

Debt Position Paper

The Bible does not condemn the use of debt but warns against the consequences of its misuse. Specifically, some principles of caution we can draw from Scripture related to borrowing and lending include:

- Borrowing leads to obligations and a loss of freedom (Deuteronomy 15:1-3, Proverbs 22:7)
- Borrowing presumes upon the future (James 4:13-15)
- Both lenders and borrowers incur risk (Proverbs 22:26, Exodus 22:14)
- Debts should be repaid if at all possible (Psalm 37:21, Deuteronomy 23:19-23, Romans 13:8)
- Lenders should not unfairly charge borrowers, especially the poor (Exodus 22:25, Deuteronomy 24:6)
- Long-term debt should generally be avoided (Deuteronomy 15:1-3, Romans 13:8)

While the Bible offers many warnings about the consequences of misusing debt, borrowing is not a sin in itself or outside God's will. In Matthew 5:42 Jesus said, "Give to the one who begs from you, and do not refuse the one who would borrow from you." Jesus would not institute a command that would make anyone a sinner, so clearly engaging in both lending and borrowing is not a sin, nor outside God's will. Instead, borrowing is a matter of applying wisdom, since it presumes on the future as outlined in James 4:13-14, which says, "Come now, you who say, 'Today or tomorrow we will go into such and such town and spend a year there and trade and make a profit' – yet you do not know what tomorrow will bring."

Though the inappropriate use of debt can create a burden, it is important to weigh the burdens of debt against the blessings it can bring. In fact, Psalm 112:5 tells us, "It is well with the man who deals generously and lends; who conducts his affairs with justice." When performing the burden-blessing analysis, it is important to consider the impact on ministries offered by the church, the church's current financial situation in its ability to repay its obligations, and alternative means to accomplish the church's goals. The considerations outlined are further described as follows:

- Impact on ministries: the Bible does not advise or command the use of debt to accomplish the will of God, including ministries administered by the local church. In fact, taking on debt could further restrict a church's ability to focus its resources on the ministry work as repayments toward debt eliminate the ability to fund certain ongoing or new ministries.
- Financial ability to repay: in Luke 14:28 Jesus says, "Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?" It is important for churches to evaluate the financial impact of taking on debt to their ongoing operations/ministries, along with their ability to repay their obligations in a timely manner. Psalm 37:21 says, "The wicked borrows but does not pay back."
- Alternatives: given the warnings in the Bible of taking on debt, churches would be wise to evaluate alternative means of accomplishing their goals before borrowing.

In evaluating these considerations, churches may conclude to take on some debt to accomplish their goals in living out the Great Commission. In such circumstances, the Bible is clear that we are to be good stewards with the resources obtained. This not only includes evaluating a church's ability to repay, but also the timeliness of such payments as to not overextend the burden established by the debt.

Relative to the timing of repaying obligations, God established a precedent in the Mosaic Law by setting up seven-year cycles, at the end of which all debts had to be repaid or released (see Deuteronomy 15). While we are no longer under the Mosaic Law, the wisdom in this is that it allowed capital to be invested to enable the Israelite economy to grow and flourish, while also providing a time-bound guardrail to limit the damage that can be caused by taking on too much debt for too long.

As followers of Christ, we are called to take the gospel to the world (Matthew 28:19). This requires risk in every aspect of life: spiritual, emotional, relational, physical, and even financial. We see an example of taking financial risk in the Parable of the Talents in Matthew 25, in which the two servants who took risks to multiply the talents given them were rewarded. In contrast, the servant who received one talent hid it in the ground out of a paralyzing fear. While it would be easier to insulate ourselves, take on zero risk, and avoid aggressively reaching a lost world, we believe there are appropriate seasons to take on limited risk for limited time in the form of debt as the blessings outweigh the burden. For example, for growing churches to reach more unreached people or provide current Christians with access to ministries and discipleship opportunities to grow in their faith by expanding physical space. However, in situations where debt is taken, we believe in practicing good stewardship by adequately assessing the church's ability to repay such debt within a reasonable amount of time through budget appropriations, member pledges, etc. in addition to exploring alternative means of accomplishing the same goal.

How does this position paper relate to decisions Pennington Park has made thus far related to debt?

In 2017, Pennington Park sought to build its own building in order to have a larger and more permanent presence in the Fishers community. In doing so, the congregation was solicited for three-year pledges, and building plans were only aligned upon once total commitments were known and the elders determined that the debt required to complete the building would not create unwise risk for the future of the church. The elders aligned upon a debt number that was substantially below other similar-sized church plants that were also built in the area. In addition, interest rates were at historic lows, which further reduced the cost and risk of borrowing. This is the only debt that Pennington Park has incurred to date, and the elders have plans to retire this debt before 2030 (see below).

In 2024, as we seek to expand the building to enable ministry needs with a much larger and rapidly growing congregation, we believe it is unwise to take on substantial long-term debt to meet this need. There are multiple reasons for this: 1) we already have debt we are working toward retiring, and taking on multiple levels of large debt seems unwise; 2) interest rates are much higher than during the first building project; 3) it is apparent that if most of the members pledge toward the campaign, we will be able to expand the building without needing to take on any sizeable long-term debt, and we do not want to expand unless most members are committed enough to the expansion to commit financially; 4) we desire to alleviate our financial burdens to allow us to invest in other gospel-reaching initiatives aligned with our vision for PPC, including church-planting.

Therefore, the elders along with input from the congregation considered alternative means to respond to the continued growth experienced in the last several years. The following alternatives were considered:

- Third service – Adding a third worship service may address capacity restraints, but it comes with various challenges. Congregational harmony is crucial, and adding a third service could create

polarization, affecting our unity. The worship service time would be shortened, impacting the culture of our worship services. Adding a third service could also lead to burnout among our church staff and volunteers. While it would address some building restraints, it would not address all of them. For these reasons, we believe it is unwise to pursue this option at this point.

- Church Planting – A key aspect of one of our church’s core values “sent and sending” is the conviction to church plant. We seek to follow what was modeled throughout the book of Acts as the early church first grew in number and expanded (Acts 2:47; 4:4; 5:14; 6:1; 6:7) then multiplied to other areas of gospel need (Acts 8:4-5; 9:31; 11:19). Throughout the New Testament, we see planting churches as the primary means for accomplishing the Great Commission. Therefore, we are committed to launching gospel-centered churches for years to come. Creating a church planting plan and vision will take time. This involves dedicated times of prayer, communicating the vision church-wide, identifying a lead church planter, recruiting the core startup team, researching the location to plant, assembling the equipment and resources needed, and equipping those being sent out. Therefore, we desire to dedicate 2026 toward developing the church planting plan and vision and then launching our first church plant in 2027, Lord willing. We believe church planting will become an integral part of our identity as a church and a means of spiritual growth. Those that will be sent out from among us to plant will create leadership and service opportunities for others. While church planting is not an effective strategy to solve capacity restraints, it will help create a bit more space for newcomers. In addition, if capacity is reached after the expansion is complete, planting churches establishes another location to encourage others to attend for gospel-centered ministry.
- Do Nothing – In Matthew 28:18-20, Jesus clearly calls us to “Go therefore and make disciples of all nations, baptizing them in the name of the Father, and of the Son and of the Holy Spirit.” Although this can be accomplished through supporting broader missions, both locally and globally, we believe our calling is to reach those in Hamilton County. Therefore, being obedient to Christ’s words we seek to be faithful in expanding our access to incoming individuals or through church planting initiatives.

Based on the congregational feedback, the clear majority were in favor of expanding our current facilities to address the growing body. We also observed the majority were in favor of expanding in a more cost-conscious way by modifying existing building plans. Finally, we observed respondents focused on our existing debt and a desire to avoid additional debt. In considering both the alternatives discussed above along with these factors, we believe expansion through a modified building that avoids taking on new long-term debt is the most responsive.

In order to accomplish this, there might be a need to obtain a short-term construction loan due to the timing of the receipt of pledges versus the timing of the cost outlay to expand the building. In current discussions with Crossbridge (current holder of our long-term debt), we understand a 2-3-year construction line of credit/loan could be arranged to deal with near-term liquidity needs until pledges are received. The loan established would be an interest-only line-of-credit that would begin incurring interest upon draws and would be payable monthly / quarterly. The interest rate established would align with the prevailing market rates + credit spread given our current financial condition. Principal on the loan would not be due during the 2-3-year interest only period and would convert to longer-term financing in the event a balance remains at the end of the interest-only period. Our intent is to use incoming pledges, cash reserves established, and intentional debt repayments in our annual budget to repay any draws and related interest prior to the short-term loan converting into long-term debt.

As we consider our church's ability to repay our current and ongoing obligations in a timely manner the following financial information was evaluated:

- Since the inception of our existing building (April 2021), our contributions received have substantially exceeded our operating expenses inclusive of making our ongoing monthly minimum debt payments for current debt (\$340k / year). PPC currently sits on a very healthy cash position of \$2.1M.
- As mentioned earlier, our average attendance continues to rapidly grow; we grew ~18% in each of the last two years, and had a higher giving per attendee than last year.
- Operating expenses include both fixed & variable spending. However, a large percentage of core operating expenses exclusive of staff salaries/benefits remain variable. In other words, we maintain a degree of flexibility to reduce spending, if necessary, while maintaining good stewardship.

Based on these factors, PPC's ability to repay existing debts remains sustainable based on our history. Further, given current cash positions combined with positive cash flows built-in to our budget and realized to-date, our ability to cover timing gaps with incoming pledges vs. potential building expenditures incurred is favorable.

As mentioned above, we have plans to retire the current debt from the original building (and be debt free) by 2030. Pennington Park currently has \$4.1M in long-term debt at a blended 4.6% annual interest rate. With conservative forward-looking giving estimates, we anticipate that we should be able to pay off all debt by 2029 solely from continued excess giving vs. expenses. Should these conservative forward-looking projections fall short of repaying all debt by 2028, we will likely recommend a campaign at that time specifically geared toward retiring the debt by 2030.

Should the Lord choose to grow Pennington Park in such a way that we cannot meet ministry needs through a combination of our building, church planting, and/or other means, the elders will always remain open-handed on whether to recommend a giving campaign and/or taking on modest debt in the future. But before proposing anything to the congregation, the elders will always spend substantial time in prayer, discussion, and seeking feedback from the congregation. And as always, all recommendations for additional giving or debt must be approved by a member vote.