

## **To McClean Bible Church Members**

Following is a brief and high-level evaluation of the 2023 budget – as recently proposed by the Elders – and is submitted for your information and consideration, prior to the vote by the Congregation this week to approve or disapprove this budget.

*Note: While there are concerns regarding the notification periods and methods, these concerns are set aside to focus upon an evaluation of the budget process itself.*

### **Summary Evaluation - MBC Budget Condition for 2022 and Plan for 2023**

**Summary Finding:** The budget proposal is missing much information about the true nature of our current financial condition and future plans, while the information that is provided raises grave concerns. To proceed with this plan seems irresponsible and Biblically imprudent.

**Recommendation:** The budget, as proposed, should be rejected and not approved.

**Problems:** There are several problems with both the content of the budget and its process.

The proposed budget for 2023 is lower than the planned budget for 2022. This is at least going in the right direction. But the reduction is not enough, given the shrinking income issues.

#### ➤ **Elders continue to budget higher than what is supported by income.**

- In the face of steadily dropping income since 2015 (slight exception 2018 - 2019), Elders' estimates for income were considerably too high for the last two years – 3% too high for 2021 with a whopping projected 15% overshoot for 2022 – our current year. And what made 2022 even more surprising was that we received unusual income in the form of the controversial PPP money from the Federal Government and the proceeds from the sale of some of our land to the County (although it is unclear how and when these two incomes were booked as they do not show-up in the reports provided.) This additional income was unusual income and made our income higher than it would have been normally.

The fact that there are 23 MBC Staff positions that have been withheld and not filled due to lack of money, speaks to this issue rather loudly and confirms that the budget was too high for 2022.

With a history of shrinking income year over year, it seems imprudent to propose a budget whose expenses exceed the current year's income. (*Note: Income is down 33.95% since 2015.*)

#### ➤ **More Members as a Solution for Low Income**

- In response to this concern, the Elders' position is that they believe the shortfall can be made-up by bringing on more members in the future. In the discussion, the Elders indicated they were excited by the number of new members they had been able to bring on board to date. Further, they were confident that if they could keep-up this pace, the new members would, through their collective giving, be able to make-up any shortfall in their budget planning.
- When asked what gave them confidence that new members would provide a sufficient amount of new income, the Elders simply referred to the recent sermon series regarding the Biblical Traits of a Biblical Church, and that Biblical Giving was a part of that series.

- In the face of a very real and strong history of dropping revenue, to base major budgeting decisions on an as-yet unrealized growth in members and such an assumption about human behavior just appears to be imprudent and unwise on the part of the Elders. Accordingly, it should not be approved.

➤ Budgeting Process is Unclear and Difficult to Evaluate

- The Assets and the Liabilities of the church are not presented in the budget documents. The value of the items we own – our assets, such as cash reserves, buildings, vehicles and such – is not presented. What we might owe in obligations, such as leases and contracts, also is not provided. And as a result, we cannot see what our Net Value is as a financial entity.
- We cannot see how the money flows - “beans in and beans out” – as Lon used to say.
- There are other standard reporting tools available that would answer these questions. They are found in Generally Accepted Accounting Principles (GAAP). But the Elders have indicated that they do not want to provide this information to the Congregation.
- The Categories of expenses that we do see are not well defined. And, they are simply listed alphabetically.
- Explanations in response to questions about them seem terribly unclear and arbitrary.
- There does not appear to be a functional approach to tracking organizational costs, so it is extremely difficult to assess what a particular operation is costing us. Further, there is no functional organization chart presented so that we can know the various functions and have an overview of the operations involved in the church. Expense categories are listed alphabetically.
- We cannot even see what we are spending on utilities.
- Salaries and Benefits are only rolled-up as a single over-arching number. A further concern here is that the percentage of Salaries and Benefits is rising significantly in 2023, when compared with the plan for 2022.

In summary, the current process would almost appear to be designed to hide the details rather than make them available and transparent. Accordingly, the amount of information provided is totally inadequate and lacks sufficient detail to make a truly informed decision regarding approval.

This evaluation is in no way exhaustive and there are other issues that exist. But this evaluation indicates that the noted problems are, by themselves, sufficient for determining that the budget submitted should not be approved.

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Recommendation: The budget, as proposed, should be rejected and not approved.

*Voice from the Back of the Room*