



the Master's House
Pine Castle
United Methodist Church

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February 7, 2010

As we begin another year, I want to write and thank you for your faithfulness during this time at Pine Castle United Methodist Church. I am aware that there are many questions regarding the ministry and ongoing mission of this Church and Pine Castle Christian Academy that need to be addressed.

It is our hope that this pastoral letter will begin to answer your questions and provide you with the information you need to comprehend our current financial condition and all decisions that have been made.

As members and friends of this church, we are called to do our part in support of God's mission. This being said, we also know that throughout history, God has been faithful to supply the needs of His people.

Attached to this letter is a listing of questions that have been asked with our best responses based on our research of available information. After reading each question and answer, if you are still not satisfied, please contact my office and I will try to clarify. Remember, my office is always open to you.

I appreciate your faith and faithfulness.

"Grace and Peace be yours in abundance" (I Peter 1:2)

Pastor Jim

Rev. James George, Jr., Senior Pastor

The following questions have been asked by members and friends of Pine Castle United Methodist Church. Answers have been provided by the Negotiating Team.

1. Q: You speak of "The Negotiating Team." Who was on this team and what was its purpose?

A: *Shortly after arriving as your pastor on October 1, 2008 ... I formed our team:*

Staff Parish, Finance Committee and Trustees were represented by their current chairmen, plus our church/school administration, and members of our congregation. They were as follows:

Attorney Joseph Lane

Bob Harrell (served through January)

David Center (served through January)

Greg Numbers (current member)

Keith Haskell (current member)

Lynn Williams (current member)

Steve Robinson (added to team in January)

Lee Brown (current member added to the team in February)

Pastor Jim George (current member)

The original purpose of the team was to negotiate with Sun Trust in dealing with our debt.

2. Q: Has their purpose been accomplished? What is the final outcome?

A. *Yes, the Team has accomplished its task of negotiating and we have a stabilization of our debt repayment under a 4-year plan. We are in compliance with the plan so far. The mortgage has been signed and in return they have given us a four-year "window."*

The results are as follows:

● *Monthly mortgage payment is \$43,000*

● *Plus Balloon Payments as follows:*

Year 1 - \$125,000 - Due 12-31-2010

Year 2 - \$250,000 - Due 12-31-2011

Year 3 - \$250,000 - Due 12-31-2012

Year 4 - \$125,000 - Due 06-30-2013

Remember ... this is an "interest only" arrangement. If we are not careful, we could owe more at the end of four years than we started out with (just like credit cards if we pay only minimum amounts). This explains our concern with both the reliability and amount of our school facility lease.

3. Q: What were the goals of the Negotiating Team?

- A. ● *Save the church (the body, not the building).*
 ● *Be in the best possible financial position by the year 2013 (end of our 4-year window).*
 ● *Not owing more than we began with (this will happen if we only pay minimum amounts and can be further aggravated by interim interest rate increases).*

4. Q: What were the lease options that the Negotiating Team analyzed?

- A. #1. *Pine Castle Christian Academy as an independent school*
 #2. *Pine Castle Christian Academy as a ministry of the church*
 #3. *Charter school possibilities*
Each of these options was analyzed in terms of risk and probabilities of achievement. Conclusions were determined from the analysis.

5. Q: Were the three (3) options given full and complete consideration?

- A. *It is the opinion of the Negotiating Team that all three options were given full and complete consideration. It is interesting that all three options had expected near term bottom line similarities and results ... however, it appears that the "Charter School Option" would put the church in the best financial position at the end of the four (4) year period and beyond, based on what we can reasonably predict about the current economy and related impacts on our other options that were available to us.*

6. Q: What was the recommendation of the Negotiating Team? How did it work through the Church Council and Church Conference?

- A. *The recommendation of the Negotiating Team was for the "Charter School" option. On January 20, 2010 the recommendation was given to the Church Council (vote was 56 to 12 in favor), and later on that evening the Church Conference voted 139 to 114 in favor.*

7. Q: What does this mean in terms of Pine Castle Christian Academy?

- A. *Pine Castle Christian Academy will continue as it is and complete the school year (May 31, 2010). Beginning June 1, 2010 our buildings will be leased to the charter school. (The name of the charter school will be announced shortly.)*

8. Q. What are the benefits of the charter school concept?

A. The following is a listing of the benefits to Pine Castle United Methodist Church:

- A more dependable revenue stream which will be publicly funded through the charter system and not subject to what we feel are the inherent generalized financial stresses of private tuition levels and increasing tuition. While these tuitions may be workable even with increases on some families, we are concerned that across the board they are and will be a burden to many families (including tuition increases) and will inhibit the predictive ability of growth in student population. Pine Castle United Methodist Church needs a SOLID and increasing student populations as part of its SunTrust workout plan.
- Although the charter school will not be a Christian school, we have been assured that the charter school will be as close to the Christian school as possible ... Christian symbols can remain on the building.
- We will lease our school related facilities for about 6.75 hours per day ... Monday through Friday.
 - Before and after school activities will be controlled by Pine Castle United Methodist Church.
 - Uniforms and dress codes will be strictly adhered to.
 - Parents are required to sign a contract of commitment of cooperation ... involvement and volunteerism for each student.
 - The charter school will be K-12.
 - Pine Castle United Methodist Church will have input into hiring of the principal.
 - \$800,000 capital improvements over a two-year period; \$500,000 the first year and approximately \$400,000 on building improvements.
 - The charter school expects approximately 700 students the first year.
 - Capacity of current facilities is between 750-800 students and perhaps more.
 - The charter school will be financially responsible for the maintenance and improvements of buildings (triple-net-lease).

9. Q. We have heard that a group from the academy is going to relocate the school to another site. Is this true?

A. We have heard the same. Yes, that is happening ... although at this time the final decision has not been reached. The church's position is a Biblical response. We bless and endorse their efforts. There are teachers and some members who are 100% committed to a "Christ-Centered" approach to education. We all say... "Blessings."

10. Q. We have heard the term "Independent School." Can you address that issue? What does it mean?

A. "Independence" is a philosophical educational issue. Should a school be under a spiritual authority of a given church? ... That is the real issue. Fortunately, or unfortunately, the Headmaster of Pine Castle Christian Academy was guided by the independent

concept. For this church, it all started in June 2009 when Pastor Jim asked the headmaster to chair an Ad Hoc Committee "to investigate the issue of having a charter school on campus." On September 3, 2009 the committee met at the Beacon House, and a request from the school board to "investigate the option of Pine Castle Christian Academy becoming an independent Christian school" was forwarded to the Negotiating Team for their consideration (this was granted). On September 16, 2009 a memo was generated from the pastor's office directed to both Headmaster and School Board President that "caution should be followed in reference to the term 'independent.' There was one meeting with Pastor Jim, David Center and Jeff Rogero on the matter of "independence." From that time forward, there was a push from Pine Castle Christian Academy for complete "independence" from the church.

11. Q. If the charter school offers K-12 programs ... what about Pre-K? Has any attention been given to this?

A. Yes ... The church is beginning to plan for a pre-kindergarten program, utilizing our facilities. A possible name could be "Pine Castle Christian Pre-Kindergarten." Please understand this would need proper certification and standards. The church already operated a very successful "Parents Day Out Program."

12. Q. How will the ministry and mission of Pine Castle United Methodist Church be affected by the charter school?

A. In one word: DRASTICALLY! In reality, the community now becomes our mission field and each church member becomes a "cultural missionary" and the mission field is our immediate community. We must do church differently. Before-and after-school activities will be offered and controlled by the church. Funding for these activities are provided by the parents.

13. Q. What is FF&E?

A. It means Furniture, Fixtures and Equipment. This is business accounting terminology.

14. Q. I have heard the phrase "Cash Flow Deficit". What does it mean?

A. It began occurring a number of years ago at the Pine Castle Christian Academy (PCCA). In this case it means using future tuition to pay current year expenses. If you receive \$8,000.00 tuition for the school year starting on August 1, 2010 and that money is spent to pay expenses that were incurred in the school year of 2009 that is a cash flow deficit. Not a prudent accounting transaction.

15. Q. What is included in the \$14,000,000.00 debt?

A. Approximately \$2,500,000.00 was spent for soft costs such as architectural fees, government assessments and fees, clearing land and moving rental buildings and building the wall around the eastern portions of our property. Approximately \$1,000,000.00 was borrowed from SunTrust specifically for PCCA. Approximately \$500,000.00 still is owed on the Life Education Center Building (LEC). Approximately \$10,000,000.00 was borrowed to build the current Master's House facility.

16. Q. Do we have one set of books for both the Church and PCCA and co-mingling of funds?

A. No. We have two completely separate set of books with completely separate bank accounts.

17. Q. Does PCCA pay the Church any rent?

A. No rent is paid. But they do pay what we call a "Utilization Fee". This means that they pay their fair share of many various expenses, i.e., utilities, repairs and maintenance, building insurance and shared employee expenses just to name a few.