

## Refuge: A Place of Safety or Danger

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### Introduction

Ed Post had just been nominated to the Board of Deacons for Messiah Church. The annual business meeting was only one week away at which time he would be officially voted on to the board. A major responsibility for a board member was to oversee the financial statements and make sure the church maintained its financial accountability. He had been given an advanced copy of selected financial data (see Table 1) and had time to become familiar with the financial status of the church. One of the most essential duties of the board was to review and approve the 20x9 budget. Ed was also made aware of a major proposal which was going to be put forth to underwrite a project called the Refuge, a ministry outreach to unwanted teens. He was going to have to vote for or against this significant ministry and financial commitment, which included a ten year lease. Ed took his appointment to the board very seriously and he wrestled with the dilemma of ministering to the needy while also maintaining responsible fiscal stewardship. Could the church afford this ministry? On the other hand, could the church afford, from a social perspective, not to do this ministry?

### Board of Deacons for Messiah Church

The Board of Deacons for Messiah Church were members of the church nominated by the senior pastor with the support of the four associate pastors. After being vetted to make sure the nominee was of high moral character and integrity the actual appointment took place at the annual business meeting through a vote of the attending membership. The two year appointment process was virtually guaranteed and most members of the board could be reappointed as long as they wanted to serve.

The board met every other month and reviewed the financial statements plus a report from the bookkeeper. The reports included the overall church operation along with specific reports for each pastor's area of responsibility. The board also gave consultation on initiatives and proposals presented by the pastors.

Currently, there were three other members on the board. These members had all been reappointed and their years of service ranged from four to twelve years. The members all had business savvy either as entrepreneurs or at a mid or upper level managerial position. Ed learned that the board members pretty much went along with whatever any of the five pastors proposed and asked few

questions regarding the financial situation. While he had no doubt with regard to the knowledge and integrity of the board members, he felt that it was important to be a little more inquisitive. At the same time Ed was the new board member and he did not want to overstep his role.

### **Messiah Church Financial Report**

The church balance sheet as of December 31, 20x5 through December 31, 20x8 indicated over the three year period that cash increased but had shown a decrease in the last year. Net property and equipment had a gradual increase over time from capital purchases. The church bonds provided an increase in cash but had all matured and been cashed in. The only liabilities were credit card balances which were paid on time. The balance in the current liabilities had declined over the three year period. The fund balance represented the net worth of the church and reflected the excess of revenue or surplus over the years.

On the income statement the sole source of revenue was from tithes and offerings. The administrative, benevolence and ministry expense categories were most closely related to the operational activities of the church and the other expense accounts were more like support or overhead. In 20x8 the church had a loss after two years of surplus.

### **Refuge**

Associate Pastor Newborn was responsible for the teenagers and young adult groups in the church. He also felt called to try to reach the unchurched, especially the young adults that were neglected by most of society. Since most of these individuals were not interested in attending a church, Pastor Newborn wanted to go where these people were. He also wanted to create a venue that might be appealing to these individuals.

The name of this ministry was called the Refuge, and it was a safe place where teens and young adults who were displaced or had difficulty fitting in could come for fellowship, ministry and music. The facility was alcohol and drug free. At any given event maybe ten to twenty people would show up. Some were open to ministry but getting through to most was a challenge. Pastor Newborn would say: "The value of one saved soul was priceless." So the operating costs of the Refuge were not as great of a priority to him.

Two years ago, a small space was rented through a strip shopping center which served as a coffee house. The facility was opened some evenings and on weekends, and sometimes music groups would perform. Because of the size and some zoning regulations, the music groups were generally restricted to maybe one singer, or one or two instruments. Unfortunately, the shopping center was sold and plans were in the works to have the property demolished and a new office complex constructed.

Pastor Newborn had spent the last two months looking for alternative locations. He identified a shopping center in a low income neighborhood which was undergoing some urban renewal. The shopping center's major food store had moved out. Space at least five times larger than the current coffee house was available at apparently a very reasonable lease rate. The other stores in the shopping center included a pizza restaurant, a tattoo shop, a karate studio, a clothing consignment store and three vacancies.

The landlord thought that a church related venue in the shopping center could bring in some stability and maybe even enhance the overall area, which was in line with the urban renewal initiative. Pastor Newborn also realized that the increased size would make it possible to expand the music aspect of the ministry and groups of all sizes could perform.

The landlord was willing to give the first six months of occupancy free and then require a \$10,000 security deposit. The monthly lease rate would be \$6,000 which would increase about \$200 per year and the lease term was for ten years. Pastor Newborn would need \$100,000 up front for the renovation of the space and to acquire furniture and facilities for the Refuge. He felt that once operational, there would not be much in the way of additional expenses beyond those the church was already incurring to support the existing coffee house operation. Also, Pastor Newborn felt that the concerts could be a revenue generator and anticipated that he would bring in \$2,000 a month to help offset the lease costs.

### **Decision**

Ed knew he would have to play an important role in deciding on the proposal for the Refuge. The other pastors seemed to have bought into the vision of Pastor Newborn to minister to the unwanted. Also, he could not discount the value of reaching lost young adults and helping to turn their life around. At the same time the church apparently was going through some financial hardship especially in the last year. Was the financial condition a one-time situation or a trend? Fiscal integrity remained a key priority for any decision Ed made.

**Table 1: Messiah Church Selected Financial Data**

	<u>12/31/x5</u>	<u>12/31/x6</u>	<u>12/31/x7</u>	<u>12/31/x8</u>
Cash	347,118	483,770	466,765	395,531
Net Property and Equipment	1,378,421	1,373,859	1,433,387	1,430,562
Church Bonds	<u>101,984</u>	<u>36,456</u>	<u>3,379</u>	<u>0</u>
Total Assets	<u>1,827,523</u>	<u>1,894,085</u>	<u>1,903,531</u>	<u>1,826,093</u>
<u>Liabilities &amp; Fund Balance</u>				
Current Liabilities	22,173	35,461	9,481	8,013
Fund Balance	<u>1,805,350</u>	<u>1,858,624</u>	<u>1,894,050</u>	<u>1,818,080</u>
Total Liabilities and Fund Balance	<u>1,827,523</u>	<u>1,894,085</u>	<u>1,903,531</u>	<u>1,826,093</u>
		<u>12/31/x6</u>	<u>12/31/x7</u>	<u>12/31/x8</u>
Revenue:				
Tithes & Offering		1,428,879	1,453,630	1,382,025
Expenses:				
Administrative		75,296	42,479	36,483
Benevolence		75,518	83,707	110,376
Depreciation		102,099	111,110	119,645
Insurance		9,870	10,009	13,085
Maintenance		54,471	58,002	59,423
Ministries		328,051	292,508	224,708
Payroll		659,463	739,759	785,596
Rents/ Leases		17,834	16,377	17,961
Travel		0	4,157	18,881
Utilities		<u>53,003</u>	<u>60,096</u>	<u>71,837</u>
Total Expenses		1,375,605	1,418,204	1,457,995
Excess of Revenue		53,274	35,426	(75,970)
Beginning Fund Balance		<u>1,805,350</u>	<u>1,858,624</u>	<u>1,894,050</u>
Ending Fund Balance		1,858,624	1,894,050	1,818,080

