized and benchmarked in order to assure appropriate accountability.

California-Pacific Conference of The United Methodist Church

Episcopal Address

June 13, 2013

Bishop Minerva G. Carcaño

Beloved Brothers and Sisters, grace and peace to you in the name of our Lord, Christ Jesus. You have been a blessing to my life and ministry for such a long time. Being part of our connectional United Methodist family has allowed me to be in relationship with so many of you since I was a young person. Over the years you have been an inspiration to me, you have encouraged my discipleship and strengthened my efforts to be faithful to Christ Jesus. You have been a part of my life for the great majority of the years of my life, but never did I imagine that one day I would be sent forth to be your episcopal leader. It is such a privilege and undeserved honor to be able to say today that I am the bishop of the California-Pacific Conference of The United Methodist Church. I pray every day that I may lead you faithfully and always with a servant heart. I also pray that you will know what a critical member of the United Methodist connection you are.

Two Sundays ago I was preaching at our Rialto church on the occasion of their 125 anniversary of ministry. I was amazed by the cultural and racial diversity of the congregation. When I commented on the beauty of their diversity and the integrity of their love for one another, some of their leaders shared with me that a few years ago you recognized them as the most diverse congregation in the conference. I told them that if they were the most diverse in this conference then they were surely the most diverse in all of The United Methodist Church, because I have never seen a conference with more commitment to being an inclusive church than this conference. You are a wonderful witness of God's love for all God's people, and I thank God for you. Some of you have attempted to temper my enthusiastic bragging on you by telling me that there are still struggles in the conference in your efforts to be inclusive, but even that tempering only affirms for me that your commitment to being the inclusive church that Christ calls us to be is real and strong.

Over these 9 months that I have been blessed to be with you I have also come to so value your missional spirit. From our smallest church to our largest, your love for God's world is expansive and grace filled. I have seen you feeding the hungry, ministering to the outcast, and reaching around the world to support ministries in Russia, Africa, Asia and Latin America. When there have been natural catastrophes in this country and other places, like the Sandie Storms and forest fires in the communities where we serve, you have responded through second and third miles gifts, through your prayers, and through your presence as you have volunteered to care for victims and clean up neighborhoods, here and all the way across the country and beyond.

Your work with our immigrant brothers and sisters is the best organized and most extensive immigrant ministry in any conference that I have ever seen.

Our young people are amazing! I have had the opportunity to be with them at three different events since September and each time I have been so blessed. I know that you join me in being very proud of our young people. I have met with young people committed to being Transformers, gathering to learn skills for overcoming violence and bullying in the settings where they are called to be disciples of Jesus the Christ. As transformed sons and daughters of God they are living transformed lives and challenging all that stands against the values of the love and justice of the reign of God. I believe that our Spanglish Camp is raising up the very leaders who will help us overcome our decades of drought in our ministry efforts with Hispanic/Latino people. I have every confidence that the youth who attend and are leading our Spanglish Camp will become key leaders in our achieving the goals of our conference Hispanic/Latino Ministry plan.

Our United Methodist Women, so ably led by Leanne Nakanishi and her team of officers, out of their strong historic legacy continue to lead us in missions. They are tackling such issues as human trafficking, domestic violence, climate change, and immigration all hand in hand with intentionally and diligently helping women grow spiritually. Our United Methodist Men, led by Bob Devine continue to nurture young men through Scouting, pray for all of us through their ministry of prayer advocacy, and undergird the many ministries of our local churches through their leadership and service.

Our laity in general represents a core of leaders who would make any bishop proud. They are so very well led by Phil and Connee Freeman, our conference co-lay leaders, and disciples of such grace and Christian love, that they inspire others to serve Christ Jesus. They lead a mighty team of mature Christian leaders through a Laity Council. I am so grateful that we can depend on them to help provide training for the laity in a peer to peer relationship. I am also encouraged by their commitment to the growth of vital congregations among us, particularly now through our mission areas.

I hope you will join me in extending thanks to God for those past and present who have labored for 100 years to make sure that students on the campuses of colleges and universities all over this country would know that the church accompanied them as they prepared to live their lives in faithfulness to God. Among these faithful are the six campus ministries of this conference. As you see our campus ministers and other leaders of our campus ministries at this conference please make sure and thank them for the good work in our behalf.

Thanks be to God also for the 100th anniversary of Filipino-American ministry in The United Methodist Church. A special joy for us is that so many of the servant leaders who have guided this ministry faithfully and fruitfully over the years have come from the California-Pacific Conference.

As I have reflected on the work of our local congregations a joyful memory keeps surfacing for me. At the 2011 Council of Bishops fall meeting I recall the bishops of the Western Jurisdiction celebrating the fact that several of our conferences in this jurisdiction surpassed the national average among our United Methodist conferences for having “vital” congregations as defined by the Vital Congregations Project. I have certainly seen those vital congregations in our conference. They are the congregations that are

.....**growing disciples** in faith and fruitfulness. (Galatians 3:28)

.....**involving people** in life-giving ministries. (Matthew 28:18-20)

.....**engaging disciples** passionately in seeking justice and mercy. (Micah 6:8, Luke 4:17-21)

.....**giving generously** to the work of God’s mission and ministry in the world.
(2 Corinthians 9:10-12)

(Our United Methodist Vital Congregations Project’s definition of vitality.)

A little more than 25% of our California-Pacific Conference congregations make the list for being vital. I am committed to leading us so that each year the number of vital congregations in our conference grows. The learnings of the clergy and laity who are at the forefront of our already vital congregations will be critical information as we work connectionally toward greater faithfulness. I thank God for these clergy and lay leaders and will be inviting them to a significant role in helping us lead this conference into God’s preferred future for us.

I do want to also affirm the fact that we have a dedicated Cabinet of wise and committed servant leaders, as well as a gifted conference staff that will only become more diverse in gifts and grace as we move into the new conference year. Together with all of you we can help this conference grow in every good way so that we can serve Christ that much more! In our discipleship in the name of Christ Jesus we shall find our greatest blessings. The opportunities are immense. Thank you for sharing your hopes with me.

You have also shared with me some of the challenges we face. It is apparent to me that perhaps the most critical challenge we face as a conference is a financial situation that has been complex and difficult. At moments this financial situation has felt as if it has had a strangle hold

on our ministry. I realize that this serious concern has weighed heavily upon your hearts, as it has upon my heart, but God is good and faithful.

This past October when it seemed that our financial situation was beyond our understanding or control, in consultation with our Treasurer, Archana Carey, I requested the assistance of our General Council on Finance and Administration. Our GCFA General Secretary, Moses Kumar, did not hesitate. Rather he immediately said that he and his staff would do all they could to help us and for as long as it took. Brother Kumar assigned a team to work with us last October and they are still working with us. Allow me to share what we have learned through the help of our GCFA.

A primary request of the GCFA was that they would assist us in developing an opening balance sheet for 2012. From this financial analysis we learned that our annual conference ended calendar year 2011 with a \$3,549,137.39 deficit. How did we stay afloat through this deficit? Funds were transferred from one fund into another fund without the knowledge or authorization of the fund stakeholders. The GCFA team was able to determine that over 500 transactions moving funds from one to another occurred in 2011 leaving some accounts without actual cash balances in the bank. Specifically, expenditures related to our general fund, pension obligations, and camps depended on funds being transferred to cover them from our Trustee funds, Congregational Loan funds, other designated funds, and our temporarily restricted funds. GCFA rightfully recommends that we prepare a thorough financial and strategic plan to lead us out of a deficit funding position as well as provide for the future of the conference.

In addition, GCFA enabled us to see that we had a very inadequate accounting system with hundreds of different fund balances without a clear definition of the nature of each fund. To further complicate matters there was a comingling of funds in the same bank account. All of this made it extremely difficult to understand our internal reporting and how the individual funds fit into the larger, consolidated audited financial statements. GCFA completed an analysis of our funds and helped our Treasurer and her staff to organize them into categories that reduced them to 155. Our Treasurer and her staff are now working closely with GCFA in mapping these accounts to the new chart of accounts in our Shelby System so that a seamless transfer of balances from the old accounting system to the new can take place. Each fund is now under an appropriate funding category, such as the general fund, the designated fund, and the temporarily restricted fund. Among the work that is pending is that of providing clear information on each of the funds themselves, and developing policies about the nature and usage of specific funds.

Another GCFA finding is that there seem to be designated funds from grants from the General Board of Global Ministries for which there is unclear information. It is not clear whether they were disbursed or not. Our Council on Financial Resources with the help of staff is combing through these accounts to determine whether they were disbursed. Thus far, it appears that for the most part these funds were disbursed, but from the general fund without the appropriate transfer of grant funds to cover those disbursements.

Unfortunately I must also report that some funds collected from local churches for Special Sundays and Advance Specials may not have all been submitted to GCFA. A review of such funds was inconclusive but it was determined that all payments related to Special Sundays and Advance Specials sent to GCFA were credited to the conference. We will continue to work on this critical review.

Finally, in 2011 some of our local churches failed to pay their full pension obligation. The shortfall this created was \$467,277. The pension obligations owed by the churches of the conference were paid in full to the General Board of Pensions and Health Benefits, through actions taken by our conference Board of Pensions. This allowed our clergy pension accounts to remain intact and fully funded. However, in the process a comingling of pension and general funds occurred. Our Council of Financial Resources and our Board of Pensions have been made aware of this situation and are working together to rectify this matter.

Throughout the months of working with the GCFA, and at the rendering of each of the reports we have received along the way I have asked the critical question of whether in reviewing our books they have found any malfeasance. The answer has been that malfeasance has not been found in the review of our 2011 financial records. What was found was an inadequate accounting system, the lack of clear financial policies, and the absence of appropriate checks and balances.

We owe an enormous debt of gratitude to our GCFA. I am also grateful for the leaders of our conference CFR, Board of Pensions, Navigation Team, Cabinet, Human Resources office, and of the laity who with me and our Treasurer have received the reports from GCFA and readily begun to work on addressing the matters raised in these financial reports. The chair of our CFR and our Treasurer will at this session of the annual conference bring reports of the actions they have already taken and others they propose for the next annual conference year. They will also report a much more positive financial standing in 2012 for the California-Pacific Conference. For all this work and for the first fruits of the labor of many we give God thanks.

So where do we go from here? We continue to serve Christ Jesus faithfully. We address our financial situation head on knowing that God is with us. We commit to being the church in this place and in this day and age. In it all I believe that as the California-Pacific we are, by the grace of God, strategically located to do great things for the glory of God. We serve in one of the most populated and most diverse regions of the country. There is no lack of opportunity for us to be the people of God and disciples of Jesus Christ, proclaiming good news, being a healing balm in a hurting world, helping to bring joy to the world, pointing to a hopeful day when grace, mercy, justice and peace will abound.

We are a conference on the border of this country and the country of Mexico; a border of great cultural and natural beauty but one of much economic disparity as well; a border that is today being marked off by walls that will shape a culture of isolationism, fear and hatred if we allow these walls to stand. Through the wonderful work that you have already done to be in relationship with our brothers and sisters of the Methodist Church of Mexico we can, however, help chart a different and better course for humanity in this corner of the world.

We are also among the conferences of United Methodism that serve on the Pacific Rim of this country with the missional opportunity to lead The United Methodist Church into living its global nature. And there is one more thing. At this annual conference session you will hear that your Navigation Team with the support of your Council on Financial Resources believes, and I believe with them, that in spite of what on the surface seems to be our financial limitations, you are a people of generous heart and incredible faith. They will be inviting you to help us do our part in our United Methodist effort to overcome that disease of poverty that we know as malaria; a disease that every minute unnecessarily takes the life of too many precious little children, pregnant women and others on the continent of Africa. I pray that you will boldly with our United Methodist conferences across our great connection, Imagine No Malaria in the world through our prayers, our efforts, and our gifts.

We are the people called United Methodists. We trust in the faithfulness of our firm foundation, Christ Jesus our Lord. To Him be all honor and glory.

TREASURER, CONFERENCE / FINANCE AND FACILITIES

Do not forget my teaching, but keep my commands in your heart, for they will prolong your life many years and bring you peace and prosperity. Proverbs 3:1-2 (NIV)

A year full of activities, challenges, learning, teaching and a year FULL of God's grace – my cup overflows with gratitude. I write this report with a joyful heart because God is good and he has done marvelous things in the life of our conference. Let us begin with the finances first:

Many of you recollect the communication that went out in late 2011 and in the first quarter of 2012 about the financial health of our conference. The Council on Financial Resources (CFR) along with the Expanded Navigation Essential Ministry Team worked hard to address this issue. As a result the existing budget (2012) was reallocated as a measure to cut expenses and not end in a deficit. Well, it worked!

With the new accounting system in place, we were able to track and monitor both income and expenses vigorously. I am pleased to report that 2012 ended with some surplus attributed to freezing director level positions and cutting expenses. A portion of the surplus (\$178K) was utilized to cover the expenses of camps as we were not able to bring in enough to pay for our camping expenses. This support was above the approved apportionment giving to camping ministry.

The conference operates with an annual operating budget of \$28 Million roughly - of which \$12M comes from apportionment giving, \$14M from billings for pension, health insurance, property and liability insurance. The camping program requires revenue of \$2.6M to do the camping ministry

We also introduced the following measures last year and early this year in order to be efficient, transparent and accountable:

Remitting pension payments to The General Board of Pensions on a monthly basis and not holding the funds at our end till the very last day of the year. This helped us operate within our means and provided clear scenario of the seasonal cash flow needs.

Separated funds out of one of one checking account into five different accounts namely: Camping (for camp operations), Congregational Loan (for CLS operations), Designated/Special funds (for all those funds meant for specific program/ministry), a proceeds account to hold money from proceeds of a sale of fixed asset until its final destination is determined and the fifth account for payroll.

By the grace of God, California-Pacific annual conference did not find itself in a situation to have to borrow funds from congregational loan program or a banking institution for cash flow purposes last year.

Beginning this year, I requested that our EMTs provide a list of leaders who should be receiving a copy of the financial information related to their EMT and be responsible for their respective budgets. We also have a monthly calendar in place and I am determined and committed to provide continuous and consistent financial statements in a timely manner so that the boards/agencies can respond to changing circumstances in more helpful ways.

Congregational Loan: I want to thank Nelson Gibbs for reviewing the general ledgers from 1996 onwards to 2011 and determining the amount the conference had borrowed from the congregational loan program which is \$4 Million.

Camping Review: With the same amount of gratitude, I want to thank Becky Haase who spent countless hours reviewing the general ledgers from 1996 – 2011 to sort out the camping deficit.

More on Surplus: While we had a break last year and the unaudited surplus may be around \$300K, of which \$178,000 went towards camping expenses, we do have a long way to go. We cannot ignore the consequences of

past deficits and we have to face the reality of the borrowing/ debt. These problems need to be dealt with by the annual conference, through our connection, and by prayerfully seeking solutions. The General Council on Finance and Administration (GCFA) sent two staff members to review our 2011 ending balances. GCFA strongly recommends to not carrying forward unspent revenue from a fund into the next year. We are awaiting a full report from GCFA and share at the annual conference 2013.

I thank God for His presence in the life of our conference and in my ministry as the Conference Treasurer. I am grateful for the opportunity to serve the Lord and seek His wisdom in all that I do. I thank Garry Hart, President of Council on Financial Resources (CFR), all the members of the CFR, Bishop Swenson, Bishop Carcaño, my colleagues, District Superintendents, local churches and everyone who helped me in my ministry.

Trustee Matters:

A great year where insurance claims were fewer for the first time in several years! As a result the premium rate did not increase and if we continue with the trend, we may get a break on the rate in 2014.

Deferred maintenance on the Episcopal Residence was cared for in 2012. The property had received little to no maintenance upkeep since it was purchased. I want to thank The Santa Barbara District Union for their generosity in extending a loan of \$80,000 to the conference for this work.

With the help from the Chair of the Board of Trustees, I am working with Camping & Out-door Retreat Ministry Council (CORMC) and camp staff to ensure that proper permits from all government agencies are obtained and are in place to run programs at camp sites. For instance the county zoning permits and/or forest service permits for each camp property and terms of such permits; conditional use permits inclusive of major use permit and any major use modification permits, minor use permits, minor use modification permits, etc.; licenses from the County Health Department to operate; Food Service permit and current Food Service inspection reports for each camp.; pool permit; ensure each camp meets State Water Quality standards, State Fire Codes and so on.

I want to thank John Nagel, Chair of the Board of Trustees, the members of the Board of Trustees, and Bishop Carcaño, for their support throughout the year. Above all, I thank God for allowing us to remember that He is in control and he loves us – unconditionally.

Miscellaneous:

I humbly and gladly report that I was elected by GCFA to serve on the “Economic Advisory Committee” which includes economists, financial analysts, researchers, church leaders – lay and clergy from across the nation. The committee meets twice a year to discuss economic matters related to United Methodism including apportionment, membership, and the quantitative study of religion.

In September 2012, GCFA informed us that Cal-Pac is one of the only two conferences that have not turned in the tables in time for several years delaying the statistical work of the GCFA. Much improvement has happened since then because of the team work assumed by our District Superintendents and our office. I urge local churches to work with their District Statistician and Joyce Zirkle if they have any questions on filling out the three tables, namely Tables I, II and III so we continue to restore a good reputation.

How can I ever forget my wonderful staff who worked equally hard with utmost loyalty and dedication! Joyce Zirkle, Green Guevarra, Kris Hodson, Nia Bailey, Rubi Rincon, Susan Bonaparte, Gay Morgan are great souls to work with.

May God continually shine His face upon California-Pacific Annual Conference, leading and guiding us as we seek to make disciples of Jesus Christ for the transformation of the World.

God bless,

Archana Carey

Conference Treasurer/Executive Director of Finance and Facilities

California-Pacific Conference
The United Methodist Church
Episcopal Address
2014

Clergy and lay members of the California-Pacific Annual Conference, friends, brothers and sisters all: Grace and peace to you in the name of Christ Jesus our Lord and Savior! What a joy it is to be with all of you at this 2014 Session of our beloved conference, and what a privilege it is to serve as your episcopal leader. Your commitment to Christ Jesus inspires me and what I see God doing through you encourages me and fills me with great hope!

During these past twelve months nothing has blessed me more than to be with you in the service of Christ Jesus. This was particularly true as I joined our Mission/Vision Discernment Team and went on the road with them seeking God's vision for our future. Being with you in district gatherings throughout our area and experiencing the Holy Spirit speaking to us of God's faithfulness and of the marvelous opportunities God has for us to be the people of God in the world had me smiling in my Prius and in rental cars as I drove all over this conference with you! What a mighty vision arose through this process led by our visioning team and then crafted as a powerful statement by our articulation team. Listen to the voice of the Holy among us challenging us to be United Methodists who live.... *Inspiring the world as passionate followers of Jesus Christ so that all may experience God's life-giving love!* It is an audacious vision, but then again we are the people of a mighty God!

I believe this vision statement is defined by the love of God, grounded in the servant leadership of Christ, and blessed by the very breath of the Holy Spirit. It is a vision that has arisen organically and connectionally among us. I am particularly pleased by the fact that the vision leaves no one behind or outside of its embrace. Why would it? It is a vision from God whose love extends to all. I pray that you will find it in your spirit to support this vision and send us forth from this conference to give it flesh and bone through the work we do together as God's people. We give many thanks to those who have labored diligently and faithfully in our visioning and vision articulation process.

I also want to express a word of profound gratitude for your work on Imagine No Malaria. The people of the California-Pacific Conference are a compassionate people and you are once again giving expression to your compassion through your engagement in our United Methodist connectional work that leads us to imagine a day when malaria and its deadly impact on humanity will be no more. It is both an institutional and a personal matter.

Not that long ago I went to a Council of Bishops meeting and learned that one of our bishops from Africa was delayed. When he arrived Bishop Eben Nhiwatiwa, our bishop in Zimbabwe, greeted us and shared with us that he had just buried his young adult daughter. She had died of malaria. Two years ago we established a brand new conference in the Democratic Republic of the Congo because God is blessing us with such incredible church growth in that part of the world that we needed yet another conference there. Soon thereafter we were pleased to welcome to the community of bishops of the church the new bishop of the East Congo Episcopal Area, Bishop Gabriel Unda. In our Council of Bishops, new bishops are invited to preach and share our faith journey. When it came time for Bishop Unda to do so, he shared with us that he is the father of 8 children. He is also a widower. His wife died of malaria. These who are dying of malaria are not strangers. They are, many of them, members of our United Methodist family.

Just a few months before coming to serve as your bishop I took a trip to visit Africa University and our United Methodist Mission in Mutare, Zimbabwe. When we visited the Old Mutare Mission we were welcomed by children who had been orphaned but provided a home and a family through our connective ministry. Children are so beautiful all over the world! There was one child in particular who captured all of our hearts. A tiny little boy with cheeks that you just wanted to hold in your hands and kiss! He also had a spirit and a smile that were contagious. He ran around all the other children to be the first to welcome us, and welcome us he did, with a thumbs up! All of us held him in our arms, but I was the last one to hold him, and thus the one who had to let him go. As we left I wondered whether he would live or whether malaria would strike him down like so many other children in Africa, robbing the world of his beauty, his charisma, his gifts of spirit and possibility.

You and I can make a difference. I hope you'll listen carefully to Bishop Thomas Bickerton as he shares with us how we are already making a difference. What I will say now is that our United Methodist work on Imagine No Malaria is not just about a momentary act of compassion. It is about saving the continent of Africa and our future with it. Our United Methodist bishops in Africa have invited us to think bigger than we have perhaps ever thought. They have shared how a community will begin to be built in Africa only to be destroyed by countless deaths at the sting of malaria. They have planted United Methodist communities of faith that have grown only to be decimated by malaria. Friends, we cannot build the church and we cannot transform the world if the children keep dying. But because of your good work, malaria will not have the last word.

Many of you are working so very hard to fulfill our conference commitment to Imagine No Malaria. You are doing such creative things to support the dream of eradicating malaria, giving of yourselves and of the resources God has placed under your stewardship in sacrificial ways. God bless you. Please keep doing it. I have made my pledge and am bringing my gift before God every month and encourage you to make your pledge and bring your gifts before God in an effort that could change the world.

I would be remiss in not mentioning that during this past conference year I have taken a step that encouraged some of you and troubled others. In prayerful consultation with my colleague bishop, Bishop Peggy Johnson of the Pennsylvania Conference, I invited Frank Schaeffer to come and join us in ministry in our conference. At that moment Frank Schaeffer had just been defrocked by a jury of his peers in his home conference for having conducted the same gender marriage of one of his sons. While it is understandable that some may have viewed my action as purely political in favor of full inclusion of persons of a homosexual gender identity, it was for me an action of Christian mercy and grace.

Frank Schaeffer in that moment was the representative of many in our churches and in our communities who feel excluded and alienated by the actions of our United Methodist Church. We cannot say that we are a body of Christians who stand on grace and grace alone and then legislate and bring to trial and defrock and exclude those who simply seek to live by God's grace. The bottom line is that the God of Holy Scripture excludes no one, creates us all in our diversity including our diversity of gender identity, and calls us all to faithful living in the example and sacred name of Christ Jesus.

I stand before you once again declaring that I fervently believe that our United Methodist *Book of Discipline* is scripturally wrong in its exclusion of persons whose gender identity is LGBTQ. While working to change our *Book of Discipline* I will continue to invite us into holy conversation about this matter, for inclusion is not without a Holy Spirit illumined Christian understanding of what it means to be faithful to God and to Christ, an understanding that we must all grapple with whether gay or straight.

Last year as your temporal leader I came to you with the concern of our fiscal situation. The General Council on Finance and Administration had come and assisted us in a major assessment of our financial administration. The concerns they raised were serious. As I pledged to you, I gathered a table of our principle financial and administrative leaders and by the grace of God we were able to work through each of the major concerns our GCFA had brought to our attention. I trust that the report of the Strategic Financial Planning Task Force will encourage you as much as it has encouraged me. The work of this task force is a true testament to what the people of God can do through the power of Christ Jesus.

As we look toward the conference year ahead I will again be inviting persons to assist me in the ongoing work of assessment. One assessment will be of the work of our Congregational Loan office. The other will be of our conference's organizational structure and rules. As we finished the work of our Strategic Financial Planning Task Force it was clear that it was time to determine how best to direct the work of our Congregational Loan office so that we tap its full potential for supporting the mission and ministry of our local churches. I am grateful for the hard work of our Congregational Loan Committee and look forward to working with them closely on this assessment.

During these two years of serving with you it has also become abundantly clear to me that our conference organizational structure and rules, while intended to be helpful, are so complex, complicated, and redundant, that they have become an obstacle to our ministry rather than a help. There are also questions about whether some of our structure and rules stand out of compliance with our *Book of Discipline*. I believe, however, that we can get ourselves to a better place by the end of this quadrennium. We will do our best to bring at least a progress report on a way forward by next year's annual conference. Recommendations pertaining to both our Congregational Loan office and our conference organizational structure and rules will come back to the annual conference session for its action where appropriate and necessary.

Finally as your spiritual leader I need to bring to your attention that as a conference we continue to lose members and worship attendance. There is no good reason for this. There is absolutely no doubt that God continues to touch lives through God's grace; a grace, abundant grace, that reaches out to every child of God even before we are aware of our need of God. I believe that our decline is because we have forgotten that the church exists not only for the maintenance of worship, and the edification of believers, but also for the redemption of the world.¹ As United Methodists we believe that the church of Jesus Christ exists in and for the world...under the guidance of the Holy Spirit, helping people to accept and confess Jesus Christ as Lord and Savior and living lives in right relationship with God.² Friends, we need to look outwardly and with a spirit of humble and joyful invitation. Every church in our conference can grow but we will need to make those who have yet to know Christ Jesus and those who have no community of faith, the priority, above our own needs.

A few weeks ago I preached at one of our churches and had the joyful privilege of receiving 10 persons into membership in The United Methodist Church. In fact, that local church has in the last 2 years received 40 new members. I asked how this was happening. The answer was clear: they were welcoming others, some who look just like them and others who do not. Their recent church growth had begun with a phone call. A woman who lived in the neighborhood had called and asked whether the United Methodist Church on the corner had persons like her. She is African American. The church secretary had laughed to herself as she said to the woman, "But of course, our pastor is African American." The congregation was primarily white at that moment, but the pastor was a person like her! That neighbor joined the church and brought her family and friends with her. What I saw

the morning I was with this congregation was a multi-cultural congregation. Even more, I saw a congregation that welcomes its neighbors, every single one of them.

Growing the church takes great intentionality. We have to be willing to share Christ Jesus with others and invite others to consider following Jesus as Lord and Savior. This won't happen if the primary focus of our church life is us. This does not mean that we cease to provide ministry to those who are already members of the church, but it does mean that we make others the priority.

- Ask you pastor to spend more time in the community reaching out to new people and less time with you because you are mature Christians who can take care of yourselves.
- Have the laity of your church spend more time reaching out to others as well, rather than just maintaining the church community, programs and properties you already have.
- Pray fervently for those who have yet to know Christ, and ask the Holy Spirit to teach you how to reach them for Christ.
- And serve without ceasing, living lovingly and justly as servants of Christ by healing the sick, feeding the hungry, caring for the stranger, freeing the oppressed, being and becoming a compassionate, caring presence, while also working with others to develop social structures that are consistent with the gospel.³

Let us again reclaim our commitment to personal and social holiness, a commitment that once made us a vital and growing Methodist movement whose heart was making disciples of Jesus Christ for the transformation of the world.

We are a broken people in so many ways, but we are so much more than that. We are the people of God, our faithful and loving God who will never abandon us on our journey to wholeness, the wholeness God will give us! Thanks be to God!ⁱ

Bishop Minerva G. Carcaño

¹*The Book of Discipline of the United Methodist Church 2012*, paragraph 201, p. 243.

²*Ibid.* Paragraph 202, p. 143.

³*Ibid.* Paragraph 122, p. 92.

STRATEGIC FINANCIAL PLANNING TASK FORCE

In the fall of 2012 The General Council on Finance and Administration (GCFA) was asked to assist the California-Pacific Conference of The United Methodist Church in reviewing its financial administration. Several recommendations were forthcoming from this review including the comprehensive recommendation that the conference prepare a thorough financial and strategic plan that would provide guidance for moving the conference out of a deficit funding position as well as for the future growth of the Annual Conference.

Throughout the 2013-2014 annual conference year, the Strategic Financial Planning Task Force has diligently worked to address the findings of GCFA. An initial report of the GCFA findings was reported to the 2013 California-Pacific Annual Conference Session in the Episcopal Address. A progress report of the work of the SFPTF was rendered to the clergy and churches of the conference in January 2014. As reported earlier, the SFPTF has been guided by the following missional values and goals:

- Move the California-Pacific Conference from Deficit to Abundance
- Restore Fiscal Confidence and Transparency
- Increase Apportionment and Direct Billing Pay-Out

We are thankful to God for the sustaining grace we have experienced in the midst of our work, and also thankful for the congregations of the annual conference who have continued to labor faithfully to be good stewards of the resources God has blessed us with. Below we render a summary report and recommendations by administrative and ministry areas. A more detailed presentation will be made at the 2014 Session of the California-Pacific Conference.

COUNCIL ON FINANCIAL RESOURCESFinancial Sustainability:

Beginning July of 2012, the treasurer's office has provided monthly detailed reports to the Essential Ministry Teams and other program and administrative areas of the conference to monitor their spending against actual revenue received. The Council on Financial Resources reviews a consolidated Income-Expense report at all meetings and offers necessary recommendations to avoid any future deficit and implement the recommendation from GCFA for financial sustainability.

Inter-fund transfer policy:

GCFA recommended that Cal-Pac Annual Conference develop and approve an appropriate inter-fund transfer policy and appropriately record a liability and receivable in its balance sheet until which time all inter-fund borrowing has been re-paid.

The Council on Financial Resources has developed an inter-fund transfer policy which is in place. The Treasurer and staff will appropriately record all future inter-fund borrowings as per the GCFA recommendation.

Fund Account Usage:

GCFA found that there were over 500 different fund balances in the old system and each fund carried its own asset and liability account. The methodology in which the balances were carried over lacked clarity on their nature such as: undesignated unrestricted; designated unrestricted; temporarily restricted, or permanently restricted. The CFR has been proactive in implementing the following recommendations from GCFA:

1. Educate the Key stakeholders on the nature of fund accounting.

Under the guidance of the CFR the Treasurer has inserted this information in the Financial Policy and Procedure Manual. This manual is currently under review by our auditors and intended to be

presented to the stakeholders in the near future.

2. A policy should be developed as to the nature and usage of specific funds; as well as an overarching policy regarding fund accounting in general.

This recommendation is being addressed by the collaborative work of CFR, auditors and Treasurer's office and is in progress.

3. A review of the new chart of accounts in the Shelby System should be conducted to assure adherence to the above generated policies.

This will be done annually and is an ongoing process.

4. GCFA recommended establishing one fund specifically for the older, stagnant funds in the new accounting system.

The older balances are carried forward under a specially created new account in the Shelby System.

5. The GCFA recommended that legal advice be sought to review fund balances for special Sundays, general church funds, pensions fund and grants received from other general agencies.

Bishop Carcaño, the President of CFR, GCFA staff, Conference Chancellor, and Conference Treasurer met with outside legal experts to obtain guidance which was then used in addressing this disposition of fund balances.

General Fund Balances:

In its review GCFA found what appeared to be general church designated funds that had not been remitted through the appropriate connectional processes. In its preliminary report, GCFA recommended a good faith effort to reconcile these remittances. Efforts to reconcile these remittances were inconclusive. We were simply not able to determine whether all payments sent forth through connectional processes were indeed credited to the Annual Conference.

It was extremely difficult to perform a detailed analysis of the amounts sent from each individual church over several years. With the absence of this analysis, it is impossible to determine the liability remaining to the general church. The CFR is requesting that GCFA not pursue the collection of these funds from the annual conference.

It has also been reported to GCFA and duly noted by them that the annual conference is making and is committed to making monthly remittances to GCFA for all general church apportionments as well as designated offerings. This practice was put into place in 2012. In addition, all accounts are also now being reconciled regularly.

Lynch Funds:

The CFR and Treasurer are working in collaboration with the Board of Pensions to address the recommendations of GCFA. Together we are building relationships with the respective trustees of the two Lynch Funds and with them solidifying the intent and future use of the funds.

BOARD OF PENSIONS

Cost of Current and Future Retiree Health Insurance

The Board did extensive research, study and analysis with impacted groups looking for solutions to the unsustainability of subsidized health insurance for retirees and future retirees that would still enable retirees to have access to and assistance with health insurance coverage. Following the lead of 20 conferences throughout the denomination, our Board will propose to AC 2015 that the conference move to a Health Reimbursement Account (HRA) system of retiree health care effective 1/1/16. In order to have an informed body that will be voting on this proposal at AC 2015, the Board will be announcing

their intentions at AC 2014, and will roll out a complete program of education and communication during the remainder of 2014, leading up to AC 2015.

Having a defined contribution system rather than the current defined benefit system of retiree health care will significantly reduce the Conference's future liability. And due to the expanded choices retirees will have for health care, we also expect a reduction in what the retirees themselves will pay for health insurance coverage under an HRA.

Cost and Equity of Active Health Insurance for Clergy

According to current conference rules, the local church is responsible for payment of the health insurance premium for the pastor and family. This is true no matter what the level of appointment. The Board of Pensions is bringing a proposed rule change to AC 2014 that makes the church's contribution for health insurance for the pastor proportionate to the level of appointment, as it pertains to 50% and 25% appointments.

Lynch Funds

The Task Force requested the Board of Pensions to prepare a recommendation for the 2014 Annual Conference regarding future use of the Lynch Funds. The following recommendation is being brought by the Board: When the Lynch Trusts are dissolved with the death of the last surviving Lynch relative, the corpus of the gift which comes to the Annual Conference shall be placed in the Conference Endowment Fund. The annual earnings from this Fund shall be used for pension and health benefits of Conference Claimants upon recommendation of the Conference Board of Pensions and approval by the Annual Conference.

CONGREGATIONAL LOAN COMMITTEE

The Congregational Loan Committee greatly appreciated the opportunity to participate in the Strategic Financial Planning Task Force. A representative of CLC attended all of the meetings of the SFPTF and contributed to the thoughtful and sometimes difficult discussions. The CLC commends the SFPTF for its hard work and endorses its recommendations to the Annual Conference. We believe these recommendations will help move the Annual Conference from deficit to abundance and restore fiscal confidence and transparency.

The CLC also is grateful for the commitments previously made by our Annual Conference leadership to repay over time the amounts previously borrowed from the Revolving Loan Fund administered by CLC. We believe this is in keeping with the historic purpose of the Revolving Loan Fund - to help local United Methodist churches acquire, remodel, and renovate their facilities so that they can better focus on their mission of making disciples of Christ for the transformation of the world. We believe the steps recommended by the SFPTF will better enable this purpose to continue to be fulfilled. Funds in the amount of \$250,000 were repaid in November 2012. The amount of \$100,000 is scheduled to be repaid from the 2014 Annual Conference budget to further diminish the remaining balance borrowed of \$4,068,838 (an agreement signed in 2012 by the Council on Financial Resources and the CLC confirmed this amount).

CAMPING AND RETREAT MINISTRIES

The task force reviewed the financial deficit accumulated by the conference's camp and retreat ministry during the years 1996-2013. It also addressed the mission, financial and facility health and sustainability of the camp and retreat ministries of the conference with clear, measurable, and attainable recommendations.

The financial review of the 1996-2013 time period resulted in a determination of an amount around \$1.5 million as a deficit due to program costs. The task force also reviewed the money received from the sale of Camp Virginia - \$933,784 - which, by previous action of the annual conference, was designated

for use in purchasing the Slaughter property adjacent to Cedar Glen Camp. This money was spent by the conference so it was decided that this could be applied to off-set the \$1.5 million deficit. In addition, a \$1.6 million deficit accumulated through Pasadena office staffing and central operations was deemed the responsibility of the annual conference.

The Camping, Outdoor and Retreat Ministry Council and staff provided a strategic plan which was reviewed and affirmed by the task force as follows:

CAMP AND RETREAT MINISTRY STRATEGIC PLAN SUMMARY

- **CONTINUE TO RE-POSITION MISSIONAL FOCUS ON SUPPORTING THE WORK OF THE LOCAL CHURCH IN GROWING WORLD-CHANGING DISCIPLES.**
- **MAKE AS TOP PRIORITY A VITAL, GROWING SUMMER CAMP PROGRAM**
- **REPAY THE NET OPERATIONAL DEFICIT WITH PROPERTY SALES.**
- **REDUCE OWNED PROPERTIES FROM 8 TO 5 BY 2015.**
- **CONTINUALLY MONITOR CURRENT OPERATIONS FOR EACH SITE TO STAY IN THE BLACK OVER A TWO-YEAR PERIOD.**
- **EXPLORE THE PROS AND CONS OF SEPARATE INCORPORATION.**

The task force approved a motion that the \$933,784 from the sale of Camp Virginia be applied against the Camping deficit for the 1996-2013 time period. It also approved a motion that the annual conference assist Camp and Retreat Ministries in replenishing the \$933,784 from the Camp Virginia proceeds for the future capital expenditures of camping, including the possible purchase of the Slaughter property.

CABINET

In an effort to reduce liabilities to the Annual Conference and address fiscal capacity of each congregation the District Superintendents have monitored and determined two key areas that will move the Conference and each congregation to fiscal vitality: Increase apportionment giving and Decrease delinquencies of direct billings (Property and liability, Clergy and employee health insurance premiums, and pensions). Each Superintendent continues to assess the needs and overall capacity for each local church to support the current level of pastoral appointment and make recommendations toward reduction of appointment by creating multi-point charges or by reducing the percentage of the appointment in specific cases. That approach has relieved some financial strain for some congregations but has created missional stress in others. Such situations must continue to be monitored and adjusted over time so that laity and clergy remain deeply engaged in the overall ministry of the Church within a given context.

The level of appointment helps address the local church's ability to give apportionment at higher percentages by increasing each year and by decreasing direct-billings due each month for clergy support. The direct-billing delinquencies are being addressed by developing payment plans that allow the local church to repay what has been paid on their behalf while also helping them remain current. This model works as a shared responsibility between the local church, Cabinet, Pensions Office and Health Benefits Office and the Treasurer's Office. Since implementation of the Payment Plan Process, we have seen a decrease in the number of "new" delinquencies and an overall reduction in delinquencies. The total amount owed the Annual Conference in delinquencies is approximately \$700,000, \$130,000 of which is to be repaid upon the sale of property and \$105,000 of which is unsecured debt created by missions that are no longer in existence and the Annual Conference does not have any means to recoup the funds.

The Cabinet will continue to work with congregations on apportionment giving that is consistent throughout the year and will strive to have every congregation give at a level that moves from zero percent given toward 100% giving. Our minimal goal is to have every local church give something toward apportionments – challenging each pastor to at least designate her/his giving toward apportionments so that no Church is ever at a zero percent for apportionment giving.

COMMUNICATIONS

As we did our work it became clear that communications is and will continue to be a critical component of our ability to be fiscally transparent and mutually accountable in our stewardship. The same can be said about the strengthening and growing of our mission and ministry. We commend our Conference Office of Communications for its excellent work among us. The reestablishment of a Conference Office of Communications during the 2013-2014 annual conference year has been seamless and already made an incredible difference in undergirding the work and witness of the annual conference. We commend our Director of Communications, James Kang, for his servant leadership among us.

We would recommend that a strategic plan for the communications needs of the conference be developed inclusive of the financial commitment that would be required to implement such a plan, and that such a plan be brought to the 2015 Annual Conference Session for its consideration.

CONCLUSION

As servants of Christ Jesus serving through the California-Pacific Conference of The United Methodist Church, we pledge to continue working faithfully, collaboratively and in transparent ways to lead the annual conference to the abundance we believe God has for it, helping to restore its fiscal accountability and confidence, and increase its fair share giving for the holy purpose of making disciples of Jesus Christ for the transformation of the world.

Respectfully Submitted, **Strategic Financial Task Force**

Chuck Tokuhama, Chair, Congregational Loan Committee; **David McGlocklin**, Chair, Navigation EMT; **Dan Griffin**, Chair, Council on Financial Resources; **Riley McRae**, Chair, Camping, Outdoor and Retreat Ministries Council; **Karen Tannheimer**, Chair, Board of Trustees; **Ken McMillan**, Chair, Conference Board of Pensions; **Bishop Minerva G. Carcaño**; **Cedrick Bridgeforth**, Dean of the Cabinet; **Archana Carey**, Executive Director of Finance and Facilities; **Steve Hundley**, Executive Director of Connectional Ministries; **Kris Hodson**, Director of Congregational Loans; **Jan Hanson**, Director of Human Resources/Benefits Officer; **David Berkey**, Director of Camping Ministry and Operations; **Greg Batson**, CEO, California-Pacific UM Foundation

Also participated as designated by their agency: Tim Truax (Congregational Loan); Jim Standiford (Board of Pensions); Donna Chamberlain (Congregational Loan)

TRUSTEES, CONFERENCE BOARD OF

The Board of Trustees is grateful for the leadership of John Nagel who served as Chair of the Trustees through July of 2013.

The officers elected for 2013-2014: Rev. Karen Tannheimer – Chair, Ted Slaughter – Vice Chair, Leanne Nakanishi and Daniel Lewis as Secretaries, Archana Carey - Conference Treasurer

The past year has been a busy year for the Conference Trustees with a number of issues to be considered:

INSURANCE SUB COMMITTEE - In September the Insurance Sub-Committee was grateful to learn that the Insurance Premiums from Philadelphia Insurance for 2014, will remain the same for the conference and the local churches.

1. In the past year, churches within the Annual Conference have submitted \$ 886,560.00 in estimated claims. In 2013 the churches in the Annual Conference paid \$3,505,890.00 in premiums. Philadelphia Insurance will remain the carrier for the Annual Conference this year for all of the churches in California. Guide One will remain the carrier for the Hawaii District. We are grateful to report that the annual deductible will remain at \$2,500.00 for property and \$10,000.00 for water damage.



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MINERVA G. CARCAÑO
RESIDENT BISHOP

August 21, 2014

Invitation to Serve on the Rules and Structure Task Force of the California-Pacific Conference

TO: Rev. Tom Griffith, Chair of Systems Assessment (Rules)
Leanne Nakanishi, Conference Co- Secretary
Phil Freeman, Conference Co-Lay Leader
Rev. David McGlocklin, Chair of Navigation EMT
Rev. Karen Ristine
Rev. Luan-Vu Tran
Rev. Molly Vetter
Rev. Preston Price
Rev. Steve Hundley, Executive Director of Connectional Ministries
Archana Carey, Executive Director of Finance and Facilities
Jan Hanson, Director of Human Resources

FROM: Bishop Minerva G. Carcaño

Grace and peace to you in the name of Christ Jesus!

You will remember that in my Episcopal Address at the 2014 Session of the California-Pacific Conference I stated that during this conference year I would be organizing a task force to review our conference rules and structure. This letter now comes to you as an invitation to serve with me on this task force. The purpose of our Rules and Structure Task Force will be to: Review our present structure and rules and recommend any necessary updates and changes to the 2015 Session of the annual conference. The goals of the work of the Rules and Structure Task Force will be to:

1. Update our rules and structure so that they align with our mission and vision in clear and helpful ways;
2. Assure that our rules and structure are consistent with the *Book of Discipline of The UMC*.

Our first meeting will be on Friday, September 12th from 1:30 pm – 4:30 pm in the Cabinet Room at the California-Pacific Conference Center. Light refreshments will be provided.

It is expected that we will meet 5 times during this 2014-2015 annual conference year – September 12th, November, January, February and March. I hope to have exact dates for you for all of our meetings by the time we meet on September 12th.

I pray you will be able to accept this invitation to connectional service. Please let Gail Kendall, my Administrative Assistant, know whether you are able to accept this invitation. If so, it will be critical that you attend the September 12th meeting. Thank you for your prayerful consideration of this invitation.

CALIFORNIA-PACIFIC CONFERENCE

EXCERPT MINUTES, JUNE 18, 2015
31ST ANNUAL SESSION of the California-PACIFIC
CONFERENCE

1
2 I want to mention two more items:

3
4 ·The 2012 Annual Conference adopted the Essential Ministry Team Structure. The document directed
5 specific Standing Committees of the Council on Financial Resources. The Congregational Loan
6 program is one of those committees.

7
8 ·The Council on Financial Resources received and approved at its meeting on March 21 the information
9 that Archana will now share with you.

10
11 ** Editor's Note ** DVD was not available to be reviewed for clarification yet. Will be edited upon
12 receipt **

13
14 ** DVD not available to clarify the below ** Will be clarified later **

15 **Archana Carey presented on the Congregational Loan Committee and shared the decisions the**
16 **Committee has worked through and made. Archana Carey made a motion to accept the**
17 **recommendations made by the Committee.**

18
19 Question from the floor: Conference debt to the Conference Loan Fund was questioned, and asked if
20 there was a conflict of interest to pass presented motion based on debt. Bishop Carcaño shared this
21 information would be for greater oversight.

22
23 **Recommendation 15-17 was voted on and supported.**

24
25
26 **Rules and Structure Task Force:** Rev. Karen Ristine and Rev. Lui Tran presented on behalf of the
27 Rules and Structure Task Force. They introduced the other members of the Task Force. Revs. Ristine
28 and Tran had 30 proposed amendments to the Rules, some to be grouped together and others to be
29 considered individually.

30
31 The first proposed grouping was the Name Changes to committees: 1. Systems Assessment
32 Committee becomes Rules Committee, 2. Council on Financial Resources becomes the Council on
33 Finance and Administration, 3. Leadership EMT becomes Leadership and Discipleship EMT, 4.
34 Appointive Cabinet becomes Cabinet, and 5. Mission Cabinet becomes Mission Steering Group. **It**
35 **was moved and supported.**

36
37 The second proposed rule change was the elimination of the Resources EMT. **It was moved and**
38 **supported.**

39
40 Rev. Ristine moved Rules Change within 15-16: language to establish or re-establish accountability to
41 the Annual Conference for the following groups: The Committee on Episcopacy, the Joint Committee
42 on Clergy Medical Leave, Board of Ordained Ministry, Commission of Religion and Race, Commission
43 on the Status and Role of Women, Inter-Ethnic Strategy Group, Mission Articulations, Nominations
44 Committee, and Rules Committee. Discussion from the floor took place and **the motion was**
45 **supported.**

46
47 **Rules 15-15:** Rev. Ristine moved proposed Rules Change 15-15 (on pages 196-197) establishing the
48 Connectional Table (replacing the Navigation EMT). Discussion happened from the floor. After
49 clarification, the vote was taken and **the motion was supported.**

50
51 ** Editor's Note ** DVD was not available to be reviewed for clarification yet. Will be edited upon
52 receipt **

53
54 Questions from floor: What was the rationale of Rules Change 15-15
55 Section 7- Unconstitutional elements and conflict within offices. Is this change to correct Constitutional
56 issues- correct separation of power?

1
2 Answer- yes, this would be to balance different functions of the groups and the group's responsibilities.
3 Confirmed the correction of balance of power.
4

5 Question: Concern of the development of the EMT process. Concerned that we are dismantling the
6 conference structure that we adopted so recently. Answer: This was more clearly setting the
7 responsibilities of each group.
8

9 Question: Please address the changes that were happening when we were moving from Navigation
10 EMT to the Connectional Table. The Connectional Table will be much more driven by clergy and staff
11 and have fewer laity members. Answer: It is the attempt to have more representation of the Annual
12 Conference.
13

14 **Recommendation Rules 15-15 was moved, voted on, and supported.**
15

16 Rev. Ristine moved the language that established Home Missioners and Lay Members of the Annual
17 Conference and that added the Executive Director of Connectional Ministries to the list of positions
18 without limits on service on Conference Organizations, found within Proposed Rules Change 15-16.
19 **The motion was supported.**
20

21 Rev. Ristine moved, within Proposed Rules 15-16: the language that affirms the Administrative Review
22 Committee as accountable to the Annual Conference and expands the language of the Rules to
23 capture all of the constitutional and disciplinary requirements. **The motion was supported.**
24

25 Rev. Ristine moved, within Proposed Rules Change 15-16: the language that establishes that Cross-
26 Cultural Bridge Builders Standing Committee as a standing committee of the Conference Commission
27 on Religion and Race. **The motion was supported.**
28

29 Rev Ristine moved, within Proposed Rules Change 15-16, the language that places the disciplinary
30 requirements of church and society with the Justice and Compassion EMT, the disciplinary
31 requirements of a board of discipleship with the Leadership and Discipleship EMT, and the disciplinary
32 functions of the Commission on Christian Unity and Interreligious Concerns with the Interfaith
33 Ecumenical Committee as part of the Connectional Table. **The motion was supported.**
34

35 Rev. Ristine moved, within Proposed Rules Change 15-16, the language that removes the Director of
36 New Ministries from the Cabinet and the language that defines the role of the Mission Steering Group in
37 relation to the Cabinet. Discussion took place from the floor. **The motion was supported.**
38

39 Rev. Ristine moved, with Proposed Rules Change 15-16, the language that makes the description of
40 the Commission on Equitable Compensation and its accountability to the Annual Conference more
41 consistent with the 2012 *Book of Discipline*.
42 *Make accountable to Annual Conference. Move to Rule VIII.F*
43

44 *Move the language to be more connected to the 2012 Book of Discipline*
45

46 Question: Not clear on what is being proposed - it did not connect to *The Book of Discipline*.
47 Answer: attempt more detailed language for the role.
48

49 Rev. Steve Hundley: A way to make CEC accountable to the Annual Conference and to show it has a
50 disciplinary relationship with CF and A.
51

52 *Further conversation on Committee's relationships.*
53

54 *Bishop Carcaño asked to pull this section out to have further conversation.*
55 *Motion was moved and supported to table this discussion.*
56

1 Rev. Ristine moved, within Proposed Rules Change 15-16, the language outlining the statement of
2 purpose and goals of the New Ministries EMT and removing the language that the team is responsible
3 for hiring and supervising New Ministries staff. Discussion took place from the floor. **The motion was**
4 **supported.**

5
6 Rev. Ristine moved, within Proposed Rules Change 15-16, the language that create a category within
7 the rules for bodies mandated by the Book of Discipline and keep a separate category for Judicial
8 Bodies, including the Committee on Investigations. Structure, (?) All previously mentioned bodies be
9 made accountable to the Annual Conference. **The motion was supported.** *Judicial Bodies to rule IX*

10
11 Rev. Ristine moved, within Proposed Rules Change 15-16: the addition of the disciplinary language on
12 the mission of the church that states: "The mission of the Church is to make disciples of Jesus Christ
13 for the transformation of the world. Local churches provide the most significant arena through which
14 disciple-making occurs [The Book of Discipline para 120] and "The mission of the Church is to make
15 disciples of Jesus Christ for the transformation of the world by proclaiming the good news of God's
16 grace and by exemplifying Jesus' command to love God and neighbor, thus seeing the fulfillment of
17 God's reign and realm in the world. The fulfillment of God's reign and realm in the world is the vision
18 Scripture holds before us. [The Book of Discipline para 121]. **The motion was supported.**

19
20 **Essential Ministry Teams Composite Report:** Rev. Steven Hundley presented on behalf of the
21 Navigation Essential Ministry Team. He gave a word of thanks to Rev. David McGlocklin and all those
22 who worked on their behalf. Connectional Ministries reflected on the numbers of people whose lives
23 were transformed in different ways through Connectional Ministries. The numbers that were inspiring
24 the world as passionate followers of Jesus Christ, so that all may experience God's life giving love.
25 *(Written report to be provided later)*

26
27 **Camping and Retreat Ministries Council:** Rev. Riley McRae presented for the Camping and Retreat
28 Council. Being with camping had been a source of pride and joy. He gave thanks to the Commission
29 and Staff people who worked hard for Camping in the Cal Pac Conference. Rev. McRae shared the
30 strategic plan to have fewer, larger, and better retreat centers. In 2015, Camping made a profit.

31
32 **Resolution 15-13: Sale of Camp Arroyo Grande** Rev. Riley McRae moved Resolution 15-13 located
33 on Page 229 of the Legislation Only Document titled Sale of Camp Arroyo Grande. **The motion was**
34 **supported.**

35
36 **Navigation Essential Ministry Team:** Rev. David McGlocklin gave the following report:

37
38 · *Good Afternoon Bishop, and members of Annual Conference, my name is Rev. David McGlocklin,*
39 *Pastor at St. Paul's United Methodist Church of San Bernardino.*

40
41 · *4 years ago I was space use coordinator for annual conference. Let me tell you it's a ton of work to*
42 *schedule all the spaces around conference. When I received a call from Nominations asking me if I*
43 *wanted to be on this new committee called the Navigation EMT, that would meet a couple times a year,*
44 *I thought, a few meetings a year or space use coordinator... Great, I'll be on the new committee... Little*
45 *did I know...*

46
47 · *I would like to thank the Annual Conference for the privilege of serving you the last 4 years on the*
48 *Navigation Essential Ministries team.*

49
50 · *I would like to thank Navigation Essential Ministries Team for entrusting me with this leadership role*
51 *over the last 2 years. I would like to thank Bishop Carcaño, Director of Connectional Ministries Rev.*
52 *Steve Hundley and the rest of the staff of the Annual Conference who worked with me in that role.*

53
54 · *But now that the Navigation Essential Ministries Team will be winding down its work of the last 4*
55 *years, I thought I might take a few moments to give a final report on the hard work that was*

2015 California-Pacific Conference Preliminary Report

RULES AND STRUCTURE TASK FORCE

In her episcopal address to the 2014 California-Pacific Annual Conference, Bishop Carcaño expressed her intention to establish a task force to review the rules and the structure of the conference, so that we might be so that we might be especially fit for mission in the years to come. She established the task force to include:

Rev. Tom Griffith (Chair of Systems Assessment)
 Leanne Nakanishi (Conference Secretary)
 Phil Freeman (Conference Co-Lay Leader)
 Rev. David McGlocklin (Chair of Navigation EMT)
 Rev. Karen Ristine
 Rev. Lui Tran
 Rev. Preston Price
 Rev. Steve Hundley (Executive Director of Connectional Ministries)
 Archana Carey (Executive Director of Finance and Facilities)
 Jan Hanson (Director of Human Resources)

The task force gathered to deal with two questions. First, is the structure and are the standing rules aligned so that we can fulfill our vision of mission and ministry. Second, are the standing rules and structure consistent with *The Book of Discipline of the United Methodist Church 2012*. The task force met four times chaired by Bishop Carcaño with our EDCM, Stephen Hundley, as the staff person for the task force.

The tasks were divided among the members of the task force considering the following questions with regards to the Standing Rules and Structure:

- *Are the rules following the Discipline of the church?*
- *Are the entities mandated by the Discipline included in our Standing Rules and Structure?*
- *Are our dates, deadlines, and timing requirements appropriate for our work?*
- *Are the policies adequate and appropriate for our needs?*
- *Is the format of the Standing Rules appropriate and helpful?*

The following report represents hours and hours of work by several persons in service to the annual conference. Please express appreciation to the task force for its work on our behalf.

PROPOSED RULES CHANGE 15-16
Submitted by the Rules and Structure Task Force

NAME CHANGES

1. The Systems Assessment Committee will be changed to the Rules Committee.
2. The Council on Financial Resources will be changed to the Council on Finance and Administration.
3. The Leadership Essential Ministries Team will be changed to the Leadership and Discipleship Essential Ministries Team
4. Strike "Appointive Cabinet and remove "Appointive" to simply say "Cabinet"

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STRUCTURE CHANGES

1. The Resource EMT shall be eliminated.
2. The Navigation EMT shall be eliminated and be replaced with the Connectional Table (document attached - Proposed Rules Change 15-15)
3. The Committee on Episcopacy shall be removed from the Essential Ministries Team structure.
4. The Administrative Review Committee shall be removed from the Essential Ministries Team structure.
5. The Clergy Medical Leave Committee shall be removed from the Essential Ministries Team structure.
6. The Cross Cultural Bridge Building Team will become a committee of the Conference Commission on Religion and Race
7. A Conference Commission on Communications shall be established document attached)

OTHER RULES CHANGES

- Insert after The Mission of the Church is defined: Quotes from ¶¶ 120-121

Amended Rule reads:

1. The Mission of the Church is defined:

“The mission of the Church is to make disciples of Jesus Christ for the transformation of the world. Local churches provide the most significant arena through which disciple-making occurs.” [*The Book of Discipline* ¶ 120].

“The mission of the Church is to make disciples of Jesus Christ for the transformation of the world by proclaiming the good news of God’s grace and by exemplifying Jesus’ command to love God and neighbor, thus seeking the fulfillment of God’s reign and realm in the world. The fulfillment of God’s reign and realm in the world is the vision Scripture holds before us. [*The Book of Discipline* ¶ 121].

- Insert “Home Missioners” as “d.” in the list of lay members of annual conference.
- Add three items at the top of the list of Primary Goals in Rule VII.A.2(a):

i. Develop and promote programs on church and society, including prison ministry and reform concerns.

ii. Serve to connect the General Board of Church and Society and the district and local churches in relating the gospel of Jesus Christ to the members of the Church and the communities in which they live.

iii. Name conference Peace with Justice Coordinator. etc.

- Amend Rule VII.B.1 to read:

To support our faith communities (churches and other groups...) through identifying and transforming Christian disciples into fruitful, Spirit-led leaders. The Leadership Essential Ministry Team shall be and provide for the equivalent structure of the Board of Discipleship as

2015 California-Pacific Conference Preliminary Report

1 required by *The Book of Discipline* ¶ 630.

2
3 • Strike sub-paragraph (xi) from Rule VII.B.5(c): The Board of Ordained Ministry is attached to
4 the Leadership Essential Ministry Team.

5
6 Change Rule VIII heading Judicial Body to Other Bodies.

7 Remove this Rule from the present location and place it under amended Rule VIII.B

8
9 Amended Rule VIII reads:

10 VIII. OTHER BODIES

11 A. ...

12 B. Board of Ordained Ministry...

13
14 • Add a third clause: Shall follow the fair process hearing procedures as set out in *The Book of*
15 *Discipline* ¶ 362.2.

16
17 Change Rule VIII. heading Judicial Body to Other Bodies.

18 Remove this Rule from the present location and place it under amended Rule VIII.C

19
20 Amended Rule VIII reads:

21 VIII. OTHER BODIES

22 A. ...

23 B. ...

24 C. Administrative Review Committee

25 The purpose of the Administrative Review Committee is defined in *The Book of Discipline* ¶
26 636.

27 i. Shall meet within the first 10 days of June to process all information ...

28 ii. Shall meet again at Annual Conference prior to the Clergy Session ...

29 iii. Shall follow the fair process hearing procedures as established in *The Book of Discipline* ¶362.2.

30
31 • Strike in heading and other parts of Rule VII.C.4(b)(i): Appointive

32
33 Strike in third sentence of Rule VII.C.4(b)(i): Director of New Ministries

34
35 Amended Rule reads:

36 i. Cabinet

37 The Cabinet, under the leadership of the bishop, is the expression of superintending leadership
38 in and through the annual conference. It is expected to speak to the conference and for the
39 conference to the spiritual and temporal issues that exist within the region encompassed by the
40 Annual Conference. The membership shall consist of: five District Superintendents and the Bishop.
41 Members are ex-officio. The Cabinet will be responsible to the Bishop.

42
43 • Rename "Mission Cabinet" in Rule VII.C.4(b)(ii) to: Mission Steering Group

44
45 Strike entire first sentence and replace it with: Supports Bishop and Cabinet in their general
46 superintending role to achieve the mandates of *The Book of Discipline*, in particular the
47 coordination, implementation and administration of the Conference Program.

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1 Strike in third sentence: Appointive - Replace "Mission Cabinet" in last sentence with: Mission Steering
2 Group.

3
4 Amended Rule VII.C.4(b)(ii) reads:

5 ii. Mission Steering Group

6 Supports Bishop and Cabinet in their general superintending role to achieve the mandates of The
7 Book of Discipline, in particular the coordination, implementation and administration of the Conference
8 Program. The membership shall consist of these members by Bishop's appointment according to
9 Disciplinary provisions. Bishop and Cabinet, Executive Director of Connectional Ministries, Executive
10 Director of Finance and Facilities, Director of Justice and Compassion, Director of Mission & Ministry
11 and Communications, Director of New Ministries, Director of Camping and Retreat Ministries, the
12 Associate Director of Hispanic/Latin Ministries, the Associate Director of Lay Leadership and Age
13 Level Ministries, the Conference Lay Leaders. Members are ex-officio. The Mission Steering Group
14 will be responsible to the Bishop.

- 15
16 • Strike in Rule VII.C.4(b)(v)(d): will be responsible and for administrative purposes.

17
18 Add after Connectional Table: but is accountable to the Annual Conference.

19
20 Amended Rule reads:

21 The Committee on Religion and Race reports to the Connectional Table but is accountable to the
22 Annual Conference.

- 23
24 • Strike in Rule VII.C.4(b)(vi)(d): will be responsible and for administrative purposes.

25
26 Add after Connectional Table: but is accountable to the Annual Conference

27
28 Amended Rule reads:

29 The Committee on the Status and Role of Women reports to the Connectional Table but is
30 accountable to the Annual Conference.

- 31
32 • Strike in Rule VII.C.4(b)(vii)(c): will be responsible

33
34 Add after Connectional EMT: but is accountable to the Annual Conference

35
36 Amended Rule reads:

37 The Inter-Ethnic Strategy Group reports to the Connectional Table but is accountable to the
38 Annual Conference.

39
40 Strike in Rule VII.C.4(b)(iii)(b): will be responsible

41 Add after Connectional Table: but is accountable to the Annual Conference

42
43 Amended Rule reads:

44 The Mission Articulation sub-team reports to the Connectional Table but is accountable to the
45 Annual Conference.

- 46
47 • Strike in Rule VII.C.4(b)(viii)(d): will be responsible to the Connectional EMT

2015 California-Pacific Conference Preliminary Report

1 Add after Nominations Committee: is accountable to the Annual Conference

2

3 Amended Rule reads:

4 The Nominations Committee is accountable to the Annual Conference.

5 Place revised provision under Rule VIII.

6

7 • Amend Rule VII.C.4(b)(ix)(a): This Committee will assume the Functions of the Commission on
8 Christian Unity and Interreligious Concerns. It will collaborate with the Executive Director of
9 Connectional Ministries in helping the Annual Conference to live its interfaith commitment.

10

11 Strike in Rule VII.C.4(b)(ix)(d): will be responsible

12

13 Add after Interfaith-Ecumenical Committee: reports the Annual Conference through the
14 Connectional Table.

15

16 Amended Rule reads:

17 (a) This Committee will assume the Functions of the Commission on Christian Unity and
18 Interreligious Concerns. It will collaborate with the Executive Director of Connectional
19 Ministries to help the Annual Conference to live its interfaith commitment.

20 (b) ...

21 (c) ...

22 (d) The Interfaith-Ecumenical Committee reports to the Annual Conference through the
23 Connectional Table.

24

25 • Strike in Rule VII.C.4(c)(i)(c): will be responsible

26

27 Add after [Note name change] Rules Committee: but is accountable to the Annual Conference

28

29 Amended Rule reads:

30 The Rules Committee reports to the Connectional Table but is accountable to the Annual Conference.
31 Place revised provision under Rule VIII.

32

33 • Strike in Rule VII.D.1: v. Hire and supervise New Ministries staff.

34

35 Amend Rule VII.D.1 and 2 to read:

36 1. Statement of Purpose of the NM-EMT

37 a. To assist Bishop and Cabinet and conference staff, the New Ministries Essential Ministry
38 Team helps to strategically cultivate, plant, and grow healthy, fruitful ministries by equipping
39 and resourcing leaders and congregations for the transformation of our radically diverse
40 region.

41 b. Responsibilities – Make recommendations concerning New Ministries development in our
42 Annual Conference. Subject to the superintending leadership of Bishop and Cabinet, the NMEMT
43 shall:

44 i. Establish year-to-year priorities within New Ministries

45 ii. Keep sub-teams accountable to one another and the primary outcomes

46 iii. Develop and apply evaluative tools to monitor progress

47 iv. Budget and manage resources

48 v. Maintain lines of accountability to the Annual Conference through Connectional Table and the

2015 California-Pacific Conference Preliminary Report

1 primary outcomes of the Annual Conference

2 2. Goals of the NM-EMT

3 In carrying out its purpose, the NM-EMT collaborates with Bishop and Cabinet, conference
4 staff and other EMTs to achieve the following common goals:

5 a. Primary Goals...

6 b. Secondary Goals...

7 c. Tertiary Goals...

8
9 •—Added from the New Ministries recommendations for AC action:

10 Rules change:

11 1. Subgroups would be aligned to budget subgroups Grants, Vitalizations, Multiplication and Trainings.

12 [~~We believe this would make the work of NM team members more clear and effective.~~]

13 2. Current subgroup Cross Cultural Bridgebuilders would move off NM—but 2 members would
14 continue to be part of NM EMT. The work of CCBB is larger than New Ministries and they will be
15 more effective under the umbrella of another EMT. [See action above]

16 3. Update Structure:

17 Chair, Vice Chair/Secretary, Director,

18 Subgroups: Grant Team—4 members,

19 Vitalization Team—4 members,

20 Multiplication Team—4 members

21 Training Team—4 members

22 Leadership Team (Chair, Vice chair/secretary, Director, plus one member from each sub team)

23 2 Members of Religion/Race, Cross Cultural Bridging Team

24 2 members Equitable Comp

25

26

27 • Amend Rule VII.D.5(a)(iii) to read: The Commission is accountable to the Annual Conference.
28 It shall consult with the Council on Finance and Administration and may collaborate with other
29 Essential Ministry Teams for the purpose of supporting the vision and mission of the Annual
30 Conference.

31

32 Place Rule VII.D.5(a) under VII.E.4(b) (Council on Finances and Administration).

33

34 Amend numbering of Rule VII.E.4 to read:

35 4. Structure of the R-EMT

36 a. Board of Trustees ...

37 b. Council on Finance and Administration ...

38 c. Commission on Equitable Compensation

39 i. ...

40 ii. ...

41 iii. The Commission is accountable to the Annual Conference. It shall consult with the
42 Council on Finance and Administration and may collaborate with other Essential
43 Ministry Teams for the purpose of supporting the vision and mission of the Annual
44 Conference.

45 d. Board of Pension & Health Benefits ...

46 e. Staff Relations Committee...

47

48

2015 California-Pacific Conference Preliminary Report

- 1
2 • Change heading of Rule VIII to: Other Bodies

3
4 Place the four committees in subsequent order under Rule VIII

5
6 Amended Rule VIII will read:

7 VIII. BODIES MANDATED BY THE BOOK OF DISCIPLINE

8 A. Committee on Investigation...

9 B. Board of Ordained Ministry...

10 C. Administrative Review Committee...

11 D. Nominations Committee...

12 E. Rules Committee...

13 F. Clergy Medical Leave Committee

14 G. Committee on Episcopacy

- 15
16 • Change Judicial Bodies to Number IX and place within this section the Committee on
17 Investigation and the Administrative Review Committee.



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MINERVA G. CARCAÑO
RESIDENT BISHOP

August 22, 2014

Invitation to Serve on the Congregational Loan Program Task Force

TO: Chuck Tokuhama, Chair of the Congregational Loan Committee
Lynn Matthews, Congregational Loan Committee
Kris Hodson, Congregational Loan Program Director
Dan Griffin, President of the Council on Financial Resources
Beverly Davis, Council on Financial Resources
Rev. Joy Price, New Ministries EMT
Rev. Greg Batson, California-Pacific Foundation Director
Rev. John Farley, Cabinet
Rev. Martha Wingfield
Rev. Eugene Han
Archana Carey, Executive Director of Finance and Facilities
Rev. Steve Hundley, Executive Director of Connectional Ministries

FROM: Bishop Minerva G. Carcaño

Grace and peace to you in the name of Christ Jesus. You will remember that in my Episcopal Address to the 2014 Session of the California-Pacific Conference I stated that this conference year I would be organizing a task force to examine the work of our Congregational Loan Program. I now invite you to serve with me on this Task Force.

The purpose of this CLP Task Force will be to: Holistically review the current structure and fruitfulness of our California-Pacific Conference Congregational Loan Program. Its goals will be to:

1. Make Congregational Loans a vibrant program for the local churches of the California-Pacific Conference.
2. Review and where necessary, recommend revisions of the CLP's work and guidelines in order to align the CLP to the present mission and vision of the California-Pacific Conference.

Our first meeting will be on Friday, September 12th from 10 am – 1:00 pm in the Cabinet Room at the California-Pacific Conference Center. Light refreshments and lunch will be provided.

It is expected that we will meet 5 times during this 2014-2015 annual conference year – September 12th, November, January, February and March. I hope to have exact dates for you for all of our meetings by the time we meet on September 12th.

I pray you will be able to accept this invitation to connectional service. Please let Gail Kendall, my administrative assistant, know whether you are able to accept this invitation. If so, it will be critical that you attend the September 12th meeting. Thank you for your prayerful consideration of this invitation.

CALIFORNIA-PACIFIC CONFERENCE

Episcopal Address 2015

California-Pacific Conference of The United Methodist Church

Minerva G. Carcaño, Resident Bishop

Brothers and sisters, how wonderful it is to see all of you! This is a time of Christian Conferencing in which we gather to give account to God of what we have done throughout this past conference year. It is also a time for us to discern the will of God for the days ahead. We bring our best work to this session of the annual conference confident that God will perfect it and breathe life into it and bless us to discern God's will for us for the days to come.

We gather under a mighty theme: ***Judgment, Justice, Joy***. Our theme comes from our United Methodist family's efforts to consider how we have been participants, knowingly and unknowingly, in actions that have destroyed the lives of generations of Native Americans and other indigenous communities. As United Methodists we began to consider this dreadful sin at our 2012 General Conference. The Sand Creek Massacre in Colorado became our window to undeniable knowledge. At Sand Creek, Native American peoples from that region were slaughtered and a Methodist preacher led the charge. You and I know that this was but one blatant moment of sinful aggression against those who first lived upon the land we now know as the United States of America.

During this past annual conference year your Sessions Task Force with the assistance of other conference leaders has been considering how we who have lived and served in the geographic area of the California-Pacific Conference have lived with and are living with our Native American and other indigenous brothers and sisters. Most importantly, we have been discerning what God expects of us in terms of justice in our relationships with our Native American brothers and sisters.

At this 31st Session of our annual conference we shall be educated by Native-American leaders, not least among them, Dr. George Tinker. Dr. Tinker has been gifted by God with a clear and thoughtful mind that sees beyond what we do and how we treat each other to what God expects of us and hopes for us and all of God's Creation. While I pray that we will sit at the feet of Dr. Tinker and other wise ones and listen with great care and openness, I hope that we will not simply bank some new information in our brains. Rather I hope and pray that through our hearing you and I may be touched by the Holy Spirit; that God's own judgment may come upon us as the beginning of the freeing of our souls and our hearts for the living of justice. It is then that I believe that joy will arise among us as we and our Native American brothers and sisters are brought together to the life-long journey of healing and reconciliation. Joy will certainly be our blessing as we learn to live as one.

Soon in plenary session you will receive the report of your 2014 action requesting a strategic communications plan along with a budget to support it. You will also receive the reports of the

two task forces that last year in my Episcopal Address I shared with you that I would be establishing: the Rules and Structure and the Congregational Loan Task Forces. An enormous amount of work has been done by our Communications Office and these task forces and I am confident that the reports and recommendations they will bring before you will help us further strengthen our annual conference's ability to be about the work of inspiring the world as passionate followers of Jesus so all may experience God's life-giving love.

Throughout this 2014-2015 annual conference year as I have visited our local churches to preach and teach and have worked with you at other conference connectional gatherings and activities, I have seen your faithfulness and it has strengthened my discipleship and hope for the church and the world. I have seen you:

- Sharing the good news of Christ Jesus through vital worship, bible study, and outreach,
- Extending compassion to others in the name of Christ, by feeding the hungry, caring for older adults, and attending to the needs of children,
- Working hard to plant new ministries including satellite churches, church restarts, and new communities of faith that reach out to the great diversity of our area,
- Being great stewards of the resources God has placed in your hands.

I give God thanks for your faithfulness.

What has been of concern to me, though, has been that last year after an amazing process led by our Mission, Vision Discernment Team we adopted a California-Pacific Conference Vision statement, but I have yet to see it fully implemented in our local congregations. I have been listening hard trying to figure this one out. This is what I think is happening.

Our local churches have vision statements too; great vision statements. I fear that pastors and local church lay leaders may think that our conference vision statement does away with the local vision statement and you've made the decision to hold on to your local church vision statement choosing not to bring our conference vision statement home to your local church. I understand, but allow me to share with you that our California Pacific Conference vision statement does not supplant or get rid of our local churches' vision statements. Our Conference vision statement is a bold commitment of what we are going to do together to serve God, to make disciples of Jesus Christ, and to transform the world.

So, hold on to your local church vision statement, but don't forget what we have said before God that we will be out in the world doing **together** as the California-Pacific Conference of The United Methodist Church. Can you say it with me:

***Inspiring the world as passionate followers of Jesus
so all may experience God's life-giving love.***

This is such a great vision statement; big and broad. I think it embraces all our local church vision statements. It is a great big hope that strives to help us remember that we are called to

do great things and to do them together. We are stronger and can do so much more and do it better when we serve together.

So as you gather for your next local church planning meeting, and as you evaluate your ministry, be intentional about evaluating whether you are living out your local church's vision statement. But then also put your work under that same evaluation lens and determine whether you are fulfilling the vision that God has given us as a conference, connected to each other. Then pray for those we are being called by God to reach out to, pray for the churches in your mission area, pray for your district, and pray for our conference that we may fulfill the vision God has given us to be about the sacred work of....

***Inspiring the world as passionate followers of Jesus
so all may experience God's life-giving love.***

I want to share one example of how I am hoping we can inspire the world as passionate followers of Jesus so all may experience God's life-giving love.

The year I was assigned to serve as your bishop the city of San Bernardino declared bankruptcy. I immediately thought about what this meant for our local churches in San Bernardino County. I wondered if any of our churches were themselves bankrupt if the city of San Bernardino was bankrupt.

What I found was churches working hard to be faithful but struggling with decline; churches with huge hearts wanting to share God's life-giving love, but not strong enough to do all that needs to be done even though they are indeed passionate followers of Jesus. They are in a social context that no church would find easy to be in ministry in. The *Los Angeles Times* recently had this by-line in an article about San Bernardino....

*San Bernardino, once a sturdy, middle class "All-America City,"
is now bankrupt, the poorest city of its size in California,
and a symbol of the nation's worst urban woes.*

I am so grateful for the work of our pastors and lay leaders in the San Bernardino Mission Area. They have taught me and our Cabinet a great deal about the social crisis and the spiritual needs of this community. According to the *Los Angeles Times*, San Bernardino, the birthplace of McDonald's, where Taco Bell got its start, where the Rolling Stones played their first U.S. concert, where the Little League established its Western Region headquarters, a 1976 All-America City¹ is today a city whose woes stretch out into its county. It is today a community of extreme poverty, homelessness, growing drug abuse and filled with gangs imported from the Los Angeles Area through the prison system. It lives under a cloud of down-wind smog, some of the worst in the nation.²

¹ Mozing, Joe. "San Bernardo: Broken City." *Los Angeles Times*. 15 June 2015 <http://www.losangelestimes.com>

² Ibid.

One day I asked who was looking out for the welfare of the people in this community. Those I asked looked at me with sad and weary eyes saying that those watching the city were business people with deep pockets waiting for the rest of the economic bottom to fall out so that they could swoop in and purchase everything at a pittance; like vultures preying on the affliction of others waiting for their death to come.

I want to thank the churches of the San Bernardino Area for their faithfulness in this difficult situation. I also want to say to the churches in this area that together as the California-Pacific Conference we will work with them, joining them in their faithfulness. My heart was deeply saddened when I heard that the leaders of our San Bernardino churches were fearful that when we saw how they were suffering the Cabinet and I and the conference would simply move to close them. I hope that our connectional efforts have convinced them and will convince others that we have no desire to close any church that wants to continue serving Christ Jesus.

Over the last few months led by our District Superintendent, Jan Wiley, and the clergy and lay leaders of the San Bernardino Mission Area, our conference staff and I have joined these persevering leaders in considering how we can work connectionally to make a difference in this community. We have invited the Industrial Areas Foundation to assist us, and we are in conversation with secular foundations about providing financial resourcing for our work. I have faith that by God's grace, together we can inspire even a place like San Bernardino to believe that God's life-giving love is for all.

Another way we have been striving to live out our vision statement is through our contributions to our world-wide United Methodist effort to inspire all of us but especially our brothers and sisters who live in sub-Saharan Africa to Imagine No Malaria. Our portion of the \$75 million commitment that our United Methodist Church has made is \$3 million. Listen for the progress report from our Imagine No Malaria Steering Committee, but also receive this word of encouragement. I believe we can meet our goal, but it is going to take all of us working hard over the next conference year and even more importantly, not being afraid to ask for a financial commitment to this critical cause.

As I have engaged local church lay leaders in conversation about how their Imagine No Malaria campaigns are going there has been a consistent thread through these conversations. That thread is fear and it seems to be mainly the fear of our clergy. It is the fear of asking for a financial commitment. It is a multi-layered fear that goes like this: If we ask for gifts for Imagine No Malaria it will impact our local budget, or our apportionments, or those other special projects we have in mind. How can we possibly ask for more? Well my brothers and my sisters, we ask for Imagine No Malaria because stretching a little more will not hurt us but will strengthen our faith and lead us on to perfection that one day we may become the beloved community of God that cares for all God's children. Just ask the members of Los Angeles Korean United Methodist Church.

After our annual conference session last year, LA Korean's pastor went home having felt the movement of the Holy Spirit upon his heart. If our conference's Imagine No Malaria goal was \$3 million then LA Korean should raise 1/10th or \$30,000 of that goal. When I went to preach at their church just 6 weeks after our 2014 annual conference session they had already raised \$20,000 of their goal. They are working to raise the balance of their commitment and I have no doubt that they will reach their local church's goal of saving the lives of 3,000 children, women and men from the beatable disease called malaria.

Did it impact the rest of their budget or financial needs? Absolutely not! What it did do was revive their spirit and affirm their connectional commitment to being a strong leading United Methodist Church. I pray that their witness will inspire you as much as it inspires me.

LA Korean's good work took pastoral leadership of the kind you will hear about much more throughout this annual conference, thanks be to God. So pastors and lay leaders, do not be afraid. Be faithful spiritual leaders and God will bless your efforts.

I am praying and working with our Cabinet and our Board of Ordained Ministry to raise up clergy spiritual leaders who are fearless and visionary, passionate about Jesus Christ, with the global vision of a day when all will experience God's life-giving love. A part of this work has been to partner with Claremont School of Theology as they participate in the United Methodist Church's **Young Clergy Initiative**. Adopted at our last General Conference with a \$7 million commitment, the Young Clergy Initiative strives to increase the number of young clergy among our conferences in the United States.

Together we the California-Pacific Conference and Claremont School of Theology are focusing on finding, encouraging and walking with those young people who we know are experiencing the call to ordained ministry. To lead us in this joint work, earlier this year I appointed the Rev. Allison Mark to the Young Clergy Initiative position at CST. I am thankful for a Cabinet that has done the hard work of finding the financial resources for this position. I pray that next year I will be able to return to you with the good news that our conference has sent forth many young people to our seminaries to prepare for serving as ordained clergy among you.

Finally, at the end of this annual conference session we will begin the journey to the 2016 General Conference of The United Methodist Church scheduled to be held in Portland, Oregon on May 10th – 20th, 2016. Let us prepare to help our brothers and sisters of the Oregon-Idaho Conference as they serve as the host conference for the General Conference. And, let us pray for our General Conference delegation as they prepare to serve as delegates. Pray that they may go ready to discern with all the delegates from our world-wide church the will of God for The United Methodist Church.

At General Conference we can expect that there will be some critique heard about our conferences in the Western Jurisdiction including ours. Some of the critique will be true. We have not grown spiritually or numerically as we should. We lag behind financially. There is no good reason for this lack of growth or fiscal responsibility. One way to receive this critique is to

justify ourselves. There are ways to do that. I would, however, encourage our General Conference delegates and all of us to receive the critique with graciousness and thanks, as a gift to our ongoing spiritual growth.

Then I would ask that we would pray for the guidance of the Holy Spirit to help us determine what we are to do to more faithfully make disciples of Jesus Christ for the transformation of the world. How are we to inspire the world as passionate followers of Jesus Christ so all may experience God's life-giving love? And I would prayerfully ask that we would be ready to follow Jesus wherever he may lead us, serving in his name with passion, faithfulness and joy.

I believe that it is through God's grace and our faithful response to that divine grace that we will find our redemption; our own journey from judgment to justice and then to joy. Let us not be afraid or anxious for we serve a faithful God who will be with us now and always!

Docket 0516-7 IN RE: Request for a Declaratory Decision from the Northeastern Jurisdiction College of Bishops Regarding the Meaning, Application, and Effect of ¶ 404.2 in Light of ¶¶ 40 and 48 and Regarding the Constitutionality of ¶ 404.2

PETITION FOR A DECLARATORY DECISION

Meeting in Hershey PA on Monday, October 5, 2015, the Northeastern Jurisdiction College of Bishops voted to request that the Judicial Council make a declaratory decision on the following questions:

- 1) What is the meaning, application and effect of the new para 40 in relation to para 48 as to where the authority resides for setting the number, names and boundaries of the annual conferences and episcopal areas?
- 2) What is the meaning, application and effect of the new para 40 in relation to para 404.2 as to where the authority lies for setting the number of bishops in a jurisdiction?
- 3) What is the meaning, application and effect of the new para 40 in relation to the constitutionality of para 404.2?
- 4) Do the provisions of para 40 require the General Conference to provide financial support for the number of areas determined by the jurisdictional conference?

This decision is requested according to the provisions of para 2610.2d of the 2012 United Methodist Book of Discipline

Rationale for Petition: The General Council on Finance and Administration has informed the College of Bishops that under the provisions of para 404.2, the Northeastern Jurisdiction will have 8 bishops in the 2012-16 quadrennium, due to the loss of membership. The College of Bishops and the Committee on Episcopacy of NEJ believe that a reduction of the number of bishops is not in the interest of the mission of the jurisdiction for a number of reasons. The Committee on Episcopacy is appealing to the Inter-Jurisdictional Committee on Episcopacy for a missional exception to allow the NEJ to retain nine episcopal areas. The Committee on Episcopacy is also submitting a petition to General Conference to amend para 404.2 so that the number of bishops in a jurisdiction would be determined by missional potential and capacity, rather than number of members. However, the College of Bishops believes that [new] para 40 has shifted authority for determining “changes in the number, names, and boundaries of the annual conferences and episcopal areas” (paragraph 40) to the jurisdictional conference. Paragraph 48 states “the College of Bishops shall arrange the plan of episcopal supervision of the annual conferences ... within their respective territories.” Paragraph 404.2 states, “In the Jurisdictions, the number of bishops shall be determined” and then states a formula on which that decision is made. We believe these paragraphs to be in conflict with one another. Furthermore, if paragraph 40, in fact gives the Jurisdictional Conference the authority for changes in the number of episcopal areas, is the General Conference responsible to fund decisions made by the Jurisdiction that would not be supported the formula in paragraph 404.2? The NEJ College of Bishops believes that these issues must be resolved and clarified

before the 2016 General Conference convenes. Thus we petition the Judicial Council for this declaratory decision.

Submitted on behalf of the College of Bishops by
Sandra Steiner Ball, President of the College of Bishops

**Minutes of the NEJ College Meeting – October 4-5, 2015
Hershey, PA**

October 4, 2015

Present: Bishops Bickerton, Devadhar, P. Johnson, Middleton, Park, Steiner Ball, Webb and members of the NEJ Committee on Episcopacy

Excused: Bishops Baeshore, Fisher, Grove, Hassinger, Irons, Ives, A Johnson, Lyght, Matthews, May, Morrison, Schol, Skeete, Stith, Weaver, White and Yeakel

Note: Bishop Yeakel joined by phone.

The meeting was opened with prayer.

Members of the NEJ Committee on Episcopacy met with the college for conversation around several areas:

1. Pensions – Information shared by Jim Berner from General Board of Pensions regarding decrement study conducted by Board of Pensions on all benefit programs. This study compares assumptions to reality. As a result, some annual conferences that are fully funded currently may not be in 2016, resulting in financial realities that will need to be addressed. This information is critical, as we look at the possibility of reduction and re-alignment of episcopal areas. The Board of Pensions will provide a CPP Holiday that will begin in 2018 through 2019 to offset some of the financial adjustments that will need to be addressed.
2. Work of Episcopacy Committee
 - a. Conversation regarding episcopal boundaries.
 - i. The majority of those gathered committed to work and advocate for the continuation of nine episcopal areas in the Northeast.
 - ii. College of Bishops will submit declaratory decision request to Judicial Council with consultation by Committee on Episcopacy.
 - iii. Committee on Episcopacy will provide leadership for submitting legislation, with consultation by College of Bishops. The group took some time to discuss the work the Committee on Episcopacy has done thus far.
Legislation drafts are attached.
 - iv. Missional reasons for maintaining current number of episcopal areas. A sub-team consisting of Episcopacy Committee members and College members will be established for the development of these missional reasons.
 - v. The group looked together at the document “A Call to Courageous Change”. The group agreed that this document would continue to be an internal document of the College and Committee on Episcopacy as further prayer,

discernment and decisions are made. **Document in its current form is attached.**

- vi. The group decided that general “What if” conversations should be held in every area regarding future alignment and changes to episcopal areas, including the alignment of the Peninsula-Delaware and Baltimore-Washington conferences. More strategic thinking and conversation will be held with College of Bishops and Committee on Episcopacy in February 2016.
- b. The group had some conversation regarding process for the February 2016 meeting between the Committee on Episcopacy and College of Bishops, specifically around how to have extended conversations with active bishops. Bonnie and Bishop Steiner Ball will work out on an agenda that will work for both groups.

Meeting resumed with members of the College. Brief time was spent debriefing on our conversation with Episcopacy Committee members. Sustainability of Eastern PA in the future, as well as long-term sustainability of other areas within the jurisdiction. The realities of health insurance costs, minimum salaries and the loss of full-time appointments is impacting financial realities.

Bishop Weaver has requested that we submit names of bishops to be trained to presiding officers for church trials. Bishop Middleton volunteered. Bishop Steiner Ball will put out an announcement to the whole of the college to see if there are other volunteers.

Conversation was held about the leadership of the NEJ Youth Ministry. It appears that we have a vacuum in leadership. The result of this is that there will not be any programming for the youth who will attend the Jurisdictional Conference. Hotel rooms are reserved, but there is not leadership for any type of pre-event for the youth attending.

Review of the 2016 General Conference Council of Bishops Nominations. Corrections were noted. Appreciation to Bishops Weaver and Devadhar for their guidance of this work.

Monday, October 5, 2015

Present: Bishops Bickerton, Devadhar, P. Johnson, Middleton, Park, Schol, Steiner Ball, and Webb

Excused: Bishops Baeshore, Fisher, Grove, Hassinger, Irons, Ives, A Johnson, Lyght, Matthews, May, Morrison, Skeete, Stith, Weaver, White and Yeakel

(During the college meeting Bishop Devadhar consulted by phone with Bishop Weaver on Monday and Tuesday regarding nominations. On Tuesday morning, Bishop Devadhar requested permission from the college to adjust nominations as there might be needs for diversity. Those present were supportive. Bishop Schol expressed the hope that the Council of Bishops would not always turn to the NEJ as the only Jurisdiction that can provide diversity. He encouraged Bishop Devadhar to

challenge the Council to look to other Jurisdictions as well to help with needs regarding diversity in the nominations process.)

Bishop Steiner Ball opened with a devotional thought, which was followed by a time of sharing joys, concerns and prayer for and with one another.

The issue of the trust clause was discussed and the reminder that the trust clause was established not for financial reasons but to assure that there would be a Methodist presence in communities. The concern was raised that there is an emergence across the denomination of a variety of ways in which we are dealing with trust clause issues. The question is "How do we find common ground and strategies in dealing with this reality and what precedent is being set by the various responses"? A commitment was made to discuss these situations with one another as we face them in the future.

Bishop Middleton requested approval of a renewal leave March 3-15, 2016. Approved

Bishop Middleton moved that we submit the declaratory decision request to Judicial Council. Bishop Park, seconded. Approved. Request is attached.

Bishop Steiner Ball presented a financial plan/budget request for learning activities/forums for active bishops to present to the NEJ Finance Committee. **The College requested that Bishop Steiner Ball represent the College at the NEJ Finance Committee meeting on October 15-16, 2015.**

Conversation reflecting on the NEJ Leadership event celebrated the many positive experiences, as well as some areas of learning for future events. Some take-away thoughts from the event:

- Some affinity groups want to continue to meet for collaborative work. Specifically the District Superintendents would like to meet.
- Presentations were well done and received good response.
- The pre-event with Cabinets and Boards of Ordained Ministry was well received and should be continued.

Discussion was held about the meeting of the College in February, 2016. There are several requests for us to meet with various groups, including extended time with the Episcopacy Committee. One of our key tasks is to spend time continuing the conversation around episcopal areas.

February 2016 College Meeting will be Sunday, January 31, through Friday, February 4 at Lancaster Marriot Penn Square. A detailed schedule and agenda will be sent to members of the College prior to this gathering.

A brief follow up conversation and request was entertained from Bishop Devadhar on Tuesday Morning, October 6 regarding nominations work as noted at the top of these minutes.

The meeting was adjourned with a blessing at 8:30 p.m.

Addendum:

“The College approved Bishop Peggy Johnson to attend the meeting of the Rules Committee on October 30 in place of Bishop John Schol with all expenses for attending this meeting covered by the Episcopal Fund.” Approved by email on November 17, 2015

Respectfully submitted
Mark J. Webb

REQUEST FOR A DECLARATORY DECISION

Meeting in Hershey, PA on Monday, October 5, 2015, the Northeastern Jurisdictional College of Bishops voted to request that the Judicial Council make a declaratory decision on the following questions:

- 1) What is the meaning, application, and effect of the new ¶40 in relation to ¶48 as to where the authority resides for setting the number, names, and boundaries of the annual conferences and episcopal areas?
- 2) What is the meaning, application, and effect of the new ¶40 in relation to ¶404.2 as to where the authority resides for setting the number of bishops in a jurisdiction?
- 3) What is the meaning, application, and effect of the new ¶40 in relation to the constitutionality of ¶404.2?
- 4) Do the provisions of ¶40 require the General Conference to provide financial support for the number of areas determined by the jurisdictional conferences?

This decision is requested according to the provisions provided in ¶2610.2d of the 2012 United Methodist Book of Discipline.

Respectfully submitted,

Sandra Steiner-Ball, West Virginia Area (College President)
Thomas J. Bickerton, Pittsburgh Area
Sudarshana Devadhar, Boston Area
Jane Allen Middleton, New York Area
Peggy A. Johnson, Philadelphia Area
Marcus Matthews, Washington Area
Jeremiah J. Park, Harrisburg Area
John R. Schol, New Jersey Area
Mark J. Webb, Upper New York Area

This docket has the actual requests for Judicial Council action received by the Judicial Council inserted. This is done to comply with the amendment of ¶2608.1 of the *Discipline* by the 2012 General Conference.

For further information contact F. Belton Joyner, Jr., 1821 Hillandale Road, Suite 1B, PMB 334, Durham, NC 27705 E-mail: judicialcouncil@umc.org