



# The Presidents and Anonymous Donors

The General Conference Executive Committee hears the GC and North American Division presidents explain why they accepted—and then terminated—salaries to their wives from private sources.

*by Roy Branson*

**A**T ITS JUNE 20, 1991, MEETING, THE GENERAL CONFERENCE Executive Committee was informed that the president of the General Conference of Seventh-day Adventists, and the president of the North American Division had acted to resolve personal financial arrangements involving anonymous donors and the Columbia Union that troubled the General Conference auditing service.

With neither president in attendance, the General Conference Committee listened to the GC treasurer read letters from Robert S. Folkenberg, the president of the world church, and Alfred C. McClure, president of the denomination's North American Division. These letters asked the Columbia Union Conference to stop paying Folkenberg's and McClure's wives the equivalent of a salary each from funds provided by anonymous donors. (See first two letters in box.) The money received from these sources had allowed the wives to avoid office jobs so that they could assist their husbands and travel with them.

McClure had also received from a secret donor or donors an interest-free, \$140,000 loan, passed through the Columbia Union, which he used to purchase a home in the Washington, D.C. area. When McClure sells his house the money will return to the Columbia Union to be used for education. In his letter, McClure said that the Columbia Union attorney was working on documents that would allow his house to be jointly owned by the union, in compliance with recently approved union policies.

The letters brought to a climax events that began immediately after Folkenberg and McClure were elected to their presidencies. As recounted to the June 20 meeting of the General Conference Committee by treasurer Donald F. Gilbert, and Ronald Wisbey, president of the Columbia Union, the story had begun last year at the July 1990 General Conference Session in Indianapolis.

Wisbey said that two individuals approached him, wondering if it would be possible to provide funds so the wives of Folkenberg and McClure would not be forced to take jobs in the General Conference building. It would be awkward for the wives to receive employment at a time when employees at headquarters were losing their jobs because of downsizing. The assistance would also

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permit the presidents' wives to travel with their husbands.

Wisbey went to Gilbert, newly re-elected treasurer of the General Conference. Gilbert said he did not see how the General Conference could accept such funds; it didn't fit into the General Conference's policies. However, Gilbert raised no objections to Wisbey's finding a way to make the private funds available through the Columbia Union.

According to his letter that was read to the General Conference Committee, Folkenberg felt that he was facing an impossible financial situation, and so "when I was informed that an anonymous donor had offered a solution, I considered it an answer to prayer." Gilbert recalled that following his conversation with Wisbey, Folkenberg came to him during the General Conference Session to say that the Columbia Union would be taking care of the matter. Referring to this alternative channeling of anonymous funds to the Folkenberg and McClure families, Gilbert told the GC Committee that he now wonders if he shouldn't have "advised against its propriety," or at least its appearance of impropriety.

Some time after the General Conference Session, the wives of Folkenberg and McClure were put on a "courtesy payroll," which Wisbey said also exists elsewhere in the denomination. From the time the Columbia Union began sending the two wives money until the end of 1990, each woman had received \$10,260. In 1991, each wife received the same amount.

Shortly after the General Conference Session, according to Wisbey, a second set of donors called him to see if the Columbia Union would accept a gift for McClure, to help with his housing. Wisbey agreed. So, a \$140,000, interest-free loan was made available to McClure in the form of a donation to Christian education in the Columbia Union. The loan enabled McClure to purchase his present home in the Washington, D.C. area.

It was unclear at the meeting whether the anonymous donor or donors had claimed tax deductions for contributions to the Columbia Union. Subsequently, the donors have informed Columbia Union officers that they have not claimed tax deductions. Although all the "paperwork" for the secret donors' funds for McClure had not been

completed, Wisbey told the GC Committee, on June 20, 1991, that when the legal work was completed the union and McClure would be co-owners of the house. According to Wisbey, when McClure finishes his assignment and sells his home, at least the \$140,000 will return to the Columbia Union to be used for Christian education.

In response to a member of the GC Committee, Wisbey confirmed that when McClure moved to the Washington, D.C. area, the Adventist Health Systems/Sunbelt purchased, at market value, the Atlanta home of its outgoing chairman of the board, McClure. He said Sunbelt was leasing it to the incoming chairman, McClure's replacement as president of the Southern Union.

Because the funds for the presidents' wives and the interest-free loan to McClure were provided by anonymous donors, Wisbey was emphatic that "not one dime of Columbia Union money went to the General Conference men." (Gilbert assured the GC Committee that Folkenberg had not received a loan from the Columbia Union, but had arranged for an interest-bearing loan from the General Conference to help him buy his house. The amount is well within policy for salaried employees of the General Conference, which holds the mortgage on Folkenberg's house.)

Wisbey said that it was embarrassing and extremely distasteful to him to discuss publicly someone else's private business. He had sought legal and accounting counsel and had been assured that there was nothing wrong with what the union was doing. He had tried to honor the request for anonymity by the donor. He had not been trying to conduct this matter in secret, but to facilitate, Wisbey said, what "I thought was a God-given miracle."

Wisbey therefore had tried to keep arrangements at the Columbia Union office within, as he put it, "the financial group." So, the Columbia Union Conference Association of Seventh-day Adventists approved the terms of the \$140,000 donation, to be given first as an interest-free loan to McClure and eventually to be part of the union's funds for Christian education.

However, Wisbey's account of what happened underscored the fact that the GC auditors had insisted that he inform and receive approval from a

widening circle of people. In 1991, when the General Conference Auditing Service performed their regular audit of the Columbia Union's 1990 accounts, Daniel Herzel, a GC auditor, told Wisbey that the union executive committee needed to officially approve the arrangements that had been made.

Therefore, in February 1991, months after the Columbia Union had already begun channeling money to the wives of the two presidents, and had sent the interest-free loan to McClure, Wisbey sought and received official approval from the Columbia Union Executive Committee for passing on anonymously donated funds to the wives.

In April, the Columbia Union Executive Committee talked face-to-face with the head of the General Conference auditing service. Wisbey pointed out that the committee is comprised of 60 members, half of whom are lay persons. He wished that he had arranged to have that meeting videotaped. The union committee had expressed an overwhelming desire to affirm the ministry of these two presidents and their wives. Their attitude was "praise God, someone cares!" In effect, the committee affirmed its February action.

Still, that seemed inadequate to the General Conference auditors. Within a few days of the executive committee meeting, some 400 delegates would gather for the May 1991 Columbia Union constituency meeting. The union officers, preparing materials to distribute to the delegates, discovered that they had not yet received an audited statement from the General Conference Auditing Services. In fact, the union found that an opinion-writing committee within the auditing service was still debating what notation to require on the financial report to explain the anonymous donations.

Wisbey reported that the union had begged the General Conference auditors not to require that a note be attached to the financial report being prepared for the union constituency. At least, Wisbey said, the union did get the auditors to change the wording in the note. Instead of the recipients of money from the Columbia Union being referred to in the note as wives of a General Conference and a North American Division *officer*, the union succeeded in substituting the word *employee*.

Wisbey felt badly that the Columbia Union meeting had been the one constituency meeting

that Mrs. McClure felt she could not attend with her husband, for fear of what might be said on the floor concerning the anonymous donations. But thankfully, according to Wisbey, the gifts were not a matter of discussion at the Columbia Union constituency meeting.

This picture contrasted vividly with Wisbey's earlier complaint about all too frequent comments of "disparagement" and the "conversation meat market that goes on regularly within this organization." Wisbey also reported that he had been told by an editor of the Adventist underground press that his sources of information were within the General Conference headquarters—that people there often called him before he called them.

Listening to Wisbey from a seat on the back row of the committee was David Dennis, director of the General Conference Auditing Service. After the Columbia Union Constituency meeting in May, his office had released, June 1, to the entire Columbia Union Conference Executive Committee, a copy of an earlier report from the GC auditors to the officers of the Columbia Union. That report said that the salaries for the presidents' wives and the interest-free mortgage loan to McClure did not conform to denominational policy. More dramatically, the auditor's report said that if the donors availed themselves of tax deductions for loans to the Columbia Union intended for specific individuals there could be legal problems. The report even raised the specter of the Columbia Union's actions in this case threatening its tax-exempt status.

The next person to speak after Wisbey was Neal Wilson, the immediate past president of the General Conference. Like other former officers, Wilson remains for five years a member of the GC Committee. Wilson said he had not been consulted when the arrangements had been made—there was no reason that he should have been.

Wilson said that he had first heard about this matter about two months ago. His immediate response, Wilson said, was, "I don't believe it!" Hearing about private funds being channeled through the Columbia Union to the presidents of the General Conference and the North American Division, he had said, "my two fellow leaders are smart enough not to be drawn into that."

Wilson then recounted that many times during his long tenure as president of the North American Division and then of the General Conference, he had been approached by members with offers of personal financial assistance—things like shares in nursing homes, even free stock in Worthington Foods. He had felt he simply could not accept these offers. For example, he had had to remind Worthington Foods that their competitor, Loma Linda Foods, was a General Conference institution.

Coming to the present, Wilson said that the previous evening he had spent two hours talking with Elder Folkenberg about recent developments in Russia. He had then raised with Folkenberg the topic of anonymous sources of personal funding. Wilson said he had talked about the problems raised when things are not fully disclosed; that it always leaves some sort of cloud. It was his conviction, Wilson said, that especially when people are under financial strain, “money clouds judgment.” After an hour of discussion and prayer, and conversation with the treasurer of the General Conference, and more prayer, Wilson reported, President Folkenberg had written the letter read that morning to the GC Committee.

Wilson felt that a case could be made for supporting the wife of the General Conference president, so she could travel with her husband. However, he wasn't sure how much beyond that the General Conference would want to go. There was a big difference between the demands upon the president of the General Conference and those on the president of the North American Division—and Wilson was the only person alive who had done both. Furthermore, while a case could be made for the General Conference Committee voting special support for the president's wife, Wilson felt that the way this arrangement was packaged was a problem.

For example, “anonymous donors.” After saying the two words, Wilson almost snorted. “Anonymous donors never remain anonymous.” Therefore, Wilson emphasized, looking at Wisbey, sitting directly in front of him, it was unfortunate to take the attitude that no one would have heard about these donations unless the auditors had revealed them. When “anything given by an anonymous donor is going to be channeled to a particular individual, you're in trouble.” The iden-

tity of the donors always comes out. These donors would also become known; not because of him, though he knew, Wilson said, who the donors were. If special financial consideration should be made for the president of the General Conference, it should come openly from the GC Committee, not from some “handout.”

Wilson began his conclusion by saying that he was supposed to be on a plane at this hour, but he had wanted to be with the committee to discuss this matter. Now, he had to leave to catch his plane. But, reacting to the sympathetic response to his remarks about leaders not accepting private sources of remuneration funnelled through denominational channels, Wilson could not resist pausing to make a final comment. In the months since the last General Conference, he had not always attended, or said much, at meetings of the GC Committee. Now, he had a feeling that period was passing and that the committee would be hearing his voice more often.

In their remarks, Gilbert, Wisbey, and Wilson all referred to a speech that actually opened the committee's discussion and put the actions of the two presidents and the Columbia Union within the broadest context. Some of the speech's recommendations have yet to be acted upon.

At the beginning of the day's deliberations, after Gilbert had introduced the subject and entertained questions, Mitchell Tyner, an associate director of the General Conference Department of Public Affairs and Religious Liberty, stood up, walked to a microphone on the floor, and, in effect, proceeded to challenge his superiors—the two presidents—to consider the seriousness of what they had done. Heightening the drama was the fact that not only is Tyner an attorney, but also an ordained minister who was born, raised, and has pastored in the Southern Union, where both McClure and Folkenberg most recently worked. Indeed, Tyner began his ministry as an intern under a young Alfred C. McClure.

Tyner began by asking for more specific information. He next explored potential legal problems, then devoted most of his 15 minutes to what he considered the most profound problem—the ethical issues raised by the presidents' actions.

First, was "facial" conflicts of interest. There was a potential conflict between the interests of the church that had elected the presidents and the interests of "thinly veiled anonymous donors." There was also the obvious problem that the presi-

dents might get caught in a conflict between the interest of the entire North American or world church, and the opposing interest of the Columbia Union, which had channeled funds to their wives. The presidents even faced a potential conflict be-

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## The Presidents' Letters

June 19, 1991  
Elder Donald Gilbert  
OFFICE  
Dear Don,

Please indulge me a moment of reflection as I begin this letter. Along with the major shock of last July 5 came the startling realization that, on a personal basis, I was facing an impossible situation. I was confronting both significantly increased expenses *and* limited employment opportunities for my wife, the latter due to the planned staff retrenchment as well as the need and expectation in some areas for her to be by my side as I travel. I did not have the answer to this dilemma but was certain the Lord would provide.

When I was informed that an anonymous donor(s) had offered a solution, I considered it an answer to prayer. However, in order to assure appropriate review and correct procedures, I asked: 1) that counsel be sought from a fellow GC officer, 2) that the anonymity of the donor be assured and 3) that this entire matter be fully disclosed and voted by the Union Committee involved. When all three were done I felt that the organizational interests had been assured, and gave thanks to the Lord.

You cannot imagine my surprise and dismay when some of our own staff seemed intent on painting with sinister hues that which was done in the light of day! I cannot know why for only the Lord knows motives. I only know that it is vital that my integrity be unsullied.

Therefore, though with appreciation expressed to the unselfish donor(s) and the Columbia Union, both of which acted disinterestedly and in good faith, I am asking the Columbia Union to discontinue the current assistance being offered to my wife. I hope that this step will contribute to calming the storms which the evil one has used to distract and divide.

Thank you for handling this matter for me.

Yours in Christ,

Robert S. Folkenberg,  
President  
xc: R Wisbey

June 19, 1991  
Elder Donald Gilbert, Treasurer  
General Conference of Seventh-day Adventists  
12501 Old Columbia Pike  
Silver Spring, MD 20904

Dear Elder Gilbert:

While recognizing that although the Columbia Union has been careful to safeguard the ethical and policy procedures relating to the request of anonymous donors, I have notified Elder Ron Wisbey of my request to terminate the salary which my wife has been receiving.

In addition, the Columbia Union attorney is currently developing the joint ownership documents which will provide for complete policy compliance.

Throughout my professional career I have assiduously attempted to conduct myself in a manner that is above reproach. While I had full confidence that the above mentioned activity was done in the proper manner, I deeply regret any question that might have arisen that would reflect negatively upon myself and particularly the church.

Very sincerely,

Alfred C. McClure  
President  
North American Division

tween the interest of Ronald Wisbey, who had arranged these benefits for their wives, and the interests of other denominational leaders.

Tyner assured the GC Committee that the potential conflicts of interest raised by these arrange-

ments would never pass the ethical standards required of the United States judiciary or Congress. What the Adventist presidents had done would be equivalent to a newly-appointed U.S. Secretary of Housing and Urban Development believing that

July 23, 1991  
Elder A. C. McClure  
OFFICE

Dear Al:

I have become aware that the issue of my wife's employment continues to be a topic of conversation. I am anxious that the full facts be known in order that our pastors, and/or members, can form valid conclusions. I am attaching a copy of the letter I wrote Elder Don Gilbert, treasurer of the General Conference, which was read to the General Conference Committee on June 20, 1991. I hope that you will send copies of this letter, and the one attached, to the North American Division union and conference presidents. They can use these letters in a manner that will be most helpful in answering questions they or their pastors face.

The attached letter provides a simple recital of the facts but doesn't communicate matters of the heart. In hindsight I would not have made the decision that I had made in Indianapolis. I only hope that people will remember the unspeakable pressures of the Session and consider that this matter was dealt with "on the fly" in a total of about 10 minutes. Certainly, I now wish I had sought wider counsel.

Thank you for helping me communicate this information to our leaders in North America.

Sincerely,

Robert S. Folkenberg  
President

July 24, 1991  
NAD Union and Conference Presidents

Dear Fellow Leader:

You will find enclosed a copy of a letter that Elder Folkenberg has requested I distribute to NAD leadership. It addresses an issue that has generated some questions that deserve a forthright response. I have chosen to add my comments since the questions involve my activity as well. At the time of our invitation to the NAD, there were three opportunities provided to assist in the transition:

1. A salary for my wife from anonymous donors through the Columbia Union so that she could assist me in my work. This has been discontinued.
2. A home loan with the Columbia Union through which anonymously donated funds were provided. A regular joint ownership loan is in progress.
3. Purchase of our two-year-old home in Atlanta at market value by AHS/Sunbelt to facilitate a rapid move.

The above mentioned items were all done in consultation with superior officers of the General Conference prior to the fact.

As stated in my accompanying letter that was read to the General Conference Committee on June 20, while I had full confidence that the above mentioned activity was done properly and with counsel, I deeply regret any question that has arisen that would reflect negatively upon myself and particularly the church.

Very sincerely,

A. C. McClure  
enclosures

he couldn't live in Washington on his salary, and then quietly taking money from the mayor of Chicago, who had received the funds from "anonymous donors."

Second, there was the issue of fiduciary duty. The presidents, Tyner said, had a responsibility to put the church's interest first. Had the presidents, in the midst of the recent downsizing and layoffs at the General Conference, carefully determined that the money from these donors could not be made available to prevent layoffs?

Third, there was the issue of "secretness." On the face of it, Tyner pointed out, secretness was an obvious acknowledgement of a problem. Why did the Columbia Union not reveal these arrangements until they were forced to reveal them? The problems of housing and living expenses in the Washington, D.C. area have been faced by virtually everyone who comes to the General Conference. But the top leaders of the church, Tyner said, are also Seventh-day Adventist ministers and subject to the same rules and policies as other ministers.

Fourth, was the issue of "self-dealing." Tyner quoted several thinkers on the need to avoid secrecy and to submit one's actions to review by others. He referred to James Madison's statement that "no man is allowed to be a judge in his own cause," and to Immanuel Kant's remark that "if actions must be kept secret in order to succeed, it is likely they threaten injustice and unfairness." Tyner also referred to contemporary thinker John Rawls' conviction that publicity ensures that those working in an institution know what limitations on conduct to expect of one another and what kinds of actions are permissible.

Tyner proceeded to make some concrete proposals for remedying the situation. The presidents needed to terminate the salaries from the Columbia Union to their wives. If the wives needed jobs, they should apply along with others. If provisions for assistance in purchasing a home in the Washington, D.C. area were inadequate, then the policy should be changed for all. Finally, the General Conference should consider establishing an ethics committee to produce a code of ethics and to review difficult questions brought by employees.

Tyner concluded by saying that if actions

along these lines were not taken, then whenever in the future we hear an appeal for offerings, when we are asked to sacrifice, when we are told to curtail departmental budgets, when we are told layoffs are necessary, when we are counseled to live within the limits of our financial ability, we will remember and wonder: what quiet deals do you have going that we don't know about right now?

One of the most interesting aspects of the entire situation is the comparison between the views of Wilson and Tyner, and the attitudes expressed by the principals. Of course, it is difficult to know whether the anonymous donors have reconsidered the propriety and wisdom of their making tax-deductible contributions through the Columbia Union to assist the two presidents. Wisbey was sorry for the embarrassment to McClure and Folkenberg, but the Columbia Union, he said at the June 20 meeting, had sought counsel, felt that what it had done was correct, and was not apologetic. McClure, who received the most money, did say that "I deeply regret any question that might have arisen that would reflect negatively upon myself and particularly the church." (See McClure's June and July letters.)

Folkenberg, in his letter drafted hours before the climactic June 20, 1991, meeting of the General Conference Committee, expressed "surprise and dismay when some of our own staff seemed intent on painting with sinister hues that which was done in the light of day. I cannot know why, for only the Lord knows motives. I only know that it is vital that my integrity be unsullied." He concluded his letter by saying, "I hope that this step will contribute to calming the storms which the evil one has used to distract and divide."

However, a month later Folkenberg, while asking McClure to distribute his first letter to North American Division union presidents, said in a covering letter: "In hindsight I would not have made the decision that I had made in Indianapolis," and "certainly I now wish I had sought wider counsel." (See Folkenberg's letter.) Those receiving the information in these letters were part of a process of accountability not imposed by external forces, but carried out by the General Conference itself.