

## Executive Elders

# Current Financial Situation

Saturday, March 17, 2012

Pastor Mark and Pastor Dave,

Last night was a rough night. I knew I had to get up and write you both this email, and I did not want to do it. My heart aches, as this is my second experience being on staff with a church and my second crisis to have to walk through as a Church Leader.

After being at Mars Hill for 10 months and in my current role for 3 months, I now have a picture of a very broken and fundamentally financially unsustainable organization. I am sorry that I have not been able to really see the financial picture of the organization until just this week. So many distractions with A29, Real Marriage, GWOW, distractions with Churches, my Eldership, and a very incompetent staff when I arrived has kept me from not seeing the picture. But now I see the organization very clearly and we have some difficult decisions to make.

One of the greatest and most harmful events was Pastor Jamie resigning and leaving me in this job as General Manager/Executive Elder. From early June until he resigned in August, he had basically checked out. So I had less than 6 weeks as General Manager before becoming #1 King without being an Elder. Then finally in November, I was made an Executive Pastor without have any creditability with the staff. This single fact hindered my ability to really even understand the organization or the people, much less see the problems as they had existed for a long time.

If you go back and look, the Church had no budget and the financial statements were a total joke this time last year. Financial reporting was 4 to 5 months late because the staff in finance was incompetent and the policies and procedures were non-existent. I am sorry, these are strong words, but it is true.

In June and July, we slammed together a budget and put in place a new software system so we could start getting some financial information. In September the financial information began to come, but since the organization in general had no policies around spending and credit cards use, it was garbage in and garbage out. In September we installed Concur (credit card management system) and new policies across the organization. Finally by December, Kerry arrived with two good accounting managers to really get things cranking. As we have discussed, the financials for January 2012 were difficult to read because of all of the year-end GWOW giving/expenses plus the launching of 4 churches on 1/15/2012 to make the picture very foggy.

Yesterday I received February financials (within 15 days of the close of the month) and we are in a big mess. It is much worse that I could have ever imagined.

Since September, we have basically planted or re-planted 6 churches (EVT, ABQ, OC, SAM, RNV, and PDX). Operationally and organizationally this is a huge task. In order to accomplish this massive task, the people and processes were set up to accomplish this task. So the organization was built to plant 6 churches, not sustain past that event. Then you put on top of these 6 churches launches a RM campaign and you basically have a company going to World War III. It is all hands on deck, spend whenever is needed and let's win the War.

However, now the war is over and by God's grace we have successfully completed the launches and RM Series, we have an organization built for a War and that is totally not sustainable. If we had the leaders

and money to plant/re-plant 6 churches each year, we would be fine, but we don't have the money or the leaders to do that. With the massive growth in our Central staff to accomplish these objectives in January 2012, we have picked up many things that are not mission critical and now take up time, money, and resources.

Lastly, as we discussed, we have a culture that is plagued by poor stewardship, entitlement, December's Hail Mary strategy, and using of the Church to build a personal ministry. The first cultural problem is a stewardship and a heart issue that has been around for years and has seen leaders lead in poor stewardship of church resources. Leaders like Pastor Scott, Rick Melson, and others have help create this environment as other top leaders looked as if they agreed/endorsed the practice. When I came to MHC, it was no secret that [REDACTED] had poor spending habits. The finance team kept a spreadsheet call "questionable expenses." So whether top leaders did not want to know or were complicit in their action is debatable. However what is clear is that Pastor [REDACTED] follows behind [REDACTED] and other leaders who have used the church for their own personal benefit. It should be no surprise to an organization that poor stewardship exists when the leaders are leading in this practice. Also, the culture was promoted by the misuse of the term "generosity." Many within the church staff carry the attitude that taking someone out to eat on the church credit card was generous, or treating their wives to spa appointments was generous. However this is a very poor theology of generosity, which personally benefits the Church staff member.

It is my belief that the reason we have such poor giving by our Church is the lack of stewardship in the Church staff. Churches with excellent stewardship see greater giving because people know that every dollar they give will go towards the mission of the Church. It is very clear this has not been the case at Mars Hill Church.

Secondly, Mars Hill has a culture of entitlement. This goes back to the beginning when church staff was poorly paid. When a staff is poorly paid, leaders feel convicted that they are not rewarding staff for their work. So the leaders then take the church credit card and give additional benefits to the underpaid staff. As this buying staff "presents" and "rewards" became the environment, people began to feel **entitled** to buy things on the church credit cards for others. This culture has grown and is the predominant culture within Mars Hill Church.

From what I can tell by this past year's budget, we have had a strategy of completing a Hail Mary every December with a big giving campaign. This has allowed the negative monthly financial performance to continue while we count on a Hail Mary giving push in December to make up for the annual deficit. Givers are giving to grow the body and plant more churches, but given our spending habits, their gifts just help us catch up. With the growth of the church, the 2011 version only allows for enough cash to run through June 2012 and is not a sustainable plan for December 2012.

Lastly, a culture of using the platform created by Pastor Mark and Mars Hill to build a staff member's own personal ministry is also a predominant culture. As we have recently seen from Pastor Scott and before Rick Melson, there is a sense of entitlement that all staff members need to have a personal ministry/business/consulting outside of or on top of Mars Hill Church. Many times these personal ministries are done during staff time and using church resources. This actually encouraged when I first came on staff as it was explained to me that staff was able to take MHC time to do consulting work to supplement their income. At the very highest levels of the organization this was taking place and reproduced throughout the organization. So as a result, all staff members saw this as acceptable and now the established culture within Mars Hill Church.



### So where are we financially?

	\$ per Adult Attendee	\$ Over the next 19 weeks (until 06/31/12)
Avg. Giving per Adult	\$30.25	\$7,083,393
Total Fixed Facility Costs (debt service and lease payments)	(\$11.07)	(\$2,226,262)
Total	\$19.18	\$4,857,131
Location Church Variable Expenses	(\$12.71)	(\$2,555,684)
Total	\$6.47	\$2,301,447
Central Ops Expenses	(\$20.30)	(\$4,083,194)
Total	(\$13.83)	(\$1,781,747)
Remaining Committed Capital Expense	(\$3.22)	(\$647,377)
Total	(\$17.05)	(\$2,429,124)

### So, what does the above table tell us?

1. We are taking in \$30.25 per adult and spending \$47.30 per adult.
2. We will run out of cash in early July.
3. We will be out of compliance with our loan covenants in early June.

### So, what do we do?

We must change the following:

1. Spending at Churches (Heart Issue) and enforce September Policy
2. Staffing at Central (doing too many things that are not mission critical and not sustainable)
3. Spending at Central (heart issue the same as churches)
4. Cultural change – must come from Leadership, to Eldership, to Staff, to Church.
5. Compare our Mission to our current work load, scope, and scale, and cut off the activities that are not either:
  - a. Mission Critical: Making Disciples, Training Leaders, and Planting Churches.
  - b. Off set all costs associated with the activity, including staff and organizational resources.

### What are SOME of the areas we should focus on?

1. OC Church is not sustainable in its current form.
2. UWD is not sustainable in its current form.
3. # of Blogs on Resurgence, MHC, and PastorMark.tv is not sustainable.
4. Mars Hill Music is not sustainable as currently operating.
5. ReLit is not sustainable as currently operating.
6. Central Ministries are not sustainable (currently being disbanded to local church).
7. Printing and Branding of sermon series as currently practiced is not sustainable. (\$100,000 for banners, signage, popups per sermon)
8. Producing movie sermons like God's Work Our Witness is not sustainable.
9. Having Central staff work four days a week is not sustainable (no longer the cultural norm)

10. Having Church Staff take off every Friday is not sustainable.
11. Everyone having an assistant is not sustainable.
12. Churches spending money on hospitality, business lunches, and events is not sustainable.
13. Free events are not sustainable.
14. Community Group Synchs where a full meal is provided is not sustainable.
15. Continuing to give everything away for free like campaigns is not sustainable.
16. Having ministries like Film and Theology and Military Missions is not sustainable.
17. Doing anything other than weekly capture and next week playback is not sustainable.
18. Supporting Acts 29 and spending \$800,000 to \$1.2M per year is not sustainable.
19. Doing anything that is not Making Disciples, Training Leaders and Planting Churches is not sustainable.

Quick changes I will do beginning next week that will hurt, but are necessary:

1. We will begin a policy that all credit card charges over \$500 will need pre-approval of either me, Kerry, Pastor Dave or Pastor Justin. This will stop the big non-approved spending. This is what Harvest Bible did to curb credit card spending.
2. I will go back to each church with new budgets for the remaining 90 days of this FY 2012. This will cut back their staff spending and staff payroll. We will not lay-off anyone yet.
3. I need to sit with the EE and determine what work we can stop that is not sustainable. We need to cut back probably 30% of our central activities and staff.
4. All hiring, including XP Ministries, will be stopped. We will make due with what we have.
5. Going forward, all personal spending on credit cards (like spa appointments, dinners at Ruth Chris, and "staff appreciation lunches") will be reimbursed by staff from their paychecks.

Finally, I know a ton of people have literally given everything they have to support and build Mars Hill Church, through God's grace. This issue is not the effort, the issue is lack of strategic focus tied to strong financial sustainability.

The hole we are in today was set in course when we decided to plant 6 churches in 5 months on top of the Real Marriage campaign. Too much work for an 8,000 in weekly attendance church to undertake when there was a culture within the church staff of poor stewardship and a church body that did not financially support the church.