
The Struggle in the Lake Region Conference

by Norman Miles

On March 22, at a conference committee meeting, Dr. Charles Joseph, president of the Lake Region Conference, tendered his resignation effective April 3, 1987. However, the committee asked Dr. Joseph to remain on as president of the Full Life Corporation (the organization created to oversee certain real estate ventures and developments). He is also acting pastor of the Shiloh Church and may continue in that capacity. Such is the outcome of a chain of events that has focused renewed attention on the relationship of regional conferences to the unions and the General Conference.

Two thousand members of the Lake Region Conference gathered in the Kellogg Auditorium in Battle Creek, Michigan, February 8, 1987, for what they hoped would be the resolution of a controversy that had been developing for years and convulsing the conference for months. The meeting left the conference in as much turmoil as before, with implications for the entire church in North America.

The Lake Region Conference, covering the same Midwest states encompassed by the Lake Union, is one of the black conferences in North America. The meeting in Battle Creek was billed as an "informational session" concerning the Continental Plaza, or Racine Street Project. A report by the North American Division had been distributed to all members of the conference in advance of the meeting. Scheduled to answer

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serious charges in the division's report was Dr. Charles Joseph, president of the Lake Region Conference.

The Continental Plaza Project, an urban development venture begun by the Lake Region Conference in 1980, has been a source of controversy from its inception. The project was planned as a three-phase development, to include a housing complex for senior and disabled persons, a new complex for the Shiloh School, and a shopping center.

When constituents of the Lake Region conference alleged that the conference leadership had engaged in unlawful practices and benefited personally from the project, the North American Division appointed a committee to investigate the affair. The Lake Region Executive Committee also appointed a subcommittee to investigate, and was scheduled to give a report at the Battle Creek meeting.

The Charges

The division report that constituents had received prior to the meeting covered four basic areas:

1. Personal gain of Lake Region officers from the Continental Plaza Project.
2. Withholding of tithe, and subsequent use of the tithe.
3. Violation of General Conference and Lake Region Conference policies with reference to the Continental Plaza Project.
4. Financial instability of the Lake Region Conference.

The North American Division Report first addressed the question of personal gain by stating that it was not the purpose of the survey to determine whether Lake Region Officers had diverted funds to personal accounts. The report further stated that the survey commission "did not find evidence of any such diversions nor did we find sufficient evidence to conclude that there was no personal gain by any individuals."¹

On the matter of tithe, the North American Division Report alleged that between 1983 and 1986 the Lake Regional Conference owed \$1,359,231.46 in delinquent tithe remittances, and that Dr. Joseph used about 1 million dollars in tithe funds to pay for obligations incurred by the Racine Street Project.

Concerning violation of policies, the report stated that the Lake Region officers mortgaged Shiloh Church and obtained a series of loans, including one in the amount of \$220,000 from Adventist Health Systems/North, without prior knowledge or consent of the Lake Region Executive Committee.

The North American Division report also accused Dr. Joseph and Conference Secretary R. C. Brown, of fabricating conference committee resolutions approving the amount of bonds issued, and falsely representing to the city of Chicago and the banks issuing letters of credit, that authority to issue the loan guarantees had been obtained from the conference committee.

On the final matter of the conference's financial stability, the report concluded that the "untenable financial state of the Conference is due significantly to the exorbitant and difficult financial burdens placed upon the conference by the Racine Street Project."²

The Defense

At the February meeting the accused conference president gave a spirited defense. In his report Dr. Joseph acknowledged certain policy violations, such as withholding tithe remittances, but insisted that his actions were neither immoral nor illegal, and that they came after a prolonged struggle to

obtain relief through regular church channels. He also denied some of the allegations of the North American Division report, such as misrepresenting conference assets to the banks, and he sought to demonstrate that the risk factor of the venture was relatively low—that any conference liability would expire after 24 months of the project's successful operation.

Following Joseph, the Lake Region Conference Executive Committee's fact-finding subcommittee issued its report. The subcommittee's report covered five basic areas.

1. *Personal gain of the Lake Region Conference.* A review of the documents supplied by the North American Division and Lake Region Conference shows no evidence of personal gain by any Lake Region Conference officer from the Continental Plaza Project.

2. *Present financial condition of the Continental Plaza Project.* Though the project had to be changed after it was launched, the risks are minimal; the Plaza is presently 85 percent Triple A leased and scheduled for completion in March, 1987. The financial projection showed an initial income of \$252,830 in 1987, increasing to \$562,826 per year by 1991.

3. *The financial condition of the Lake Region Conference: tithe remittances and tithe usage.* Lake Region's financial problems were part of the larger problem of regional conferences which operate on a smaller tithe base than comparable nonregional conferences, yet have to send away the same tithe percentages. There are built-in destabilizing factors for regional conferences. "The monies appropriated to regional (Black) conferences by the General Conference change from year to year at the discretion of the General Conference."³

4. *The financial impact of the Continental Plaza Project on the Lake Region Conference.* The Lake Region Conference invested approximately 1.2 million in the Continental Plaza Project. Of these funds, \$795,000 came from the mortgage on the Shiloh Church, \$220,000 from conference revenue (tithe). The conference spent 20 percent of the tithe funds withheld from the Lake Union on the Continental Plaza project. Unlike a local church, a conference's basic

income is in tithe funds, which are used to cover various expenses other than ministerial salaries. The unions and General Conference also invest tithe funds in the stock market.

5. *General and Lake Region Conference policies and the Continental Plaza.* In the main, the conference leadership followed General Conference and conference policy as the project developed, although conference officers failed to communicate with the constituents and the executive committee regarding several key decisions. The committee felt that this situation should end immediately.

After an intense period of questioning, laced with charges and countercharges, Dr. Joseph began a statement that many interpreted to be a resignation speech. Overcome with emotion, he was unable to finish and left the platform. Word came back to the group that Dr. Joseph wanted a vote of confidence from the officers and the executive committee. At this point a number of people rushed to take over the microphones and confusion erupted. A motion for the confidence vote was made and seconded, but as the confusion continued, Elder C. E. Bradford adjourned the meeting without any action on the motion being taken. One observer who characterized the meeting as the "shot heard around the Adventist world," pointed out that although the meeting didn't solve anything it did point up the crisis with regard to the relationship of regional conferences to their respective unions and the North American Division.

For many of the local constituents the issues clustered around a few major points. Those who opposed Dr. Joseph's leadership and were anxious for the North American Division to force a change, charged that his violations of policy and his use of certain tithe funds for non-tithe purposes disqualified him for leadership.

For other constituents this was a moot point. They pointed out that Joseph revealed the policy violations at the conference constituency meeting in March 1986, and that despite the disclosure of irregularities in policy adherence the constituency reelected him by an overwhelming majority (even though the nominating committee brought in another name).

The Project

While the precipitating factor behind the climactic February meeting in Battle Creek was ostensibly the Lake Region Conference's involvement in the Continental Plaza Project, the real roots of the controversy go back to economic issues which have been widely discussed since the late 1970s.

From 1972 until 1979 regional conferences discussed and refined proposals to form two regional (black) unions from the territory of the regional conferences in the North American Division. Proponents of black or regional unions argued that they were necessary to:

1. Channel a large share of the money given by black believers into the regional work;
2. Insure adequate black representation on the policy making levels of the General Conference;
3. Provide a conduit for the upward mobility of black leaders;
4. Enable black workers to plan and develop the black sector of the work in a more unified manner.

Although opinions differed regarding the advisability of creating black unions, even opponents of the plan were convinced that serious economic problems existed in the black conferences. The economic argument pointed out the fact that in the United States the average black income is approximately 55 percent of the average white income. A similar percentage is seen in the incomes of conferences, with regional conferences having a tithe revenue approximately one half of the tithe of comparable nonregional conferences. This innate financial disparity is compounded by the fact that regional conferences send the same percentages of tithe to the unions and General Conference as other conferences, while regional conferences often cover a larger geographical territory than nonregional conferences. In the case of the Lake Region Conference the conference territory is larger than the union territory since Lake Region encompasses churches in every state in the Lake

Union, plus two churches in Minnesota, which is in the Mid-America Union.

Such a reality has historically placed regional conferences in a unique position relative to Seventh-day Adventist church policy. Because regional conferences operate on a much smaller margin than sister conferences, once remittances

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are sent off it is often difficult and sometimes impossible for them to comply with North American Division policy in such areas as the funding required for initiating church building projects, or the suggested percentages allocated for educational needs. Regional presidents have pointed out such problems for years. In some cases potential difficulties were solved by the North American Division's writing exceptions to the policy. In other cases division, union, and regional conference administrators were able to come to a "gentleman's agreement" to overlook some policy deviations as unavoidable. The necessity of writing exceptions into the policy was one of the leading arguments propounded by advocates of black unions.

Although black unions were not approved, the knotty financial issues did not go away. In fact, for some regional conferences the economic problems became extremely acute during the financial recession of the early 1980s. Of all the regional conferences Lake Region probably suffered the most during this period; of the 10 urban areas hardest hit by the recession, seven fell in the Lake Region territory (Chicago, Detroit, Pontiac, Flint, Saginaw, Gary, and East St. Louis).

In 1977 the Lake Region Executive Committee voted to form a nonprofit corporation to develop senior citizens' housing complexes

for Chicago and Detroit. Two years later the conference committee voted to proceed with a limited dividend partnership in order to proceed with housing developments. On August 3 1980, nine persons, including three conference officers, two conference workers, and four lay persons, were made members of the Full Life Corporation board by vote of the conference committee. On November 12, 1980, the conference executive committee voted to present a plan to the conference constituency for obtaining a six-acre piece of property from Loyola University to be used to house a new Shiloh Academy, develop a senior citizens' complex, and furnish a building site for a new church.

On March 22, 1981, the Lake Region Conference officials presented a plan to a Lake Region Conference constituency meeting for a three-phase development of a six-acre piece of property in Chicago donated by Loyola University. Phase I involved the renovation of a building into housing units for senior citizens and disabled adults, and townhouses for low-income families. Phase II would renovate another building on the property to serve as the new Shiloh Academy, and Phase III would be the development of a shopping plaza. It was also suggested that a portion of the land be set aside as a future building site for the Beacon of Joy Seventh-day Adventist Church.

Although there was some strong opposition, the majority of constituents approved the plan and authorized the conference to advance \$16,000 in order to gain control of the development of the housing complex and the property. Most of the money for the shopping center was expected to come from the Department of Housing and Urban Development through special funds set aside for urban renovation. It was felt that the project would be a new source of revenue that the conference could direct toward Christian education in various parts of the conference. The very small investment on the part of the conference and the low level of risk made the plan especially inviting. But once the project was underway budget cuts made by the Reagan administration drastically reduced the level of government funding and required a

much higher level of private participation. The Lake Region administration was faced with a painful choice—abandon the project, or go forward, investing a considerably larger amount of money from the conference funds and other private sources than originally planned.

The new conditions also made it necessary to change the order of the project development. While the renovation of the housing units in Phase I was already under way, it was decided to proceed with Phase III—the shopping center—in order to help provide the financing for the Shiloh Academy renovation. It was at this point that the project became a serious issue beyond the Lake Region Conference.

The Controversy

At the same time as the conference administration was busy with the Continental Plaza project the financial position of the conference was becoming more difficult. Due to generally poor economic conditions in the region, tithe income did not rise. At the same time, between 1979 and 1985 medical expenses soared because of severe medical problems among workers' families. Lake Region's medical plan was not designed for catastrophic illness and thus the total medical bill of more than 1 million dollars severely strained conference funds. On several occasions the North American Division and the Lake Union advised the Lake Region administration to make some staff cuts in order to bring the budget into line.

In April 1984 the conference called a meeting of all the pastors and elders to discuss the financial situation. They voted almost unanimously for the conferences to seek to temporarily renegotiate the percentage of tithe to be sent to the union. The union resisted that solution, and the Lake Region Conference began to hold back a portion of the tithe funds due to the Lake Union and North American Division.

Between 1983 and 1986 approximately 1 million dollars in union and General Conference tithe remittances was retained and spent locally. During these three years about \$270,000 was

used to help put together the financial package for the Continental Plaza Project, with the remaining funds used to pay pastors, teachers, and cover other operational expenses. In February 1986 the Lake Region Conference, while keeping current with tithe remittances, repayed \$225,000, or 20 percent of its tithe debt.

In March 1986 the Continental Plaza Project, the withholding of tithe, and the poor financial condition of the conference became key issues in a stormy Lake Region Conference constituency meeting. For more than four hours the conference president was questioned by delegates. Late in the evening the nominating committee submitted to the constituency a name other than the incumbent. After a short discussion the nominating committee's choice was decisively voted down. Dr. Joseph was nominated from the floor and overwhelmingly reelected in a marathon session that finally ended at 2:00 a.m.

Nevertheless, for the rest of 1986 and into 1987 the Lake Region Conference has remained embroiled in controversy. After the constituency meeting delegates opposed to Dr. Joseph's reelection tried to mount a campaign to unseat him. In some larger churches a few members attempted, after Sabbath morning worship services, to secure signatures on recall petitions. A small church threatened to hold back its tithe if

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additional clarifications of the conference's financial system were not provided. However, these attempts failed to gather much support among the conference constituents.

Charges of mismanagement and personal gain of conference officers did gain the attention of the North American Division. On July 28, 1986, the North American Division Committee voted to arrange for legal and financial professionals to investigate Lake Region's affairs for 60 days. The committee itself promised to issue a report within 30 days of the investigation.

That fall, amid increasing rumors as to what the Lake Region Conference officials had done, Dr. Joseph met with the Shiloh Church, the largest congregation in the conference. He explained it was true that the Shiloh Church property had been mortgaged by conference officials without approval of the church board to launch the Continental Plaza Project. But he argued that the conference holds title to local church properties and is not legally obligated to secure a congregation's permission before mortgaging the land on which a church has been built. However, Dr. Joseph admitted that he should have consulted with the church prior to executing the mortgage on Shiloh.

On October 30, 1986, the survey committee made its report to the North American Division Committee. At that time, the division leadership asked for the resignations of Charles Joseph, president of the conference, and R. C. Brown, secretary. Both declined to comply.

On November 16, 1986, the North American Division leadership met with the Lake Region conference executive committee and requested that the conference committee call a constituency meeting. The conference committee voted to withhold any such action until the North American Division survey committee's report was presented.

Three days later the survey committee presented its report to the Lake Union Committee and about 200 of the administration's supporters. The day-long meeting ended with the union committee voting:

1. To accept the North American Division report and present it to the Lake Region Executive Committee;
2. To recommend that the Lake Region Conference Committee and the Lake Union officers appoint an individual to directly oversee the daily financial operations of Lake Region;
3. That the Lake Region make up its tithe remittances as soon as possible;
4. That the Executive Committee of Lake Region call an open meeting of its members to hear the North American Division report.

On December 10, 1986, the division report was presented to the Lake Region Executive

Committee, which accepted the Lake Union's recommendations, established its own fact-finding probe, and approved the holding of the dramatic February 8, 1987, constituency meeting of Lake Region members.

Construction of the Continental Plaza Project continues. But many issues remain.

The Implications

The question of a conference withholding tithe continues to haunt the North American Division. From the point of view of the unions, the divisions, and the General Conference, a unilateral adjustment by a local conference of the level of tithe remittances to the higher organizations poses the most dangerous of threats. If tolerated, other financially pressed conferences could take the same action and compromise the entire church system of financial distribution.

On the other hand, Dr. Joseph's supporters argue that he has taken a bold, courageous stand to make his regional conference more financially self-sufficient. Many of his constituents continue to consider the conference decision to withhold a higher percentage of tithe than church policy requires a necessary evil.

In addition to tithe withholding, there is the issue of church authority. The General Conference officers told the Lake Union that if conference leadership did not agree to resign, the Lake Union Executive Committee "has no other option" than to

call a special constituency meeting of the Lake Union Conference to present the whole matter, and to determine whether, in light of all that has happened, the Lake Union constituency is willing for the Lake Region Conference to continue as a Seventh-day Adventist conference within that union and within the world sisterhood of conferences.⁴

C. E. Bradford, president of the North American Division, has justified its vigorous action in this situation by affirming the unitary nature of the church organization. He cites recent court opinions that have determined the

Seventh-day Adventist church to be a highly centralized denomination as support for insisting that the Lake Union and Lake Region Conference bow to the direction of the "higher organizations."

The Lake Region leadership, on the other hand, has challenged the North American Division and General Conference's right to force a change in local conference leadership. They point to a January 2, 1987, letter written by Charles E. Dickerson III, special counsel for the General Conference. In a letter to the legal representatives of one of the Chicago banks involved in the Continental Plaza project, Dickerson, speaking for the General Conference, characterizes the structure of the denomination in North America.

While the North American Division, the General Conference and the Lake Region Conference are all part of the "sisterhood of churches" as referred to above, there is no formal tie or connection between these corporations. The "sisterhood" refers only to the concept that the members of each of these religious corporations share the same ecclesiastical beliefs. The term does not intend to imply any other connection between the entities.⁵

The denial of formal connection or ascending liability in the Lake Region case is obviously contradictory to assertions by the General Conference that the Seventh-day Adventist church is hierarchical in structure. The General Conference and North American Division must decide what position it will take. Trying to hold

to both sides of the issue can only result in confusion and possible expensive litigation.

Finally, the struggle in the Lake Region Conference has implications for the future of black leadership in North American Adventism. The fact that Charles Joseph, president of the Lake Region Conference, Robert Carter, president of the Lake Union, and C. E. Bradford, president of the North American Division, are all black, gives the appearance of a civil war among black Adventist leadership. Some may believe this affair calls into question the ability of black leaders on the union and division levels to effect changes benefiting regional conferences. Others may question whether black leaders in North America can discipline black conference leaders.

Whatever the outcome, the era of innocence on the part of the black laity is over. Lay people in the Lake Region Conference have become involved in a power struggle that has to some extent polarized them, but they have also become involved in important issues confronting the church. From now on the laity in black conferences will probably demand more of a share in directing the business interests of their conferences. It is also probable that the influence of the General Conference and the North American Division in the Lake Region and other regional conferences will diminish as the constituents take a more direct role in church business.

NOTES AND REFERENCES

1. Report of the NAD Survey of Lake Region Conference of SDA, p. 1. The language of the statement obviously leaves the issue of personal gain on the part of the conference officers clouded. Moreover, it represents a significant departure from the statement voted by the Lake Union Executive Committee on November 16, 1986, requesting the NAD Survey Committee include in its report that "it was not the purpose of the Survey Committee to determine whether there was any personal gain on the part of the Lake Region Conference officers, as a result of their involvement in the 'Racine Street Project,' and that there was no evidence presented to

support such an allegation." General Conference Officers' Statement to the Lake Union Conference Executive Committee.

2. NAD Survey, p. 13.

3. Response of the Lake Region Conference Executive Committee to the North American Division Survey Committee and Concerned Constituents of the Lake Region Conference, p. 7.

4. General Conference Officers' Statement to the Lake Union Conference Executive Committee.

5. Letter of Charles E. Dickerson, III to James B. Smith, dated January 2, 1987.