

Case Study: House of Blessing Ministry

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ABSTRACT: House of Blessing is a non-profit, decision-oriented case featuring Community Chapel, a church participating in an outreach ministry to help those less fortunate by providing food and financial assistance. The church has been given an opportunity to acquire, at no cost, six modular units. However, the cost to get the trailers refurbished for their intended use is projected at \$115,000. With a nationwide recession, the number of people in need is growing while contributions to the House of Blessing ministry and church are unstable. The church officers and board need to decide if they should secure the six modular units.

INTRODUCTION

On a cold November day, Art Endres, facilities manager for Community Chapel in Hampton, came to Harold Moore, the church executive administrator, with a deal. Art had a friend with a local company who wanted to donate six modular, 55-foot-by-12-foot units to the church. The only cost would be transporting the trailers to the church property and securing them, which he estimated to be around \$12,000. Art reasoned this would be a perfect time to expand their House of Blessing (HOB) ministry and vacate the current leased space they were using, which was costing \$1,000 per month just for the lease. When refurbished, the modules would provide more than three times as much space and could offer even more services for the needy. Harold agreed this could be a great opportunity to get free modules. But what about the fix up cost? And would the congregation support this expanded use of funds? A decision needed to be made immediately as the supplier was already considering other companies and agencies which would be interested. Harold felt he would definitely require board approval for this project, so Art needed to get all the relevant facts.

COMMUNITY CHAPEL

Community Chapel was established 25 years ago with 10 members and met in 1,200 square feet of rental space for its first five years of existence. In a step of faith when the membership reached around 250, a prime piece of L-shaped real estate of over 2 ½ acres on the corner of two major city roads was purchased. The church built a 6,000-square-foot, warehouse-type structure and still had plenty of room for expansion. Over the last 20 years as the church has grown, there have been both additions to the existing structure and the securing of modular units to support various needs. The church building itself expanded to around 10,000 square feet plus there were seven trailers or modular units for various ministries and a maintenance shed.

The additional space in the church first went into expanding the sanctuary, which was necessary almost as soon as the original building was completed. About ten years later, a 2,500-square-foot addition for classrooms and a kitchen was constructed. Unlike the original structure, which was made of metal sheeting, the addition was all brick and presented a more attractive exterior look.

Periodically, when a good deal came along, the church would secure a modular unit. In addition to a maintenance

trailer, the church had a trailer for the senior youth and one for a special Kidztown, which ministered to first through sixth grade. Three trailers were obtained and set up in a U pattern for the Royal Ranger's boys group that met on Wednesday evening. Next a trailer was secured just for storage of stage props, costumes and specialty items, which were used in church productions and especially for Kidztown. Finally, just a year ago, another trailer was obtained which could be used for special ministry and counseling.

While all these buildings were functional and met the growing needs of the church, there was some concern that the property was looking more like a trailer park, with the large metal church building and numerous other trailers lined up around and behind the church. The trailers were strategically located away from the two busy highways so as not to detract from curb appeal and appease the city officials. Decking was also constructed to link most of the trailers and give more of a recreational look to the property.

Art proposed that the six trailers for the HOB could be placed behind the existing trailers and further away from the church. The end of the property was behind a strip shopping center and backed up to a railroad track. He believed the modular units could be made to look attractive but not overbearing, plus it was practical to keep the benevolence ministry physically separate from the church activities. A gravel road could be extended beyond the church parking lot to the HOB building.

HOUSE OF BLESSING MINISTRY

Just after Community Chapel opened its doors to its new sanctuary, the congregation recognized that there was a need to help the less fortunate in the community. Spearheaded by a small number of members, the church agreed to rent a small two-bedroom frame house located on a property adjacent to the church. The purpose of the ministry was to distribute food to the needy. Supported by contributions from the members, food was secured from local food banks, as well as surpluses from grocery stores. The church focused on mostly distributing non-perishables so as to avoid unnecessary health risks.

The word quickly got out that free food was available, and seldom would food be held more than 24 hours. Along with the distributed food, volunteers would minister to the personal and spiritual needs of these people and try to offer words of encouragement and assistance. It soon became apparent that these people also needed money for basic bills like utilities and rent. The church congregation was asked to give even more to support the expanded needs.

About five years after the HOB ministry started, there was some major highway reengineering as streets were widened and the property containing the rental house along with a couple other lots were purchased and a small shopping center was built. The landlords agreed to lease one of the storefronts to the church so that the HOB ministry could continue. Community Chapel agreed to a 1,200-square-foot store toward the back of the property next to a breakfast/lunch specialty restaurant. The annual lease was initially \$350 per month, but over a 15-year time period, that rate increased to just over \$1,000 per month. The church also had to pay insurance for the contents along with all utilities, which equaled about \$500 per month.

In addition to the lease and insurance costs, the church covered all operating costs to maintain the ministry including supplies, volunteer support costs, and permanent staffing which was at one full-time and one part-time employee. All contributions made directly to the House of Blessing went 100 percent to providing for the needy.

The current space was extremely cramped especially as more and more people came in for food and financial needs. The church leadership felt it was important to screen and counsel all individuals prior to distribution of food and money, especially those coming for money. The church did not want to become a crutch to these people and at the same time did not want specific people taking advantage of a situation such that others would possibly miss out. Therefore, it was necessary to have a secure counseling room at the facility to maintain confidentiality of personal information. There also had to be a reception and waiting area at the front of the store. The biggest area of the facility had to be for food storage. Even though turnover of merchandise occurred very quickly, there had to be enough room for shelving, a cooler, and an assembly area where food packages could be put together for those in need.

The problems with the existing space were numerous. The waiting area could only seat about 10 people and the areas for counseling, private interviews, and food storage and distribution were all inadequate. Also there was only one functional door, so receiving and distribution of food along with the main entrance for clients all had to pass through one door which posed a critical bottleneck. The rental space had only one single stall unisex bathroom in the back of the building for staff and clients. This posed as a safety and privacy risk for the HOB operation. It was obvious that if the ministry were to continue to flourish, changes were necessary.

THE CHURCH BOARD

Community Chapel had a board consisting of three to five administrative deacons elected by the congregation upon recommendation by the senior pastor, plus three associate pastors and one elder. The administrative deacons were elected for two-year terms, and they could be reelected indefinitely. All members of the board had equal voting rights. The five administrative deacons currently on the board had served on the board for 22 years, 16 years, 13 years, 8 years, and 5 years respectively. In the last 20 years, there had never been a significant disagreement by the board, and the administrative deacons tended to support the senior pastor regarding any initiative. However, they were not a “rubber stamp” group as they usually carefully reviewed any proposal and worked toward a consensus opinion in a spirit of cooperation.

The administrative deacons included a small businessman who had retired from a mechanics job with a national airline company and set up a cleaning service. A second member was the owner of a Chick-fil-A free standing store. A third deacon was a director of mail services for a large ministry organization. The fourth deacon was employed by the federal government as a contractor, which required extensive travel. And the newest member of the deacons owned a holding company for several pizza franchises throughout the state. All the administrative deacons had business experience and could bring knowledge regarding building and expansion programs. Collectively, they could critically analyze any type of proposal such as the idea for acquiring the modular units for the House of Blessing ministry.

The board met monthly generally to review the financial reports and conduct any new or old business. Seldom would all members of the board be in attendance

at any one meeting; however, they were able to interject comments and concerns via e-mail transactions. When important decisions needed immediate attention, special meetings could be held in a relatively short period of time. There was also enough trust by the board and pastors that decisions could be made via conference call or even e-mail if needed. With regard to the opportunity to secure the modular units, Art was convinced that the board members would be willing to meet within 48 hours so the numbers could be reviewed and discussed in an open forum.

THE ECONOMY

With the national housing market calamity, the Hampton community was impacted like virtually all the other parts of the country. People lost jobs and houses, and the number of people in need seemed to increase almost exponentially. Even some members of the Community Chapel congregation, who had been financially secure, suddenly had breadwinners out of work and in risk of expanding debt or possible home foreclosure.

Often when money got tight, the first area where people stopped spending was with contributions both to the church as well as other charitable organizations. Such was the case with Community Chapel. Figure 1 lists the annual tithes and offering given for the church as well as contributions for the House of Blessing for the last fiscal year and the three previous years.

The city of Hampton has been supportive of ministries such as the House of Blessing for many years. The more that private, charitable, and non-profit organizations stepped up to meet a need, the easier it was for the city. Hampton has been financially strapped as well for the last

Figure 1: Community Church Attendance and Giving Records

Year	Tithing Members	Average Weekly Attendance	Tithes & Offerings	House of Blessing Contributions	HOB Operating Costs
Aug – Oct	352	700	\$307,300	\$14,200	\$6,000
Last Year	342	658	1,245,500	56,300	19,200
One Year Ago	363	748	1,200,800	45,400	16,700
Two Years Ago		739	1,230,000	73,200	15,200
Three Years Ago			1,226,700	49,100	15,000

Tithing Members represent those who appear to be giving a tithe (10 percent of their annual income). Data for two and three years ago not available. Attending members represents an average attendance on any given Sunday which includes four services plus children’s programs. Data three years ago not available.

couple of years. Falling home values have directly cut into the primary revenue source of the city – property tax. Plus, with its citizens cutting back on spending, the city sales tax was declining. Increased unemployment leads to more people in need, which becomes a greater burden on the city. Hampton was facing increased expenses in a period of rapidly declining revenues. Hampton officials have commended Community Chapel for its work with the needy and would most certainly be supportive of any increase in the House of Blessing ministry.

Art believed it was critical for the city to be on board for this expansion project. He was potentially bringing in used modular buildings which would have to be refurbished and incorporated into the existing property and other structures. Who knew what building permits, inspections, and codes would be required? Dealing with a government bureaucracy and trying to confirm to rules and regulations could be a challenge in itself. Would the proposed modular units even qualify under existing city standards? Ideally, there would be some leniency, given the purpose and nature of the project.

ART ENDRES

Community Chapel was fortunate to have Art become an active member of the church three years ago. Retired from a career at Ford in the manufacturing operations, Art had jobs around the world and knew the “ins and outs” when it came to contracts and facilities. In the way of a ministry for Community Chapel, Art was hired on the staff as a facilities manager to help oversee the maintenance and property of the church. Willing to work at a pittance to supplement his retirement pay and buy-out from Ford (plus his wife, Sue, felt he needed to be out of the house and remain active), Art brought expertise to the oversight of the church assets.

The original metal frame structure of the church was showing age and aesthetic appearance was becoming an issue. Also, the many modular buildings had increased maintenance issues with water leaks and rusting. Additionally, minimal insulation was incorporated into the original construction, so the main building and sanctuary was generally quite cold in the winter and very hot in the summer. Art needed to develop creative ways to keep all the facilities together and in general operating condition while keeping cost at a minimum.

Sometimes everything seemed to hit at once. From broken toilets to faulty compressors to leaking roofs and deteriorating parking lots, there always seemed to be plenty

of repair work. Fortunately, between Art, some paid part-time maintenance staff, and volunteers, the church was able to keep the building operational at a minimal cost.

If this House of Blessing expansion was going to take place, Art was going to have to become the general contractor and do his best to identify individuals, volunteers, and companies who would be willing to help complete the project for a minimal cost and profit. He also would have to do a lot of the work himself or with the part-time staff. It could easily take more than one year to get the facility ready for operation.

There would be issues with the city regarding building codes, and even though the city had always been in support of this ministry, Art had no idea how refurbishing these used modules might fit to various building codes. The area was also subject to hurricanes, and modular units were often the most vulnerable structures. Who knew what these additional modulares would do to the church insurance rates.

HAROLD MOORE

Harold Moore had been a member of the church for a number of years and was initially hired as a consultant to review the overall operations of Community Chapel. The church was at a critical point in its life and its financial viability was a real concern. At the time Harold worked full time as a director in sales and marketing for a large Christian ministry. After reviewing the church operations and presenting a comprehensive plan to streamline church activities, the collective group of pastors recognized the importance of bringing Harold on staff as the executive administrator to implement the operation plan.

Harold had grown a little tired of the extensive travel in his sales and marketing position and wanted to spend more time with his family, which included four daughters, so he accepted the offer to become the executive administrator. In serving in this role, Harold was able to relieve the pastors of virtually all of their administrative duties so they could devote their full time to ministry and church mission related programs.

Responsibilities in Harold's job description included everything from developing budgets to personnel issues. He definitely had oversight on any capital-related proposals and projects, although any expenditure exceeding \$5,000 would need board approval. Harold had the full faith and trust of the pastors and administrative deacons when it came to operational decisions or major proposals such as the House of Blessing expansion plan.

THE PROPOSAL

Harold insisted that Art put together some numbers to present to the board. The supplier had given Community Chapel less than 30 days to come up with a decision. If the board approved the acquisition, they had to have the modules disassembled and moved to the church property in two weeks. The company insisted that the process be completed before the end of the year for income reporting and tax purposes. The company only asked for a donation letter with a fair market value for the modular units for tax reporting purposes.

Within days, Art developed ball park figure of \$115,000 to refurbish all six modulars (see Table 1 below). There would first be the process of sealing the walls and roof of the new structure and then gutting out the interiors. Once the shell was prepared, Art was going to have to rebuild the interior, keeping some offices, creating an attractive waiting area for clients, redoing bathrooms, and developing a large food storage and distribution area. Ideally, there would be a loading dock at the back of the unit for receiving with easy access for storage and an area for distribution near the front of the structure close to the client waiting area.

FUNDING

A small building fund of around \$100,000 had accumulated over the years primarily from the maturing of building certificates related to the initial church construction, which had been purchased by the church. The purpose of this fund was primarily for a down payment on any building expansion or renovation program. However, the use of the funds was at the church discretion and approval. The fund had maxed out as all the building certificates matured within the last year and the only source of income was from small donations and interest earned on the fund balance.

Community Chapel had tried to conduct a building fund program almost 18 years ago for a proposed significant expansion program promoted by the founding pastor. A professional church fund-raising organization had been hired to oversee the campaign. A number of church members had volunteered to assist in the fund-raising effort, and a kick off campaign dinner was scheduled. A number of circumstances happened at critical times and the campaign was unsuccessful. Church membership declined fairly significantly, negating the need for the expansion but severely reducing necessary operating funds. The found-

Table 1: HOB Cost Estimate

Item	Cost
Transport & Assemble	12,600
Interior Demolition	2,200
Permits	700
Enginerring	3,600
Crush & Run	3,500
Wind Load Corrections	4,000
Electrical	13,300
Water/Sewer	10,500
Restroom Renovation	3,800
Plumbing	3,500
Decking	9,400
Interior Walls	5,000
Interior Flooring	6,700
Exterior Repairs & Painting	6,000
Security Systems	13,800
Telephone & Internett	5,100
Heating & Air Conditioning	1,000
Furniture	10,000
Volunteer Hospitality	500
Total	115,200

ing pastor was replaced and Community Chapel entered a period of extended transition.

Since the time of the fund-raising campaign, the church has stabilized both in membership and giving. There was the usual turnover of church membership and attendance in recent years but nothing out of the ordinary. A large majority of the current attending membership were not involved with the church during that fund-raising campaign. Most of the membership knew only the current senior pastor and staff.

The senior pastor was not a big proponent of fund-raising efforts, though he realized the need for building fund campaigns if the church wanted to undertake any significant expansion programs. If the board decided to approve the proposed purchase of the six modular units, the senior pastor was open to some HOB fund-raising campaign, but it would probably have to be a “low-key” effort with little promotion and publicity and extend over at least a six month time period. At the same time, he realized that with a more aggressive approach, it might be relatively easy to raise all the needed funds in a short period of time.

There was also a realization by Harold, Art, and others on the board, that major renovations and possible expansion may be necessary to the sanctuary in the not too distant future. A big question was: Would the purchase of these modular units and the expansion of the House of Blessing ministry tire the congregation regarding future building programs and the associated fund-raising efforts or motivate them to continue growth initiatives? With the current state of the economy and the potential for financial difficulty, this was a legitimate concern. At the same time with construction down and contractors looking for work, the church might get some real bargains on any building initiatives.

Community Chapel currently had no long-term debt and managed its funds very conservatively. They believed in operating on a balanced budget, which meant that expenses for the operation of the church would not exceed the tithes and offerings. Their fiscal year was from August 1st until July 31st, and the church generally kept a cash balance in general funds of around \$250,000, which was approximately 20 percent of their annual operating budget. They also had a \$50,000 emergency fund, which represented approximately two Sundays, of tithes and offerings in the event that church services might be cancelled for a two-week period for weather related emergencies.

While the church was financially stable, over sixty percent of the operating budget was tied into salaries and benefits. About one fourth of the remaining costs were fixed in nature, such as lease obligations, maintenance contracts, and fixed services. The more church mission and vision-related costs made up the balance of the budget and tended to be variable in nature. If funding did not reach expected levels, these programs could often be the first to see cut backs as it was easier to make budget modifications in these areas.

The tithes and offerings represented the single most significant source of revenue for the church. Many members of the church did tithe, but most did not. While a tithe was defined as ten percent of income, that criteria was subject to some interpretation by individual members, so specific levels of giving could not be guaranteed. Also, giving fluctuated with attendance, which added to its uncertainty. With the primary source of income for Community Chapel based on voluntary giving and the large majority of expenses fixed, there was always some concern regarding fiscal viability.

DECISION DILEMMA

Once Art had supplied Harold with the requested information, the responsibility shifted to Harold. Was he convinced that Community Chapel should undertake this proposed expansion program, and if so, did he need to convince the board to accept the proposal? Did this plan fit with the overall strategic mission and vision of the church or was it an unnecessary diversion from more critical expansion ideas the church could be facing in the near future? If the modular units were obtained, could the church afford to refurbish and operationally maintain them, especially in light of the current financial conditions of the national and local economy plus the membership? And how would this impact other necessary capital requirements and improvements of the church while operating within a balanced budget?

Discussion Questions

If the case is presented in a more directed format, the following questions may help to formulate the discussion. Suggested answers and a full set of teaching notes are available for the author.

1. How should one go about analyzing the decision to secure the six modular units?
2. What financial factors should be considered in the decision process for the modular units?
3. What non-financial factors should be considered in the decision process for the modular units?
4. What are some of the other critical issues which could impact the decision-making process?
5. What are some other possible alternatives for the House of Blessing beyond just a yes or no decision on these modular units?
6. What would you recommend regarding the securing of the modular units and why?