

PNMC 2009 Financial Results and 2010 Budget

The PNMC fiscal year ended January 31. On January 23, the Board of Directors approved the 2010 budget. Following is a summary of the 2009 budget and actual income and expenses and the 2010 budget:

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2010 Budget</u>
Member Church Contributions	\$147,926	\$148,678	\$137,741
Other Income	49,661(1)	30,002	22,020
Total Income	\$197,587	\$178,680	\$159,761
Total Expenses	\$198,900	\$164,866	\$166,487
Income versus Expense	\$ - 1,313	\$ 13,814	\$ - 6,726

(1) The 2009 Budget Other Income included \$32,089 of Additional Need.

The detailed financial statements are attached.

HIGHLIGHTS

2009 Results

The fiscal year 2009 reflected very much a year of transition and change. While many items in the actual results were quite different from the budget, in total PNMC ended the year with a positive balance of income exceeding expenses by \$13,814.

Even with the economic conditions, Member Church Contributions were slightly above budget. Some congregations found it necessary to reduce their giving, but other congregations were able to give more than the amount shown in the budget. We are very grateful for everyone's faithfulness and support.

Other Income for 2009 Actual contains several "non-recurring" amounts that will not be occurring in 2010 and following years (see Comments section below).

Actual Expenses for 2009 were approximately \$34,000 lower than budgeted. The actual expenses for many items were very different from what was budgeted due to changes in the timing of events, changes in plans, activities that had not been budgeted, and efforts of conference staff to reduce expenses.

2010 Budget

The Member Church Contribution total is based on the commitments provided by each congregation for giving in the coming year.

Other Income reflects a reduction in investment income. The Board of Directors made the decision to move a significant portion of the funds that have been invested in the Mennonite Foundation Stock & Bond Fund into an MMA Money Market Account. While this will reduce income, it will also reduce the exposure to financial market volatility and the risk of loss of principal due to market changes.

The 2010 Budget is the first full year to reflect the new PNMC organization. The budgeted amounts are based on PNMC leadership's best estimates of expenses needed to carry out the plans for this coming year. However, there is a great deal yet to learn about the functioning of the new organization and the resulting expenses.

Comments to the detail Financial Reports (attached)

Two detailed financial reports are provided. The Income and Expense Report contains the budget and actual results for 2009 and the budget for 2010. The Balance Sheet contains the balances as of the end of the 2009 fiscal year, January 31, 2010.

Income and Expense Report

The Income and Expense Report contains some reorganization of the income and expense accounts to better reflect the new PNMC organization and to better group similar income and expense items together. In those cases where accounts have been combined or given new account numbers, the old account number(s) is shown in parenthesis after the category name.

The Income and Expense Report contains several columns of information as follows:

- The 2009 Budget column contains the budget for February 2009 through January 2010 as approved (with minor changes) at the 2008 Annual Meeting.
- The next column contains the actual income and expenses for the 2009 fiscal year (February 2009 through January 2010).
- The next column shows the percentage of the 2009 Actual amount to the 2009 budget.
- The column titled 2010 Budget is the budget for the coming year as approved by the Board of Directors on January 23.
- The last column shows the percentage that each line of the 2010 budget is to either the total income or expense for 2010.

2009 Budget and Actual amounts

In the original 2009 Budget, the shortfall of budgeted income compared to budgeted expenses was included in the income section as account 4902 – Additional Need. With the reorganized accounts, this needed amount (\$32,089) is now shown for the

2009 budget under Other Contributions. The Additional Need account is not used in the 2010 budget.

Under 4700-Interest/Dividend Income, the actual amount of \$2,213 for account 4705-Note Interest reflects the final reconciliation of the payment of the note payable from River of Life Fellowship. This note has been paid in full and there will be no further income for this account in 2010.

The income amount of \$16,434 for account 4804-Market Value Change-Investments (under 4800-Investment Gains/Losses) is the net gain in market value during fiscal 2009 of the Mennonite Foundation Stock & Bond Fund. This is a partial recovery of market value lost during 2008 and early 2009 due to the financial market decline. The principal amount of the Stock & Bond Fund is being reduced significantly by Board action to reduce the exposure to financial market changes. Therefore there should be limited activity in this account in the future.

The actual expenses for the Executive Conference Minister support were significantly less than the budgeted amounts due to the timing of the hiring of the ECM compared to that anticipated in the budget.

The actual expenses for the District Pastors were significantly less than budgeted due to a slower implementation of the District Pastor positions. Also, the budgeted amount included provision for District Pastor travel, while the actual travel expenses were recorded under account 6112-Travel & Meeting Expense.

The salary and benefits for the Administrative Assistant (account 5250) were well below budget since the position was filled for most of the year on an interim basis by Don Bacher with significantly less time charged than anticipated in the budget for the regular AA.

Actual expenses for Victor Vargas and Sheldon Burkhalter support were greater than budgeted as they were asked to extend their conference minister services due to delays in filling the Executive Conference Minister position.

Actual expense for account 5506 – Pastoral Leadership Team Non-Travel Expenses was above budget primarily due to expenses of the District Pastor Annual Gathering held in January 2010.

The Board of Directors (account 5900) actual expense was due primarily to three non-recurring items: account 5901-Non-Travel Expenses included legal expenses related to the Plainview Church property; account 5910 was expense for the hiring and relocation of the Executive Conference Minister; account 5912 was completion of the payments to the consultant for developing and supporting the Capacity Building Campaign.

2010 Budget

The amount shown for Member Church Contribution for each congregation was provided by that congregation. However, in some cases the congregational fiscal year (i.e. June through May) does not match the PNMC fiscal year. The latest available information was projected through the PNMC fiscal year.

Income account 4851-Apply Capacity Building Funds (\$11,000) anticipates using sufficient funds raised through the Capacity Building Campaign to offset the expenses of implementing the Campaign (expense account 591201 under 5900-Board of Directors).

Account 581403-CIEMNM Partnership (under 5814-Mexico Work) is reduced as specified in the CIEMNM Partnership Covenant.

Expense account 591201 under 5900-Board of Directors is an estimate of expenses needed to implement the Capacity Building Campaign. This expense will be offset by funds raised in the Campaign as reflected in income account 4851-Apply Capacity Building Funds.

Balance Sheet-January 31, 2010

Account 110205 – Sharing/Reserv Fund contains funds reserved for the Sharing Fund – Insurance Premium and Sharing Fund – Catastrophe to assist PNMC pastors with medical expenses.

Asset account 110603 – Stock & Bond Fund is being reduced to approximately \$10,000 during February 2010 in accordance with Board of Director action. The amount withdrawn from the Fund will be placed in the MMA Praxis Money Market Fund (account 110302).

Liability account 200103 – Mexico Partnership Payment reflects the payment to be made in February 2010 that was a part of PNMC's 2009 commitment (recorded in expense account 581403 under 2009 Actual).