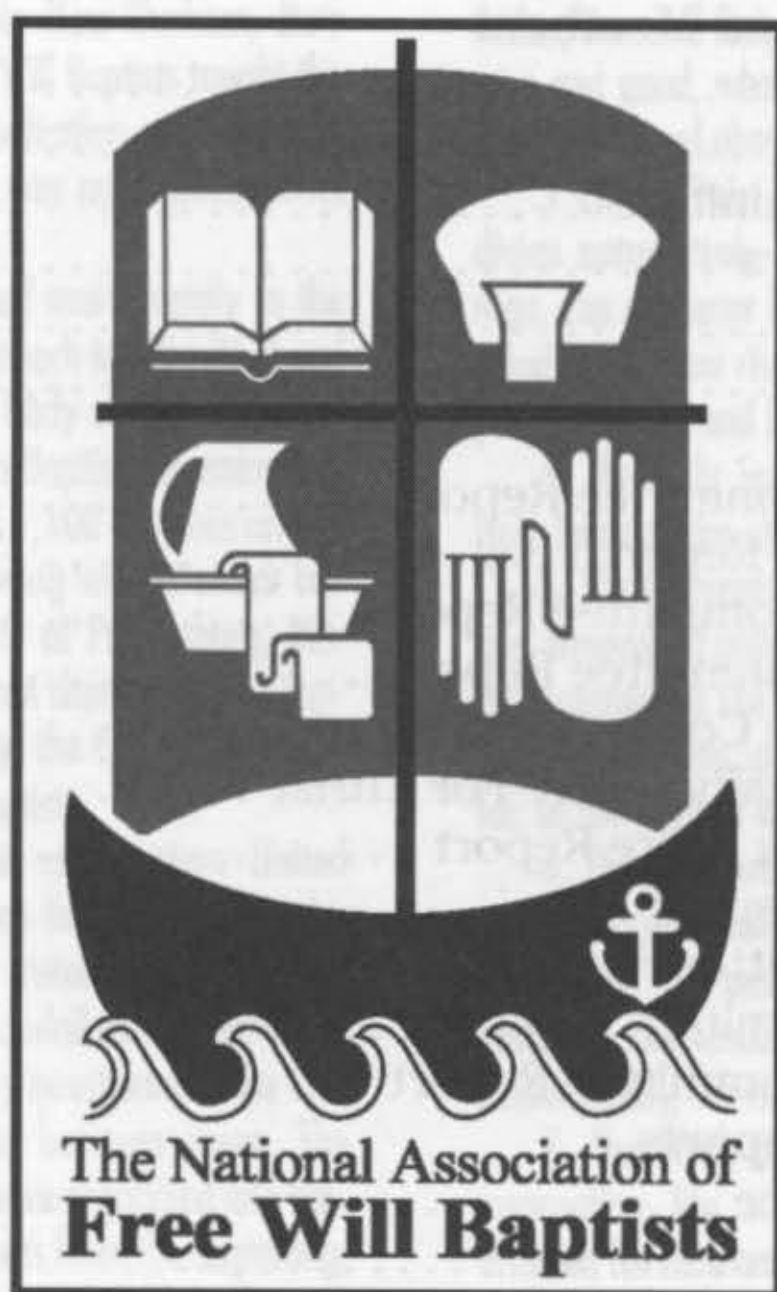


2005

Free Will Baptist

Yearbook



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The Executive Office
National Association of Free Will Baptists, Inc.

P. O. Box 5002, Antioch, Tennessee 37011-5002
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Minutes
of the
Sixty-Eighth Annual Session
of the
National Association
of
Free Will Baptists, Inc.
when convened in
Kansas City, Missouri
July 18-22, 2004

Future Sessions

2005	Louisville, Kentucky	July 17-20
2006	Birmingham, Alabama	July 16-19
2007	Little Rock, Arkansas	July 15-18
2008	Charleston, West Virginia	July 20-23
2009	Cincinnati, Ohio	July 19-22
2010	Oklahoma City, Oklahoma	July 18-21
2011	Charlotte, North Carolina	July 17-20
2012	Memphis, Tennessee	July 15-18
2013	To Be Determined	July 21-24
2014	Fort Worth, Texas	July 27-30

Officers and Board Members

General Officers

Moderator	Tim York
Assistant Moderator	William Smith
Clerk	Randy Bryant
Assistant Clerk	Ernie Lewis
Executive Secretary-Treasurer	Keith Burden

General Board

2005

Indiana: Chris Clay
 Kansas: Zane Brooks
 Kentucky: James Patton
 Mexico Assn: Bud Bivens
 Michigan: Gene Norris
 Mid-Atlantic: Jay Baines
 Mississippi: J.L. Gore
 Missouri: Nathan Ruble
 New Jersey: William Brown
 New Mexico: Mark Shores

2006

North Carolina: Jim Marcum
 Northeast Dist.: Jim Nason
 Northwest Dist.: A. Darrell Smith
 Ohio: Mike Stokes
 Oklahoma: Ernest Harrison, Jr.
 South Carolina: Mike Jones
 Tennessee: Charles Thigpen
 Texas: Keith Woody
 Virginia: Glen Johnson
 West Virginia: Carl Vallance

2007

Alabama: Rick Cash
 Arizona: Charles Marshall
 Arkansas: Tim Campbell
 Assn. of Mexico:
 Luis Felipe Tijerina
 Atl. Canada: Fred Hanson
 California: Millard Sasser
 Colorado: Mark Thomas
 Florida: Paul Smith
 Georgia: Len Blanchard
 Idaho: Earl Jenkins
 Illinois: David Shores

Executive Committee

Moderator: Tim York, 12708 Copley Road, Ashland, KY 41102

Assistant Moderator: William Smith, P.O. Box 507, Colquitt, GA 39837

Clerk: Randy Bryant, 2156 54th Avenue, Vero Beach, FL 32966

Assistant Clerk: Ernie Lewis, Route 1, Box 52, Cisne, IL 62823

2005

J.L. Gore (MS)
 Gene Norris (MI)
 Nathan Ruble (MO)

2006

Ernest Harrison, Jr. (OK)
 Glen Johnson (VA)
 Keith Woody (TX)

2007

Tim Campbell (AR)
 Rick Cash (AL)
 Fred Hanson (Canada)

Board of Trustees of Free Will Baptist Bible College

Chairman: Gary Fry, P.O. Box 991, Lebanon, MO 65536

2006

A.C. Allen (SC)
 Richard Barnes (VA)
 Gary Fry (MO)

2008

Greg Kettelman (TN)
 Gene Outland (IL)
 Archie Ratliff (NC)

2010

Steve Ashby (OK)
 Billy Hanna (GA)
 Terry Pierce (MS)

Board of International Missions

Chairman: Milton Worthington, 4885 Ayden Golf Club Road, Ayden, NC 28513

2006

Jerry Norris (MO)
 Randy Wilson (OK)
 Milton Worthington (NC)

2008

Bill Jones (TX)
 Bill Van Winkle (TX)
 David Williford (TN)

2010

Sherwood Lee (SC)
 Tom McCullough (MI)
 Danny Williams (AL)

Board of Home Missions

Chairman: James Puckett, P.O. Box 7527, Moore, OK 73153

2005

Harold Blankenship (NC)
 Robert Thebeau (MO)
 Lynn Wood (OK)

2007

Matt Upton (CA)
 Jerry Atwell (MS)
 Bobby Shepherd (AR)

2009

Ron Parker (LA)
 Loyd Locklear (MI)
 James Puckett (OK)

Board of Retirement and Insurance

Chairman: Ron Barber, 525 S. Main, Ste. 500, Tulsa, OK 74103

2005

Ron Barber (OK)
 Henry Van Kluyve (TN)
 Milburn Wilson (TX)

2007

Bobby Bowers (SC)
 Craig Cook (TN)
 Jack Ward (NC)

2009

William Ferguson (MI)
 Jack Daniel (GA)
 James Lowe (OH)

Board of Master's Men

Chairman: Cliff Donoho, 4029 Calumet Drive, Antioch, TN 37013

2005

Mike Mounts (OH)
 Don Neal (IN)
 Ernie Taylor (IL)

2007

Roy Copeland (OK)
 Charles Walden (MS)
 Rudy Taylor (MI)

2009

Cliff Donoho (TN)
 Rick Stone (KY)
 Johnny Fowlkes (AR)

Board of Trustees of the Free Will Baptist Foundation

Chairman: Henry Van Kluyve, c/o P.O. Box 5002, Antioch, TN 37011

2005

Ron Barber (OK)
 Henry Van Kluyve (TN)
 Milburn Wilson (TX)

2007

Bobby Bowers (SC)
 Craig Cook (TN)
 Jack Ward (NC)

2009

William Ferguson (MI)
 Jack Daniel (GA)
 James Lowe (OH)

Foundation Board also includes directors of national agencies:

James Forlines (IM)
 Larry Powell (HM)
 Kenneth Akers (MM)

Matt Pinson (FWBBC)
 Marjorie Workman (WNAC)
 Ron Hunter (SS & CT)

Keith Burden (Exec. Off.)

Board of Sunday School and Church Training

Chairman: Dennis Wiggs, 206 Briarwood Lane, New Bern, NC 28560

2006	2008	2010
Jeff Crabtree (Canada)	Nuel Brown (CA)	Tim Eaton (OK)
Edwin Hayes (OH)	Danny Dwyer (NC)	Tim Owen (FL)
Dennis Wiggs (NC)	David Reece (TN)	Michael Waddell (AL)

Commission for Theological Integrity

Chairman: Leroy Forlines, 3606 West End Avenue, Nashville, TN 37205

2005 Daryl Ellis (IL)	2008 Matt Pinson (TN)
2006 Paul Harrison (TN)	2009 Jeff Manning (NC)
2007 Leroy Forlines (TN)	

Historical Commission

Chairman: Darrell Holley, 3606 West End Avenue, Nashville, TN 37205

2005 Darrell Holley (TN)	2008 David Crowe (TN)
2006 Joe McKnight (SC)	2009 Robert Picirilli (TN)
2007 Jack Williams (TN)	

Media Commission

Chairman: Mike Jones, P.O. Box 13266, Florence, SC 29504

2005 Doug Kite (NC)	2008 Sandy Goodfellow (TN)
2006 Monte McKenzie (TN)	2009 Mike Jones (SC)
2007 Kevin Norris (MI)	

Music Commission

Chairman: Randy Sawyer, 124 General Pemberton Street, Stanley, NC 28164

2005 Chris Truett (NC)	2008 Jerry Carraway (TN)
2006 Donnie Burke (GA)	2009 Randy Sawyer (NC)
2007 Doug Little (TN)	

Proceedings

The 68th annual session of the National Association of Free Will Baptists met July 18-22, 2004, at the Kansas City Convention Center in Kansas City, Missouri. "Harvest Time" was the theme for the meeting. Dean Jones served as convention manager and Chris Truett as music coordinator.

Sunday School—July 18, 2004

The Sunday School session began at 10:00 a.m. as Kendall Ross led the congregation in singing "Heaven Came Down" and "His Name Is Wonderful." Nathan Ruble welcomed the assembly and led in prayer. Nathan Ruble introduced Bob Farwell from Beacon FWB Church in Raytown, Missouri, as the Sunday School teacher. The lesson was taken from Hebrews 7:1-28. Lange and Jamie Patrick provided special music prior to Sunday School.

Sunday Morning—July 18, 2004

The morning worship service began at 11:00 a.m. with the congregation singing "The Star Spangled Banner," led by Kendall Ross. The congregation recited pledges to the American Flag, the Christian Flag and the Bible. Adam Cook led in prayer. The congregation sang "Blessed Be The Name" and "Blessed Be The Lord God Almighty." An offering was received with Chris Truett providing a trumpet solo for the offertory. The congregation sang "Now I Belong to Him," "Blessed Assurance," "Great Is Thy Faithfulness," "There's Something About That Name" and "More Precious Than Silver."

Glenn Murray, pastor of United FWB Church in West Plains, Missouri, was introduced as the speaker. Before he spoke, Lange and Jamie Patrick sang "It Is Well." Glenn Murray preached from Matthew 9:37-38 on "Harvest Time." The congregation sang "Wherever He Leads" for the invitation.

Sunday Evening—July 18, 2004

The evening worship service began at 7:00 p.m. with the Convention Choir singing, "Glorious City Of God," led by Kevin Justice. The congregation sang "When The Roll Is Called Up Yonder," "When We All Get To Heaven" and "Victory In Jesus." David Joslin presided during the service and welcomed the congregation. Tim Campbell led in prayer. The offering was received and the Graves Family provided offertory music. The congregation then sang "I Will Sing Of My Redeemer," "Near The Cross" and "You Are My All In All."

Kerry Gandy, pastor of Rolling Oaks FWB Church in Maumelle, Arkansas, was introduced as the speaker. Before he spoke, Eddie Vincent sang a medley relating to the cross. Keith Woody prayed for the speaker prior to the message. Kerry Gandy preached from Matthew 13:24-30 on the "Wheat and the Tares." The congregation sang "Have Thine Own Way." Keith Woody offered a prayer of commitment for those who made decisions. Following announcements, Nelson Henderson prayed the benediction.

Monday Evening—July 19, 2004

The evening worship service began at 7:00 p.m. with a trio (Lange and Jamie Patrick and Brian Hughes) singing "The Doxology." The congregation sang "To God Be The Glory," "Bless The Lord, O My Soul" and "Blessed Be The Lord God Almighty," led by Lange Patrick. The Convention Choir sang "I Stand Upon The Rock." Clerk Randy Bryant called the 68th Annual Session to order and introduced Moderator Tim York who announced the following committees:

Credentials Committee: Rick Cash, Chairman (AL)
Paul Smith (FL) Mike Jones (SC)
Gene Norris (MI) Chris Clay (IN)

Nominating Committee: Tim Campbell, Chairman (AR)
Jim Marcum (NC) Mike Mounts (OH)
Robert Hobbs (TN) Ivan Asbury (WV)
Randy Williams (CA) George Harvey (AZ)

Resolutions Committee: Tim Hall, Chairman (KY)
Mike Wade (OK) Wayne Miracle (GA)
David Shores (IL) Nathan Ruble (MO)

Obituary Committee: J.L. Gore, Chairman (MS)
Keith Woody (TX) Fred Hanson (Atlantic-Canada)
Mark Shores (NM) Steve Faison (VA)

Nathan Ruble, executive secretary of the Missouri State Association of Free Will Baptists, welcomed the convention on behalf of Kansas City and the state of Missouri. Rick Cash introduced Randy Wright as the speaker and then led in prayer. The offering was received as Legacy of Praise provided offertory music. The Convention Choir sang "Jesus, What A Mighty Name" with Adam

Carnes as soloist and Jeff Manning providing narration. The congregation sang "No Other Name," "All Hail The Power," "I Stand In Awe" and "To God Be The Glory."

Randy Wright, pastor of Piney Grove FWB Church in Guin, Alabama, brought the message from Revelation 22:20-21 on "His Last Words." The congregation sang "What A Day That Will Be" as the invitation hymn. The service was dismissed following announcements.

Tuesday Evening—July 20, 2004

The service began with Chris Truett leading the congregation in singing "Come Into His Presence," "Great Is The Lord" and "How Great Thou Art." The Convention Choir sang "Holy, Holy, Holy." Steve Lyle introduced Ramon Sanchez, president of the Cuba Association of Free Will Baptists, who brought greetings from the churches in Cuba. Stan Bunch served as translator.

Tim Owen introduced Jose Rodriguez as the speaker for this service. Following prayer, the offering was received. The Men's Chorale, under the direction of Daron Dwyer, provided offertory music by singing "The Midnight Cry" with Randy Sawyer as soloist. The congregation sang "Crown Him," "Lord, I Lift Your Name On High" and "Jesus, We Crown You With Praise" with Terri Deel as soloist.

The Georgia Ministers Quartet sang "It Is Finished" prior to the message. Jose Rodriguez, pastor of Ebenezer FWB Church in Miami, Florida, brought the message from II Peter 1:2-4 on "Empowered to Harvest." The congregation sang "Just As I Am" as an invitation, and Tim Owen dismissed the service in prayer.

Wednesday Morning—July 21, 2004

Moderator Tim York called the business meeting to order at 9:00 a.m. and welcomed the delegates. The moderator brought a devotion from Acts 17:22-30 on "A Message of An Unknown God." He then led in prayer.

The clerk read the Credentials Committee report. Motion carried to receive the report and seat the delegates.

The clerk read a partial report of the General Board. Motion carried to receive Item #1 from the report.

Executive Secretary Keith Burden gave the Executive Office report. Auditor Terry Hill gave the financial reports of the office. Motion carried to receive the report.

Nathan Ruble gave the Publications Committee report. Motion

carried to receive the report and adopt their recommendations.

A motion was tabled to change the constitution under "Duties of Officers," Section 9, D. Publications.

The constitution presently reads: "He shall be responsible for publishing the association's official magazine *Contact*, and to serve as editor-in-chief. He shall direct the production of general promotional materials, pamphlets, audio visuals and books as approved by the Executive Committee."

The change would read: "He shall serve as editor-in-chief of the association's official magazine. He shall direct the production of general promotional materials, pamphlets, audio visuals and books as approved by the Executive Committee."

Director William Evans gave the Retirement and Insurance Department report. Ray Lewis gave the financial reports. Motion carried to receive the report and adopt the budget.

Director William Evans gave the Free Will Baptist Foundation report. David Brown gave the financial reports. Motion carried to accept the report, adopt the recommendations and adopt the budget.

A motion carried to table recommendation number 1, which dealt with a proposed change in the By-Laws of the *Treatise* under Standing Boards, Section 17, page 63.

Section 17 presently reads: "Each of these Boards (except the Board of Trustees of the Free Will Baptist Foundation) shall be composed of nine members who are elected by the National Association, according to an arrangement whereby each member has a term of office for six years, and their terms are arranged so that they expire in groups of three biennially. A member can serve no more than two full consecutive terms. The Board of Trustees of the Free Will Baptist Foundation shall consist of the members of the Board of Retirement and Insurance, the Director of Foreign Missions, the Director of Home Missions, the Director of Master's Men, the Director of Sunday School and Church Training, the President of Free Will Baptist Bible College, the Executive Secretary of Women Nationally Active For Christ, and the Executive Secretary of the National Association."

The proposed change would read: "Each of these Boards shall be composed of nine members who are elected by the National Association, according to an arrangement whereby each member has a term of office for six years, and their terms are arranged so that they expire in groups of three biennially. A member can serve no more than two full consecutive terms. The Board of Trustees of the

Free Will Baptist Foundation shall also include the Director of the Board of Retirement and Insurance, the Director of International Missions, the Director of Home Missions, the Director of Master's Men, the Director of Sunday School and Church Training, the President of Free Will Baptist Bible College, the Executive Secretary of Women Nationally Active For Christ, and the Executive Secretary of the National Association."

A motion carried to table until 2005 recommendation number 2, which dealt with changes in the By-Laws and Rules of Decorum of Free Will Baptist Foundation, Inc.

By-Law number 2, Board of Trustees currently reads: "1. Number, election and authority of Trustees. The Board of Trustees shall be composed of the individuals who are serving in the following named capacity: A) each member of the Board of Trustees of the Board of Retirement and Insurance; B) the Director of Foreign Missions; C) the Director of Home Missions; D) the Director of Master's Men; E) the Director of Sunday School and Church Training; F) the President of Free Will Baptist Bible College; G) the Executive Secretary of the Women Nationally Active for Christ; and H) the Executive Secretary of the National Association of Free Will Baptists, Inc. The terms of the Trustees shall begin and expire with the service in the named capacity. The Trustees shall act in their Trustee capacity only as a Board and individual Trustees have no power to act for the Corporation without prior specific Board authority. The Board shall institute the overall program of the Corporation and the officers shall supervise and administer its operation. The Board shall be responsible for the actions of the Corporation to the National Association of Free Will Baptists, Inc."

The proposed change would read: 1. Number, election and authority of Trustees. The Board of Trustees shall be composed of the nine members who are elected by the National Association, and the individuals who are serving in the following named capacity: A) the Director of the Board of Retirement and Insurance; B) the Director of International Missions; C) the Director of Home Missions; D) the Director of Master's Men; E) the Director of Sunday School and Church Training; F) the President of Free Will Baptist Bible College; G) the Executive Secretary of the Women Nationally Active for Christ; and H) the Executive Secretary of the National Association of Free Will Baptists, Inc. The terms of the Trustees shall begin and expire with the service in the named capacity. The Trustees shall act in their Trustee capacity only as a Board and individual Trustees have no power to act for the Corporation without prior specific Board

authority. The Board shall institute the overall program of the Corporation and the officers shall supervise and administer its operation. The Board shall be responsible for the actions of the Corporation to the National Association of Free Will Baptists, Inc."

By-Laws, number 8, Quorum. Presently reads: "A Quorum shall consist of at least six duly elected Trustees and a majority vote of the Trustees present shall decide the issues brought before the meeting except as otherwise required by the Charter, By-Laws or the Board of Trustees of this Corporation and/or by the National Association."

The proposed change would read: "A Quorum shall consist of a majority of the duly acting Trustees and a majority vote of the Trustees present shall decide the issues brought before the meeting except as otherwise required by the Charter, By-Laws or the Board of Trustees of this Corporation and/or by the National Association."

Motion carried that the 2005 Nominating Committee submit nominees to be elected as initial members of the Board of the Free Will Baptist Foundation as specified in these recommendations.

Nine (9) nominees to be elected as the initial members of the autonomous Board of the Free Will Baptist Foundation, each to serve for initial terms as follows:

Number of Members	Initial Terms
3	Two (2) years
3	Four (4) years
3	Six (6) years

with all future members elected upon expiration of the respective terms of the initial members, for full terms of six (6) years each.

Director Larry Powell gave the Home Missions Department report. Chaplain Colonel Kerry Steedley brought greetings on behalf of the Free Will Baptist chaplains. Motion carried to receive the report and adopt the budget.

Director Ken Akers gave the Master's Men report. Motion carried to receive the report, adopt the budget and elect a new board member. Rick Stone (KY) was elected to fill the 2009 unexpired term vacated by Clarence Lewis.

Wednesday Afternoon—July 21, 2004

The moderator called the afternoon session to order. Assistant Moderator William Smith read Galatians 6:14 and lead in prayer.

Director James Forlines gave the International Missions Department report. Rob Conley gave the financial report. Motion carried to receive the report and adopt the budget.

A motion carried to ask the International Missions Board to study

the deficit for Support Services and devise a proposal to eliminate the deficit through the use of excess designated funds.

Motion carried to remove from the table the request to change the name from "Foreign Missions Department" to "Department of International Missions." The motion carried to change the name. Tom McCullough (MI), Danny Williams (AL) and Sherwood Lee (SC) were elected to the Board of International Missions for terms expiring in 2010.

President Matt Pinson gave the Free Will Baptist Bible College report. Tom Sass gave the financial report. Motion carried to receive the report and adopt the budget. Terry Pierce (MS), Billy Hanna (GA) and Steve Ashby (OK) were elected to the college board for terms expiring in 2010.

Director Ron Hunter gave the Sunday School and Church Training Department report. Clarence Lewis gave the financial report. Tim Eaton (OK), Tim Owen (FL) and Michael Waddell (AL) were elected to Sunday School Department Board for terms expiring in 2010.

Will Harmon was presented with a plaque in appreciation for his service as a board member of the Sunday School and Church Training Department.

The clerk read the final General Board report. Item #2- Adopted.

Motion carried to table a change in the last line in Election of Officers. Section 11 of the Treatise. The change would be from: "Nominations for the General Board shall be made on Wednesday afternoon of the annual session, and nominations for other offices on Wednesday or Thursday."

To: "Nominations for the General Board shall be made on Tuesday afternoon of the annual session, and nominations for other offices on Tuesday or Wednesday."

Item #3-Adopted. Item #4-Adopted. Item #5-Adopted. Item #6-Adopted.

The clerk read the Nominating Committee report of General Board members. Motion carried to receive report and elect nominees for terms ending in 2007.

Bud Bivens was elected to fill the 2005 term for the Mexico Association.

The clerk read the Nominating Committee report for Executive Committee members with terms expiring in 2007. Tim Campbell (AR), Fred Hanson (Atlantic-Canada) and Rick Cash (AL) were elected.

Leroy Forlines gave the Commission for Theological Integrity

report. Motion carried to receive the report and adopt the budget. Jeff Manning was elected for the 2009 term on the commission.

Wednesday Evening—July 21, 2004

The Wednesday evening service began with the congregation singing "Jesus Saves" and "Song For The Nations," led by Doug Little. Jim Marcum welcomed attendees to the service and introduced Glen Johnson as the speaker.

Home and International missionaries were introduced while Brian Hughes sang "I Will Go." A commissioning service led by James Forlines and Larry Powell was held for new missionaries entering their fields. Jim Puckett prayed the commissioning prayer. The Convention Choir sang "Our Heart" with Ruth McDonald as soloist.

Glen Johnson, pastor of Good News FWB Church in Chesterfield, Virginia, brought the message from Romans 1:16-17 on "The Effects of the Gospel." A missions offering was received following prayer by Jim Marcum. The Convention Choir directed by Chris Truett provided offertory music with a Finale Medley.

Thursday Morning—July 22, 2004

The morning session was called to order by Moderator Tim York. Assistant Clerk Ernie Lewis read Proverbs 19:20-21 and led in prayer.

A motion carried to remove from the table the change to the By-Laws. Duties of Officers. Section 9. D. Publications. As changed, it now reads: "He shall serve as editor-in-chief of the association's official magazine. He shall direct the production of general promotional materials, pamphlets, audio visuals and books as approved by the Executive Committee."

The By-Laws change was adopted.

A motion carried to remove from the table the By-Laws change dealing with making the Foundation Board a separate board.

The By-Laws change was adopted.

A motion carried to remove from the table the change in By-Laws. Election of Officers. Section 11. As changed the section now reads:

"The procedure for the election of officers of the National Association shall be as follows: The Nominating Committee shall be appointed by the moderator one year in advance. The committee shall consist of seven members, shall meet at least three months prior to the annual session and present at least one name for each vacant office, excepting the General Board and Executive Secretary. The funding of the committee shall come from the Convention fund. A

brief resume shall be submitted with each nomination. Nominations for the General Board shall be submitted on Tuesday afternoon of the annual session, and nominations for other offices on Tuesday or Wednesday.

"After the committee's report the floor shall be open for further nominations and the election shall proceed in regular manner."

The By-Laws change was adopted.

Jack Williams gave the Historical Commission report. Motion carried to accept the report and adopt the budget. Robert Picirilli was elected to the 2009 term on the commission.

Mike Jones gave the Media Commission report. Motion carried to receive the report and adopt the budget. Mike Jones was elected to the 2009 term on the commission.

Randy Sawyer gave the Music Commission report. Motion was made to accept the report and adopt the budget. Motion carried to amend the motion by adding "and that we officially commend the Music Commission for the superb job during this year's convention." The motion carried as amended. Randy Sawyer was elected for the 2009 term on the commission.

Dean Jones gave the National Youth Conference report. Motion carried to receive the report.

Marjorie Workman gave the Women Nationally Active For Christ report. Motion carried to receive the report.

Melvin Worthington gave the Educational Task Force Committee report. Motion carried to receive the report as information and adopt the recommendation to form a Higher Education Commission, and that the matter be referred to the Executive Committee to study the details and parameters of the commission.

Executive Secretary Keith Burden gave the Registration Committee report. Motion carried to receive the report.

Executive Secretary Keith Burden gave the Budget Committee report. Motion carried to adopt the report.

The clerk gave the Obituary Committee report. Motion carried to receive the report. The delegates stood in silence for those listed, and J.L. Gore offered a prayer of remembrance.

The clerk read the Resolutions Committee report. Motion carried to receive the report and consider each resolution separately.

Resolution #1. Motion carried to amend the resolution by changing "men" to "people" in the final section of the resolution. Resolution adopted as amended.

Resolution #2. Adopted.

Resolution #3. Adopted.

Resolution #4. Adopted.

Resolution #5. Adopted.

Motion carried to ask the Commission for Theological Integrity to research and present an amendment to our Articles of Faith reflecting our position on same-sex marriages. The commission will report its findings to the 2005 convention.

Motion carried to go on record thanking the city of Kansas City for being a gracious host for our 68th annual convention.

The clerk gave the final report of the Nominating Committee. The following General Officers were elected.

Moderator—Tim York (KY)

Assistant Moderator—William Smith (GA)

Clerk—Randy Bryant (FL)

Assistant Clerk—Ernie Lewis (IL)

Motion carried to adjourn. George Harvey led in a dismissal prayer.

Credentials Committee Report

We, the Credentials Committee, have examined the letters from the following states, districts and local churches and found them to be in order as presented below.

1. From the following state associations which are entitled to be represented by five delegates: Alabama, Arkansas, California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

2. We received representation fees from Idaho, but no letter.

3. From the following district associations which are entitled to be represented by three delegates: Arizona, Association of Free Will Baptists of Mexico, Atlantic-Canada, Colorado, Mexican Association of Free Will Baptists, Mid-Atlantic, New Jersey, New Mexico, Northeast and Northwest.

4. From the following local churches entitled to be represented by one delegate: Hawaii, Puerto Rico, Madison, Wisconsin (Twin Valley); Virgin Islands and South Dakota.

5. We received no representation fees or letters from churches in Montana. We received a letter but no representation fees from Green Bay, Wisconsin (Grace).

6. We recommend that all delegates from local churches be seated when required representation fees are paid.

7. We recommend that all lay delegates entitled to represent by virtue of their positions on standing boards be seated if properly registered.

Submitted by Credentials Committee,

Rick Cash (AL), Chairman

Chris Clay (IN)

Paul Smith (FL)

Mike Jones (SC)

Gene Norris (MI)

General Board Report

The General Board of the National Association of Free Will Baptists met on Monday, July 19, 2004, at the Downtown Marriott Hotel in Kansas City, Missouri. As a result of this meeting, we offer the following recommendations:

1. We heard the reports of the Executive Office, the Publications Committee, WNAC, Board of Retirement and Insurance, the Free Will Baptist Foundation, Home Missions Department, Master's Men, Foreign Missions Department, Free Will Baptist Bible College, Sunday School and Church Training Department, the Commission for Theological Integrity, the Historical Commission, the Media Commission, the Music Commission and the Budget Committee. We recommend their reports be received and budgets adopted.

2. We recommend that the Thursday morning national convention session be eliminated and that we conduct business Tuesday afternoon and Wednesday effective 2005.

3. We recommend Fort Worth, Texas, for the July 27-31, 2014, national convention.

4. After meeting with the Foreign Missions Board, staff and their attorneys, we find that they are in agreement with the *Treatise* and their charter regarding the Hanna Project (NGO).

5. Concerning the 2003 resolution regarding a proposed \$10 registration fee for convention attendees: We recommend that no action be taken at this time in light of increased representation fees (\$100). We suggest that the registration fee idea be revisited in 2006.

6. Concerning the 2003 resolution regarding biennial conventions: We recommend that the annual convention format continue.

Publications Committee Report

The Publications Committee completed a three-year feasibility study of combining the departmental magazines/newsletters into a single publication. The committee is indebted to the departmental directors and editors who gave a great deal of time and labor working out the logistics of producing a single publication. They are to be commended for their labors.

The resolution adopted in 2001 suggested the following reasons for changing to a single publication:

1. *Avoid needless duplication of the mailing lists.*

When the mailing lists of the departments were combined and the duplicates removed, the combined mailing lists were decreased by over 20,000 names.

2. *Demonstrate good denominational stewardship.*

While a single publication will be more cost effective, it will not result in a dollar savings. For example, at present the Home Missions Department has the largest mailing list of over 34,000 and the Master's Men the smallest with over 2,000. By combining the departmental mailing lists, each department will be reaching over 60,000 households. With what the departments currently spend and with Randall House, the Foundation and the Board of Retirement volunteering to participate, the magazine can be published.

3. *Promote cooperation and unity among the departments.*

The committee believes this to be true. A consultant from Publishing Support met with the directors and editors and stated the following in his report:

"First, as I stated, I believe your overall concept is a positive step for your denomination. It conveys a new day of working together It also will reflect a much stronger publication for your denomination than each of the individual publications are on their own."

4. *Provide a complimentary monthly magazine.*

Because of the cost of printing and mailing a complimentary magazine of approximately 48 pages, the magazine would have to be a bi-monthly (6 times a year) publication.

While there will be challenges to overcome, based on the findings of our study, we offer the following recommendation:

We recommend that the magazines/newsletters of the following departments of the National Association of Free Will Baptists be combined into a single publication to begin in 2005: Executive Office, Board of Retirement, Foreign Missions, Free Will Baptist Bible College, Free Will

Baptist Foundation, Home Missions, Master's Men, Randall House.

We further recommend that the directors of the various departments act as an oversight committee with the Executive Secretary serving as chairman of the committee and editor-in-chief of the magazine. The oversight committee shall have the authority to determine the start-up date in 2005, budgets, publication name, advertising and managing editor of the publication. On the start-up date, all regular publications of the departments (*Aim*, *Heartbeat*, *Master's Men Newsletter*, *Bible College Bulletin*, *OutReach*, *Contact*) will cease and be combined into a single publication.

Changing to a single publication will be a dramatic change for our denomination. However, it offers us a great opportunity to present a united front and a united effort for the cause of world evangelism.

The Publications Committee

Nathan Ruble (MO), Chairman

William Smith (GA), Secretary

Edwin Hayes (OH)

Jim Marcum (NC)

David Williford (TN)

Nominating Committee Report

International Missions Board

2010	Replacing David Shores (IL)	Tom McCullough (MI)
	Replacing Danny Williams (AL)	Danny Williams
	Replacing Sherwood Lee (SC)	Sherwood Lee

Free Will Baptist Bible College Trustees

2010	Replacing Terry Pierce (MS)	Terry Pierce
	Replacing Billy Hanna (GA)	Billy Hanna
	Replacing Steve Ashby (OK)	Steve Ashby

Sunday School and Church Training Board

2010	Replacing Will Harmon (AR)	Tim Eaton (OK)
	Replacing Tim Owen (FL)	Tim Owen
	Replacing Michael Waddell (TN)	Michael Waddell (AL)

Master's Men Board

2009	Replacing Clarence Lewis (TN)	Rick Stone (KY)
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Commission for Theological Integrity

2009	Replacing Jeff Manning (NC)	Jeff Manning
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Historical Commission

2009	Replacing Robert Picirilli (TN)	Robert Picirilli
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Media Commission

2009	Replacing Mike Jones (SC)	Mike Jones
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Music Commission

2009	Replacing Randy Sawyer (NC)	Randy Sawyer
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General Board

- 2005 Mexico Assn. (replacing Carlos Rubio) Bud Bivens
- 2007 Alabama (replacing Rick Cash) Rick Cash
 Arizona (replacing Charles Marshall) Charles Marshall
 Arkansas (replacing David Joslin) Tim Campbell
 Assn. of Mexico (replacing Luis Felipe Tijerina) Luis Felipe Tijerina
 Atlantic-Canada (replacing Fred Hanson) . . . Fred Hanson
 California (replacing Doice McAllister) Millard Sasser
 Colorado (replacing Mark Thomas) Mark Thomas
 Florida (replacing Paul Smith) Paul Smith
 Georgia (replacing Len Blanchard) Len Blanchard
 Idaho (replacing Earl Jenkins) Earl Jenkins
 Illinois (replacing Larry Cook) David Shores

Executive Committee

- 2007 Replacing David Joslin (AR) Tim Campbell (AR)
 Replacing Doice McAlister (CA) Fred Hanson (Canada)
 Replacing Rick Cash (AL) Rick Cash

General Officers

- Moderator: Replacing Tim York (KY) Tim York
 Asst. Moderator: Replacing William Smith (GA) William Smith
 Clerk: Replacing Randy Bryant (FL) Randy Bryant
 Asst. Clerk: Replacing Ernie Lewis (IL) Ernie Lewis

Nominating Committee:

- | | |
|-------------------------------------|----------------------|
| Ernest Harrison, Jr. (OK), Chairman | |
| Milton Worthington (NC) | Bill Van Winkle (TX) |
| Chris Clay (IN) | Gary Fry (MO) |
| Will Harmon (AR) | Edwin Hayes (OH) |

2004 National Youth Conference Report

The 2004 National Youth Conference met for its 37th annual conference in Kansas City, Missouri, July 18-21. The theme, "Extreme Cause...Extreme Cost," was emphasized in many ways. NYC registration totaled 3,218.

Seven hundred seventy competitive entries were conducted during the four-day conference, with 1,640 young people participating in competitive activities. A complete list of NYC winners will be sent to each state office.

Worship services were conducted for Preschool (ages 3-5) with an average of 100 attending; Children (1st-3rd grade) and Tweeners (4th-6th grade) with an average of 300 attending, and Youth (7th-12th grade) with an average of 1,700 attending. Services were held Sunday morning and Sunday through Tuesday nights with Trula Cronk, 1st Lt. Steven Pierce, Craig Portell and Neil Gilliland speaking. Many decisions for Christ were made throughout the week, including several who answered the call to full-time Christian service.

Over 1,100 students and adults participated in *Reach That Guy*, our

area service project program. Projects included the Harvesters Food Network, Gracious Promise Prison Ministry, Child Evangelism Fellowship, Crossline Towers and the Mental Health Association. We also had a blood drive with the Kansas City Blood Service (92 units of blood were collected).

Thirty-six workshops were presented during the conference for children, youth, children's workers, youth workers and adults.

Our participants have been challenged to make sacrifices, follow an extreme cause and be willing to pay an extreme cost. Our prayer for the coming year is that our students will return to their local churches better equipped and in touch with their Lord.

We will not leave Kansas City untouched. Rather, we leave having shown the light of Christ to a needy city. We also leave with many people knowing that Christ makes a difference in the lives of our students.

The 38th annual National Youth Conference is scheduled for Louisville, Kentucky, in July 2005 where our theme will be "Yes, Your Majesty—Psalm 145:5."

Minutes
of the
Sixty-Ninth Annual Session
of the
**Women Nationally
Active for Christ
Convention**
of the
**National Association of
Free Will Baptists**
when convened in
Kansas City, Missouri
July 19-20, 2004

WNAC
P.O. Box 5002
Antioch, TN 37011-5002

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Executive Secretary-Treasurer
Marjorie Workman
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615-366-0573
marjorie@nafwb.org

Theme: Great Expectations
Scripture: Psalm 62:5
Music Coordinator/Worship Leader: Sheila Haas
Pianist: Cathy Deckard
Organist: Barbara Cox

Proceedings

WNAC Seminar
Monday, July 19

"HGTV-WNAC Style" was the title of the two-hour seminar for women on Monday afternoon. Presenters Debe Burden, Joyce Little and Wanda Powell captivated the attention of the women with their TV-like production. The seminar was filled with tips and ways to

share hospitality, grace, treasures and values. Sandy Atwood served as WNAC's TV host for the seminar.

Business Session

Tuesday, July 20

Kansas City Convention Center

Women Nationally Active for Christ met Tuesday morning, July 20, 2004, at 9:00 a.m. in the Convention Center, Hall A, Kansas City, Missouri. President Debe Taylor presided over the meeting, and the session opened with congregational singing. The convention enjoyed special music by Fresh New Wind from the Beacon Free Will Baptist Church, Kansas City, MO. Missouri WAC State President Shirley Jackson welcomed the convention to the state of Missouri. President Debe Taylor introduced her son Bradley Taylor to the attendees and shared how he was an answer to prayer. Attendees enjoyed a mini-concert presented by the Mountain Grove Free Will Baptist Hand Bell Choir. After the concert, Arkansas WAC State President Lisa Bowden led in prayer.

Sarah Fletcher, editor of *CoLaborer* magazine, presented the Creative Arts Awards. The winners were as follows:

Articles

Betty Griswold Jones, Kirksville, MO - "The Widow's Plight"

Anne Worthington, Ayden, NC - "Poison Ivy and Venomous Snakes"

Betty Griswold Jones, Kirksville, MO - "Homeland Security - Are You Ready?"

Devotionals

Waynelle Scott, Marshall, MO - "When Teardrops Fall"

Waynelle Scott, Marshall, MO - "The Worth of Prayer"

Freedra Lucas, Cromona, KY - "Putting Christmas Away"

Art

Kay Brown, Charleston, AR - "Eternal Love"

Kay Brown, Charleston, AR - "He Is Risen"

Janis Williams, Antioch, TN - "In My Father's House"

Plays

Wanda Kellett, Lawton, OK - "The Living Will"

Donna Jewell, Perry, GA - "Fawlen Angel"

Wanda Kellett, Lawton, OK - "Climb the Mountain of Faith"

Skits

Mary Burris, Lowell, AR - "Unwrapping Your Spiritual Gifts"

Sue Winchester, St. Louis, MO - "A WAC Autopsy"

Jan Efird, Elm City, NC - "Vessels for Service"

Photography

Kay Brown, Charleston, AR - "Ancient Words of Old"

Lisa Ball, Fresno, CA - "And God Created"

Kay Brown, Charleston, AR - "... So Panteth My Soul After Thee"

Programs

Ruth Bivens, Monett, MO - "Set Your Table for a Tea Party"

Sue Winchester, St. Louis, MO - "Working Out With Jesus"

Pamela Hackett, Boiling Spring, SC - "Soldiers of the Cross"

Poetry

Vicki Turner, Carterville, MO - "Sand"

Vicki Turner, Carterville, MO - "Tributary"

Ruth Bivens, Monett, MO - "The Down Hill Runner"

The Credentials Committee (Chairman Joanne King, NC; Rachel Horne, GA; Kelly Reed, TX; Rebekah Bragan, WY) submitted the following report:

The following 19 state conventions submitted reports and paid dues: Alabama, Arkansas, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.

The following three districts with no state conventions submitted reports and paid dues: Arizona, Kansas and New Mexico.

The following three local groups with no district or state conventions submitted reports and paid dues: St. Croix, Virgin Islands; Kennewick, Washington; Cheyenne, Wyoming.

In addition, 37 delegates from local groups in good standing with their representing higher body (district or state) paid \$5 representation fees.

Motion carried to accept the report and seat the delegates.

Marjorie Workman gave the Executive Secretary-Treasurer's Report. She reported that WNAC has a deficit in the general fund. This deficit is partially due to giving being down in all areas. She reported that the office has made cutbacks, which includes the book-keeper retiring. Her position will not be filled at this time. On the pos-

itive side, missions' giving has been up. Mrs. Workman spoke about special projects that would help to bring in needed revenue. The body was asked to pray for the WNAC office.

The next item reported on was scholarships. Three scholarships were granted from the Cleo Pursell Foreign Student Scholarship Fund. For the first time, a \$1,000 scholarship was given to the FVWB Marie Wright Hanna Bible Institute in Conoor, Tamil Nadu, South India. The Cedars of Lebanon Seminary in Cuba continues to receive scholarships along with Paul and Robert in Cote d'Ivoire.

A service project was announced for those in our armed forces. All expired product coupons can be sent to our military for use.

Mrs. Workman reported that the organ for Free Will Baptist Bible College has been purchased and that the account would remain open for those who would like to make one final monetary gift.

The *Colaborer* magazine is now full color. This change was made at no extra cost. Next year's theme, "Let Us Pursue," was announced. The 2005 Program and Plan books are available, as well as Bible studies. The book *Over Mountain or Plain or Sea* written by former missionary Trula Cronk is also available through the WNAC office.

Retreat schedules for the upcoming year were announced. The first will be in Ridgecrest, North Carolina, October 29-30. Carol Kent will be the featured speaker. The second retreat scheduled for March 3-5, in Branson, Missouri, will be a missions retreat.

The budget was presented. Motion carried to adopt the budget. Motion carried to accept Mrs. Workman's Executive Secretary-Treasurer Report as information.

Kay Brown, chairman, gave the Resolutions Committee report. Motion carried to accept the report and vote item by item.

Item #1: We recommend that scholarships be given from the Cleo Pursell Foreign Student Scholarship Fund as follows:

- a. To continue the scholarships for Paul and Robert in Cote d'Ivoire and Philippe for a total of \$1,250.
- b. To continue the scholarship for the Cuban Cedars of Lebanon Seminary but reduce the amount to \$500.
- c. To continue the scholarship assistance for the five students at the Volena Wilson Bible Institute in Conoor, Tamil Nadu, South India, for a total of \$1,250.

Motion carried to adopt Item #1.

Item #2: We recommend doing a National 50/50 project, encouraging each local WAC to participate in sending a \$50/\$50 offering with \$50 for Central Asian women to participate in their

"Sisters' Prayer Fellowship for Revival for the Nations of Central Asia" and \$50 to the WNAC general fund. If there is an overage in the Central Asian women's fund, it will be used by the Central Asian women for a mission project. All money needs to be in by January 15, 2005.

Motion carried to adopt Item #2.

Item #3: We recommend that WNAC send a letter of support for the Decency Act to the FCC. We further recommend that each member write the FCC in their local broadcasting networks in support of the Decency Act. For more information, log on to American Family Association or Focus on the Family website.

Motion carried to adopt Item #3.

Item #4: We recommend that the WNAC send a letter of commendation to President Bush for his position on the Constitutional Amendment stating that marriage in the United States shall consist only of the union of a man and a woman.

Motion carried to adopt Item #4.

Item #5: Be it resolved that all members take a stand for marriage as the union between a man and a woman and that each member send a letter to her Congressmen voicing her support of this definition of marriage. Enter your zipcode at Congress.org to find contact information for your state and local representatives.

Motion carried to adopt Item #5. Members were reminded that timing was important, that we needed to act quickly and that we also needed to voice our appreciation to those who have supported Pro-Family legislation.

Suzanne Lewis, chairman, presented the Appreciation Committee report. Their recommendations were as follows:

We wish to express our sincere thanks to:

1. The Executive Committee for time spent praying, planning and preparing for this year's WNAC convention.
2. The WNAC staff for their work throughout the year.
3. All the instrumental musicians, special singers and speakers in the services, seminars, missionary service and WNAC luncheon.
4. Our hostesses, the Missouri Women Active for Christ, for their efforts in making us welcome and for all the preparations in making this year's WNAC convention a success.
5. We also recommend that we give all of those mentioned a rising vote of thanks.

Those serving on this committee were Suzanne Lewis, IL; Katy

Taylor, MI; Khristi Shores, NM; Sandy Mounts, OH; Jean Marie Rogers, OK.

Motion carried to adopt the Appreciation Committee's report.

The Registration Committee chairman, Judith Ruble, gave a partial report as follows:

Number of persons registered:

WNAC National Officers (Standing Delegates)	6
State Presidents (Standing Delegates)	12
State Field Workers (Standing Delegates)	10
State Delegates (Elected Delegates)	122
Local WNAC Delegates (paying \$5 representation fee)	37
Total Delegates	187

Non-Voting Attendees:

Visitors	724
Missionaries (U.S. & Foreign)	25
Grand Total Registered	936

This committee consisted of Judith Ruble, MO, chairman; Janie Aldridge, AL, and Dot Gore, MS.

Motion carried to accept the partial report of the Registration Committee.

Rev. James Forlines, director of Foreign Missions, offered thanks for the efforts made in supporting world evangelism through projects like the missions house, Central Asia prayer retreat, the Laura Belle Barnard offering, Provision Closet, Sister Marjorie Workman and the staff of WNAC. Rev. Forlines then prayed the benediction.

11:00 A.M. Missionary Service

The Mountain Grove Free Will Baptist Hand Bell Choir called the assembly to worship. Debe Taylor gave a welcome to the attendees. Sheila Haas led the congregation in singing. A \$3,005 offering was received. Missionary speakers, Don and Ruth McDonald, were introduced. Ruth and daughter Katie sang "I Worship You" prior to the husband-wife team addressing the attendees with thoughts centered around the convention theme, "Great Expectations" (Psalm 62:5). The couple shared what we could expect God to do. We can expect Him to be at work. He is at work in all the nations. We can expect Him to work through us, and we can expect Him to work through prayer.

Fellowship Luncheon

Tuesday, July 20, 2004, 12:30-2:30 p.m.

The fellowship luncheon was held in the convention center Tuesday afternoon in Room 1204 A/B. The guest speaker was Lynette Morgan who shared her vision for Central Asia, the church in America and the world. Using passages from Haggai and Habakkuk, she chided Americans who live in comfort while the house of God is in ruins. She challenged listeners to "be amazed" at the work God wants to do in and through believers to reach the world.

A fellowship/tea for state presidents and field workers was hosted by the WNAC staff in the Kansas City Marriott Tea Room following the evening service of the National Association.

Synopsis of the Minutes of WNAC Executive Committee Meeting Wednesday, December 10, 2003

The WNAC Executive Committee met in the WNAC conference room. Members present: Marjorie Workman, Debe Taylor, Joanne King, Phyllis York, Carolyn Hendrix, Shirley Jackson and Linda Harvey.

Plans were finalized for the 2004 Ridgecrest Retreat and the WNAC 2004 convention.

The committee approved: (1) the suggested 2005 WNAC budget and its submission to WNAC convention; (2) selection of WNAC themes for 2011-2012; and (3) Marjorie Workman to negotiate a contract with Chateau on the Lake in Branson.

Synopsis of the Minutes of WNAC Executive Committee Meeting Sunday, July 18, 2004, 1:30 p.m.

The WNAC Executive Committee met in the Executive Board Room of the Kansas City Marriott. Members present: Marjorie Workman, Debe Taylor, Joanne King, Phyllis York, Carolyn Hendrix, Shirley Jackson and Linda Harvey.

Plans were finalized for the 2004 Women Nationally Active for Christ 69th Annual Convention.

The committee approved the following items to be sent to the convention for approval:

1. The 2005 Proposed Budget.
 2. The 50/50 National Project - \$50 for the Central Asian women and \$50 to WNAC General Fund.
 3. Scholarships to be given to Paul and Robert in Cote d'Ivoire, and to add Philippe for a total of \$1,250; to continue the scholarship for the Cuban Cedars of Lebanon Seminary, but to reduce the amount to \$500; and to continue the scholarship assistance for the five students at the Volena Wilson Bible Institute in Conoor, Tamil Nadu, South India, for a total of \$1,250.
- The Committee also approved the launching of the new theme for the upcoming year at the July convention. This would not begin until 2006.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)

December 31, 2003 and 2002

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 CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the
 Women Nationally Active for Christ

We have audited the accompanying statements of financial position of the Women Nationally Active for Christ (an auxiliary of the National Association of Free Will Baptists) (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Women Nationally Active for Christ as of December 31, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

Warren, Denney & Wallace

January 30, 2004

WOMEN NATIONALLY ACTIVE FOR CHRIST (An Auxiliary of the National Association of Free Will Baptists) Statements of Financial Position December 31, 2003 and 2002

ASSETS

	2003	2002
Cash	\$227,092	\$213,086
Accounts receivable - Note 1	9,066	8,610
Inventory - Note 1	12,089	9,663
Notes receivable, net of allowance for doubtful accounts of \$2,427 (\$2,458 in 2002)	1,997	3,248
Accrued interest receivable	2,105	1,878
Property and equipment at cost, less accumulated depreciation of \$35,743 (\$33,943 in 2002) - Notes 1 & 2	6,925	8,725
Total assets	\$259,274	\$245,210

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 32,730	\$ 34,345
Deferred revenue - Note 7	46,074	45,975
Total liabilities	78,804	80,320
Commitments - Notes 4		
Net assets	(15,633)	(4,686)
Unrestricted - (deficit)	178,917	152,999
Temporarily restricted	17,186	16,577
Permanently restricted	180,470	164,890
Total liabilities and net assets	\$259,274	\$245,210

See accountants' report and accompanying notes to the financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Unrestricted</u>		
Revenue and other support:		
Dues and fees	\$ 64,603	\$ 65,408
Designated contributions	322,786	344,219
Magazine and literature sales	109,707	136,681
Convention and retreat income	29,461	20,540
Gifts and offerings	67,038	77,404
Interest income	506	673
Gain (loss) on value of investment	2,620	(1,179)
Net assets released from restrictions:		
Satisfaction of program restrictions	1,959	20,290
Total revenue and other support	<u>598,680</u>	<u>664,036</u>
<u>Expenses:</u>		
Salaries and wages	113,673	108,318
Payroll taxes and employee benefits	34,764	33,692
Cost of magazine and literature printing	43,937	64,513
Travel and promotion	2,738	2,527
Conventions and retreats	36,326	24,837
Office expense	15,556	14,307
Postage	4,035	4,112
Rent expense	24,600	24,600
Professional fees	4,167	3,700
Administrative expense	403	203
Depreciation	1,800	1,799
Bad debts	(31)	789
Insurance expense	768	1,269
Dues and subscriptions	51	153
Special projects	1,676	19,482
Continuing education	2,090	1,259
Designated contributions	323,074	343,825
Miscellaneous	<u>1,271</u>	<u>1,271</u>
	<u>609,627</u>	<u>650,656</u>
Increase (decrease) in unrestricted net assets	(\$ 10,947)	\$ 13,380

See accountants' report and accompanying
notes to the financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Statements of Activities
For the Years Ended December 31, 2003 and 2002
(Continued)

	<u>2003</u>	<u>2002</u>
<u>Temporarily restricted</u>		
Gifts and offerings	\$ 21,090	\$ 14,119
Interest income	6,787	7,708
Net assets released from restrictions:		
Satisfaction of program restrictions	(1,959)	(20,290)
Increase in temporarily restricted net assets	<u>25,918</u>	<u>1,537</u>
<u>Permanently restricted</u>		
Gifts and offerings	609	1,360
Increase in permanently restricted net assets	<u>609</u>	<u>1,360</u>
Total increase in net assets	15,580	16,277
Net assets - beginning of year	<u>164,890</u>	<u>148,613</u>
Net assets - end of year	<u>\$ 180,470</u>	<u>\$ 164,890</u>

See accountants' report and accompanying
notes to the financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
Operating activities		
Increase in net assets	\$ 15,580	\$ 16,277
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,800	1,799
Bad debts	(31)	789
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(456)	(869)
(Increase) decrease in inventory	(2,426)	(861)
(Increase) decrease in accrued interest receivable	(227)	(175)
Increase (decrease) in accounts payable	(1,615)	1,928
Increase (decrease) in deferred revenue	99	3,812
Net cash provided by operating activities	<u>12,724</u>	<u>22,700</u>
Investing activities		
Collection of loans receivable	<u>1,282</u>	<u>1,120</u>
Net cash provided by investing activities	<u>1,282</u>	<u>1,120</u>
Increase in cash and cash equivalents	14,006	23,820
Cash and cash equivalents at beginning of years	<u>213,086</u>	<u>189,266</u>
Cash and cash equivalents at end of years	<u>\$ 227,092</u>	<u>\$ 213,086</u>

See accountants' report and accompanying notes to the financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 -

Organization and summary of significant accounting policies

The Women Nationally Active for Christ is a nonprofit organization and an auxiliary of the National Association of Free Will Baptists, Inc. located in Antioch, Tennessee. The purpose of the Organization is to publish the Free Will Baptists' magazine for women, to receive and disburse funds for missionaries and provide other services to Free Will Baptist women. The Organization's support comes primarily from donor contributions, dues and fees, and magazine sales.

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code under a group exemption of the National Association of Free Will Baptists, Inc. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of 509(a) of the Internal Revenue Code. There was no unrelated business income for 2003 and 2002.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of accounting

The Organization prepares its financial statements using the accrual basis of accounting, which involves the application of U.S. generally accepted accounting principles; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies (Continued)

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Property, equipment, and depreciation

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500 with a useful life of at least two years. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Equipment	5 - 20 years
-----------	--------------

The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

Accounts and notes receivable and allowance for doubtful accounts

The Organization issues credit to churches and individuals for the purchase of magazines and literature. These churches and individuals are located all across the United States.

The Organization loans money to Bible college students for the payment of college tuition. The student is required to sign a note for the money. These notes are uncollateralized. These students are located across the United States. There are numerous loans with varying interest rates and maturity dates. Accordingly, the fair value of these notes approximates the carrying value net of the allowance for doubtful accounts.

Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required for accounts receivable. Management considers the notes receivable that are overdue to be only partially collectible and accordingly has recorded an allowance for doubtful accounts in the amount of \$2,427 (\$2,458 in 2002).

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WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies (Continued)

Cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory is stated at the lower of cost (first in, first out method) or market.

Note 2 - Property and equipment

A summary of property and equipment follows:

	<u>2003</u>	<u>2002</u>
Equipment	\$ 42,668	\$ 42,668
Less: Accumulated depreciation	(35,743)	(33,943)
	<u>\$ 6,925</u>	<u>\$ 8,725</u>

Note 3 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Student Loan	\$141,489	\$134,217
Foreign scholarship	6,618	4,994
Free Will Baptist College Organ Fund	18,072	17,318
Free Will Baptist Bible College Mission House	12,738	(3,530)
	<u>\$178,917</u>	<u>\$152,999</u>

Permanently restricted assets are restricted to:

Endowment Trust	<u>\$ 17,186</u>	<u>\$ 16,577</u>
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Note 4 - Lease

The Organization entered into a lease agreement on October 1, 1990 with the National Association of Free Will Baptists, Inc. for office and storage space. The term of the lease expire when all mortgages on the building are satisfied; the mortgage was retired in 2000. The organization entered into a new lease agreement on July 1, 2000. The term of the lease was July 1, 2000 to August 31, 2000, then beginning September 1, 2000 the lease became a year-to-year lease. The rent expense for the year amounted to \$24,600 (\$24,600 for the year ended December 31, 2002).

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WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2003 and 2002

Note 5 - Pension plan

The Organization participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The plan is a defined contribution plan. The Organization contributes 5% of gross salary for all employees with five or more years of service and 3% of gross salary for employees with less than five years of service. Employees are allowed to contribute to the plan but are not required to contribute. Pension expense for the year amounted to \$5,050 (\$4,859 in 2002). Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump sum distribution or purchase one of several types of annuity accounts.

Note 6 - Concentration of credit risk

The Organization maintains cash deposits at a financial institution located in the United States. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2003 and 2002, the cash deposits were fully insured.

The Organization also has \$192,538 (\$172,939 in 2002) on deposit with the Free Will Baptist Foundation. These funds are uninsured.

Note 7 - Deferred revenue

Deferred revenue resulted from magazine subscriptions received for 2004 issues.

Note 8 - Fair values of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, accounts receivable, accrued interest receivable, payables, and deferred revenue: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Notes receivable: Based on current interest rates, the carrying value approximates the fair value of the notes receivable at December 31, 2003 and 2002.

GIFTS TO MISSIONS/MISSIONARY OBJECTIVES
January 1, 2003 to December 31, 2003

Cash Gifts			\$ 195,754.74
Foreign Missions Total	164,774.15		
Sent Through WNAC	30,980.59		
Sent Direct			\$ 103,792.53
Home Missions Total	86,260.73		
Sent Through WNAC	17,531.80		
Sent Direct			\$ 36,818.11
State Projects			\$ 11,332.89
Bible Colleges			\$ 1,602.50
Dr. Mary Ruth Wisehart Student Loan Fund			\$ 25,824.38
Other Gifts	1,624.00		
Foreign Student Scholarship Fund	24,200.38		
Mission Objectives			\$ 6,864.10
Provision Closet			\$ 106,642.49
WNAC Operating Gifts	30,174.27		
General Fund Offering	8,919.87		
Emphasis Offering	609.00		
Endowment Fund	1,962.24		
Rest of Family Offering	64,028.00		
Dues	949.11		
Together Way (Designated)			
Non-cash Gifts			\$ 23,819.15
Provision Closet			\$ 512,450.89
Total Cash and Non-cash Gifts			

2003 TOP TEN CONTRIBUTORS TO WNAC

General Fund

1. Tennessee	\$7,095.26
2. Arkansas	\$3,355.32
3. Georgia	\$2,866.00
4. Alabama	\$2,828.60
5. Missouri	\$2,367.91
6. North Carolina	\$1,881.44
7. Mississippi	\$1,844.00
8. Oklahoma	\$1,766.35
9. Virginia	\$1,271.03
10. Florida	\$1,126.00

Emphasis Offering

1. North Carolina	\$1,325.25
2. Tennessee	\$1,268.97
3. South Carolina	\$1,125.57
4. Missouri	\$ 887.72
5. Georgia	\$ 837.35
6. Oklahoma	\$ 753.66
7. Alabama	\$ 660.85
8. Arkansas	\$ 566.75
9. Virginia	\$ 473.75
10. Mississippi	\$ 385.00

Per Capita Giving to WNAC

1. Tennessee	\$ 19.31
2. Virginia	\$ 13.11
3. Alabama	\$ 8.68
4. Georgia	\$ 8.14
5. Florida	\$ 7.92
6. Missouri	\$ 6.50
7. Washington (Tri Cities)	\$ 5.71
8. North Carolina	\$ 5.39
9. New Mexico	\$ 5.22
10. Ohio	\$ 5.21

2005 WNAC SALARY BREAKDOWN

	2003	2004	2005
Executive Secretary-Treasurer			
Salary	\$ 37,201.63	\$ 38,690.00	\$ 39,890.00
Social Security/Medicare	\$ 2,845.92	\$ 3,016.70	\$ 3,052.00
Retirement	\$ 1,860.08	\$ 1,934.50	\$ 1,995.00
Insurance	\$ 5,957.12	\$ 5,913.00	\$ 6,255.00
Travel/Life	\$ 283.12	\$225.00	\$225.00
Hospital	\$5,401.44	\$5,416.00	\$5,730.00
Dental	\$ 272.56	\$272.00	\$300.00
Christmas Bonus	\$ 715.41	\$ 744.04	\$ 767.00
Total Salary and Benefits	\$ 48,580.16	\$ 50,298.24	\$ 51,959.00
Executive Assistant			
Salary	\$ 27,568.90	\$ 28,672.00	\$ 29,872.00
Social Security/Medicare	\$ 2,109.02	\$ 2,235.59	\$ 2,285.00
Retirement	\$ 1,378.44	\$ 1,433.60	\$ 1,494.00
Insurance	\$ 5,824.76	\$ 5,863.00	\$ 6,205.00
Life	\$ 151.00	\$ 175.00	\$ 175.00
Hospital	\$5,401.20	\$5,416.00	\$5,730.00
Dental	\$ 272.56	\$ 272.00	\$ 300.00
Christmas Bonus	\$ 530.17	\$ 551.38	\$ 574.00
Total Salary and Benefits	\$ 37,411.29	\$ 38,755.57	\$ 40,430.00
Editor			
Salary	\$ 23,944.07	\$ 24,902.00	\$ 26,102.00
Social Security/Medicare	\$ 1,831.72	\$ 1,941.64	\$ 1,997.00
Retirement	\$ 718.32	\$ 747.06	\$ 783.00
Insurance	\$ 5,824.76	\$ 5,863.00	\$ 6,250.00
Life	\$151.00	\$ 175.00	\$ 175.00
Hospital	\$5,401.20	\$5,416.00	\$5,730.00
Dental	\$ 272.56	\$ 272.00	\$ 300.00
Christmas Bonus	\$ 460.46	\$ 478.88	\$ 502.00
Total Salary and Benefits	\$ 32,779.33	\$ 33,932.58	\$ 35,634.00
Bookkeeper			
Salary	\$ 21,866.70	\$ 22,742.00	\$ 10,400.00
Social Security/Medicare	\$ 1,672.80	\$ 1,773.22	\$ -
Retirement	\$ 1,093.33	\$ 1,137.10	\$ -
Insurance	\$ 5,824.76	\$ 5,863.00	\$ -
Life	\$ 151.00	\$ 175.00	\$ -
Hospital	\$5,401.20	\$5,416.00	\$ -
Dental	\$ 272.56	\$ 272.00	\$ -
Christmas Bonus	\$ 420.51	\$ 437.35	\$ 200.00
Total Salary and Benefits	\$ 30,878.10	\$ 31,952.67	\$ 10,600.00
Grand Total of Salary and Benefits	\$ 149,648.88	\$ 154,939.06	\$ 138,578.00

(Editor's hospital insurance [\$6,250] is presently not a WNAC incurred expense.)

WOMEN NATIONALLY ACTIVE FOR CHRIST 2005 PROPOSED BUDGET

Estimated Income:	\$ 46,000.00
General Fund Offering	\$ 3,000.00
Convention Offering	\$ 10,000.00
Convention Expense Gift	\$ 300.00
Delegate Fees	\$ 70,000.00
Dues	\$ 3,000.00
Interest Income	\$ 20,000.00
Literature Sales	\$ 95,000.00
Magazine Subscriptions	\$ 5,500.00
Miscellaneous	\$ 3,500.00
Rest of the Family Offering	\$ 13,700.00
Emphasis Offering	
Total Income	\$ 270,000.00

Estimated Expense:	\$ 106,264.00
Salaries	\$ 32,314.00
Employee Benefits	
Payroll Tax Expense	\$ 7,334.00
Employee Retirement	\$ 4,272.00
Health, dental, life insurance	\$ 18,665.00
Christmas Bonus	\$ 2,043.00
Insurance: General & Workers' Comp.	\$ 2,200.00
Legal and Professional Services	\$ 4,800.00
Convention Expense	\$ 20,000.00
Executive Committee Expense	\$ 5,000.00
CoLaborer Magazine Expense	\$ 39,500.00
Mailing	\$ 4,000.00
Miscellaneous	\$ 500.00
Printing	\$ 30,000.00
Postage	\$ 5,000.00
Miscellaneous Expense	\$ 322.00
Office Rent	\$ 26,000.00
Office Supplies and Materials	\$ 5,000.00
Phone	\$ 3,500.00
Postage	\$ 5,000.00
Printing	\$ 5,500.00
Service Contracts	\$ 4,500.00
Subscriptions	\$ 200.00
Travel and Promotion	\$ 4,500.00
Continuing Education	\$ 2,000.00
Equipment (additions and repairs)	\$ 3,000.00
Special Projects	\$ 400.00
Total Expenses	\$ 270,000.00

WNAC RECEIPTS FOR JAN-DEC 2003

STATES	State Programs	Colleges	General Fund	Dues	Emphasis Offering	Endow. Trust	Together Way	Rest of Family	Foreign Student	Provision Closet	Foreign Missions	World Missions	Home Missions	Missions Objectives	Student Loan	Mission House	Totals
Alabama	6,782.00	410.00	2,826.60	3,918.00	660.85	120.00	0.00	44.59	171.00	100.00	840.47	1,079.50	2,069.04	1,449.11	127.00	1,314.50	21,912.66
Arizona	0.00	0.00	37.05	390.00	0.00	0.00	0.00	2.69	0.00	75.00	0.00	20.00	108.25	150.00	0.00	0.00	782.99
Arkansas	18,241.17	316.00	3,355.32	8,010.00	566.75	25.00	0.00	6.82	120.00	634.25	9,744.13	3,526.98	13,012.30	3,509.99	140.00	1,885.00	63,093.71
California	0.00	228.62	493.21	1,590.00	90.00	0.00	0.00	0.00	0.00	167.00	1,825.90	465.00	1,647.83	81.00	0.00	0.00	7,317.56
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60.35
Florida	3,983.00	0.00	1,126.00	1,650.00	181.50	0.00	0.00	0.00	0.00	200.00	928.50	711.11	1,329.52	681.00	10.00	1,484.00	12,284.63
Georgia	7,811.94	844.75	2,866.00	3,490.00	837.35	0.00	0.00	162.89	217.00	505.50	7,324.75	1,485.21	2,885.25	730.00	164.00	925.00	30,249.64
Idaho	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Illinois	0.00	0.00	716.40	1,890.00	95.00	0.00	0.00	57.09	25.00	35.00	556.75	620.51	2,749.31	35.00	15.00	100.00	6,895.06
Indiana	0.00	0.00	0.00	400.00	0.00	0.00	417.28	0.00	0.00	0.00	1,558.25	80.00	1,140.00	0.00	0.00	140.00	3,735.53
Iowa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kansas	0.00	0.00	0.00	190.00	33.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	233.50
Kentucky	0.00	0.00	380.00	2,610.00	110.00	0.00	0.00	0.00	0.00	280.00	19,935.51	573.15	8,735.83	4,626.60	0.00	250.00	37,511.09
Michigan	0.00	0.00	531.50	2,480.00	0.00	0.00	0.00	0.00	0.00	600.00	750.00	252.02	2,093.50	400.00	0.00	0.00	7,107.02
Mississippi	0.00	0.00	1,844.00	2,020.00	385.00	0.00	0.00	0.00	0.00	300.00	3,340.00	518.05	3,486.88	1,115.00	30.00	1,063.05	14,101.98
Missouri	0.00	647.80	2,367.91	4,570.00	887.72	0.00	0.00	76.37	0.00	105.00	4,044.36	3,033.66	7,105.14	796.62	165.75	318.50	23,975.13
New Mexico	0.00	0.00	27.20	100.00	25.00	0.00	0.00	0.00	0.00	0.00	264.75	0.00	234.38	0.00	0.00	0.00	969.83
N. Carolina	0.00	6,722.92	1,881.44	6,090.00	1,325.25	14.00	25.00	561.94	111.50	518.00	23,881.11	1,613.03	6,614.20	1,250.00	80.00	463.30	51,151.69
NW/Wash.	0.00	0.00	0.00	70.00	40.00	0.00	0.00	183.60	0.00	0.00	0.00	61.00	40.00	0.00	0.00	0.00	394.60
Ohio	0.00	0.00	973.79	1,870.00	0.00	0.00	0.00	161.43	0.00	50.00	7,860.80	412.75	5,058.80	713.49	0.00	0.00	17,201.06
Oklahoma	0.00	50.00	1,766.35	8,070.00	753.66	175.00	0.00	102.90	170.00	1,512.35	3,731.08	2,353.71	3,598.61	711.03	60.00	223.00	23,277.69
Oregon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S. Carolina	0.00	295.00	238.91	5,400.00	1,125.57	275.00	0.00	69.00	25.50	1,071.00	31,276.46	2,661.42	10,112.25	2,654.44	505.25	8,770.00	64,479.80
Tennessee	0.00	1,693.00	7,095.26	4,942.00	1,266.97	0.00	430.00	163.82	784.00	301.00	13,039.00	3,107.50	6,061.30	2,958.25	291.50	733.00	42,866.60
Texas	0.00	125.00	366.30	1,138.00	50.00	0.00	25.00	333.15	0.00	210.00	500.00	256.00	50.00	275.00	0.00	0.00	3,328.45
Virgin Islands	0.00	0.00	0.00	120.00	0.00	0.00	0.00	4.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	124.43
Virginia	0.00	0.00	1,271.03	1,330.00	473.75	0.00	0.00	21.21	0.00	200.00	4,085.08	751.05	5,725.94	1,304.85	14.00	0.00	15,176.91
West Virginia	0.00	0.00	0.00	1,590.00	0.00	0.00	0.00	1.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,590.00
Wyoming	0.00	0.00	0.00	100.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00	141.79
RETREAT	36,818.11	11,332.89	30,174.27	64,028.00	8,919.87	609.00	949.11	1,962.24	1,624.00	6,864.10	141,192.50	23,581.65	86,260.73	24,200.38	1,602.50	17,854.35	457,973.70

Report of the Higher Education Task Force to the National Association of Free Will Baptists

July 2004

INTRODUCTION

Prompted by resolutions from both Arkansas and Georgia Free Will Baptists, the delegates to the 1999 National Association meeting in Atlanta, Georgia, created a National Higher Education Task Force and assigned it the dual tasks of evaluation of the present status of education in the denomination and the drafting of a vision for its future. The two state resolutions called for the development of a "...long range, comprehensive plan for Christian higher education among Free Will Baptists...."¹

The Task Force, chaired by Dr. Melvin Worthington, executive secretary of the denomination at the time, and consisting of the presidents and deans of the various Free Will Baptist educational institutions along with five at-large members, met for its organizational meeting in Nashville, Tennessee, December 11-13, 1999. Working from data suggesting that denominational institutions of higher learning were reaching less than ten per cent of Free Will Baptist high school graduates, the Task Force identified six questions that would guide the discussions of this first meeting:

1. Why aren't our colleges attracting 90%+ of Free Will Baptist college students?
2. How can we cooperate more and foster more...sharing among our colleges?
3. How can we cooperatively employ creative, entrepreneurial means to increase our level of educational effectiveness (e.g., educational technology, adult education, cross-cultural education)?
4. What steps would need to be taken to establish a Free Will Baptist seminary to educate our pastors more effectively for ministry?
5. How can we better fund our educational institutions?
6. How do we view Christian education as a denomination?²

In order better to address these key questions, a number of sub-committees were appointed: College and Seminary, Funding, and Survey. These committees were to work between formal meetings to prepare information that would guide the discussions in the plenary sessions that were to meet once each year.

The Resolutions

Claiming that higher education must be a priority among Free Will Baptists, both the Arkansas and the Georgia resolutions asked for a "comprehensive approach to higher education" and suggested that a study committee or task force be appointed and given the task of drafting such an approach. The Resolutions Committee passed the requests to the General Board and Item 3 of the Board's report recommended that "...the resolutions from Arkansas and Georgia dealing with Christian higher education be adopted, the study be initiated, a committee be selected, and that all our colleges be encouraged to participate."³

The Committee

Task Force members included five college presidents: Tom Malone, Carl Cheshier, Wendell Walley, Billy Bevan, and Thomas Marberry; five academic deans: Milton Fields, Tim Eaton, E. T. Hyatt, A. B. Brown, and Marco Antonio Mendoza Gonzales; and five at-large members: William Davidson, Douglas Simpson, Daniel Parker, Matthew Pinson, and Randy Sawyer.

The Mandate

First steps for the Task Force included clarification of its mandate from the National Association as well as identification of the boundaries within which the group was expected to work. The "comprehensive plan" of the mandate was defined as "...an inclusive system of higher education designed to address the growing educational needs of our denomination," while the "long range plan" was explained in terms of "...an incremental plan for the first decade of the twenty-first century."⁴ The former task allowed discussion of present circumstances: factors hindering growth, perceptions of higher education in denominational institutions, institutional funding, and cooperation between schools, while the second task demanded that attention be given to finding solutions to perceived problems and to offering counsel for the future. With those guidelines established, the members of the Task Force affirmed the purpose for their continued ministry: "(1) to define the educational needs and problems with the current system and (2) to formulate a strategy with which to address them."⁵ The Survey Sub-Committee drafted surveys that were designed to feel the pulse of all parties in the denomination that would be impacted by our educational system—pastors, denominational leaders, parents, college students, and teens.

One clear conviction of the group was that any successful educational program for the denomination would include a national Free Will Baptist Seminary, a graduate school designed to prepare pastors and educational leaders who are, in turn, capable of training others as leaders for the denomination's schools and churches in the new millennium.

The Meetings

Following the initial meeting, members of the Task Force gathered in Nashville early each year through 2004 to continue their discussions and to evaluate and act upon the continuing studies conducted by the various sub-committees. Chaired by Dr. Melvin Worthington, the meetings generally met throughout the day on Friday and through the morning hours on Saturday. Friday night was dedicated to the deliberations of the sub-committees. The final meeting was held in Nashville on April 2-3, 2004.

COMPILATION OF SURVEY RESULTS

The Purpose of the Surveys

The purpose of the Task Force's surveys was to receive input from individuals and groups who have significant interest in the successful operation of Free Will Baptist institutions of higher education. The higher education surveys were specifically designed for the following constituencies: high school students, college students, ministers, donors, and parents. In addition, the pastors listed in the NAFWB Executive Office database were invited to participate in a survey about graduate education.

Summary of Survey Results

Over 750 surveys were tabulated from across the various constituencies using both the internet and postal mail. College students comprised the largest group, followed by parents and donors, high school students, and ministers. The participants were from 23 states and Canada.

College Students: The college student respondents expressed their desire to have more educational options for their chosen majors in a Christian atmosphere. The top ten choices were:

1. Teacher education (secondary and special education were listed frequently)
2. Business
3. Computer and technical fields
4. Pastoral training
5. Medical training (nursing)
6. Missions
7. Professional studies (pre-med, engineering, pre-law, etc.)
8. Specialized ministries (Christian education, youth ministry, etc.)
9. Music
10. Arts and science majors (English, history, psychology, etc.)

The students attending Free Will Baptists institutions commended the colleges while citing the need for more courses, majors, and scholarships. When answering the question who or what influenced them to attend a specific college, the highest were God's will and calling or through the recommendation of (in descending order): family, friend, minister, high school teacher or counselor.

High School Students: There were 149 responses from high school students regarding institutional choice. Only 15 (10.06%) listed a Free Will Baptist institution as an option (comprehensive public universities – 31%, regional public universities – 12%, Christian colleges [non-FWB] – 12%, community/technical colleges – 5%, with almost 30% expressing no plans). The majority of these surveys were completed at campus recruitment events for Free Will Baptist colleges. The top major choices for careers were:

1. Professional studies (pre-med, engineering, pre-law, etc.) – 37
2. Teacher education – 16
3. Arts and science majors (English, history, psychology, etc.) – 13
4. Music – 12
5. Trades/vocational training – 9
6. Medical training (nursing) – 9
7. Ministry/missions – 7
8. Business/computers – 6
9. Law enforcement – 4

The respondents listed *size and lack of majors* as the greatest disadvantage in attending a Free Will Baptist college. The distant second and third were distance from home and rules.

Ministers: The ministers were the smallest group of respondents. Their major concern was the general lack of young people entering the ministry.

Parents and donors: The parents' main concerns were about the *cost*

of education and the career options available to their children after receiving a degree from one of our Free Will Baptist colleges. This group perceives the colleges as limited and lacking offerings for non-ministers. The most notable quote from the surveys was perhaps: "What college? I did not know we had any!"

Summary of Graduate Education Survey Results

The graduate education survey was mailed to approximately 2,500 churches listed in the NAFWB Executive Offices database and addressed to the pastor currently listed for each church. There were 452 usable surveys returned for a response rate of 18%. The typical responding pastor was a 49-year-old college graduate with over 23 years in ministry (survey questions 1-3). The summary of responses (in parentheses next to the survey questions) were as follows:

4. Should Free Will Baptists begin some training beyond the college level? (Yes = 79.7%)
5. Should the graduate program be 1, 2, or 3 years in length? 1 = 8%, 2 = 47%, 3 = 29%
6. Should the graduate program have the same administration as FWBBC? (Yes = 38%, No = 17%, Undecided = 41%)
7. What is your impression of the education of Pastors as a group? (very well = 3%, adequate = 39%, lacking = 49%, very inadequate = 5%)
8. What is your impression of the education of Ministers of Education as a group? (very well = 7%, adequate = 40%, lacking = 29%, very inadequate = 4%)
9. What is your impression of the education of Ministers of Music as a group? (very well = 7%, adequate = 41%, lacking = 29%, very inadequate = 5%)
10. What is your impression of the education of Youth Directors as a group? (very well = 4%, adequate = 32%, lacking = 43%, very inadequate = 6%)
11. What is your impression of the education of Associate Pastors as a group? (very well = 2%, adequate = 33%, lacking = 42%, very inadequate = 5%)
12. Do you need more formal education? (Yes = 63%, No = 19%, Undecided = 17%)
13. Will you enroll for graduate work within the next five years? (Yes = 21%, No = 42%, Undecided = 37%)
14. Would you take advantage of a Free Will Baptist program of study, if offered? (Yes = 26%, No = 22%, Undecided = 41%)
15. What type of program of study do you prefer? (FWB Graduate/Divinity School - 12%, Correspondence - 18%, Online - 19%, Regional seminars - 13%)
16. What is the number of ministerial students in your church who are studying at a graduate school? (71 pastors reported over 100 ministerial students in graduate schools)
17. What is your highest earned degree? (High School - 27%, Associates - 10%, Bachelors - 39%, Masters - 13%, Doctorate - 8%)
18. What is the area of study for your highest degree? (Bible/Ministry - 30%, Theology - 12%, Youth/C.E. - 6%, Business/Computers - 5%,

Arts & Sciences - 4%, Counseling/Psychology - 3%, Engineering, Law, or Medical - 1.5%, Missions - 1%, and Music - 1%)

One out of four pastors shared comments with these being the most frequent: graduate education is vital; flexible delivery system needed; focus on effectiveness in ministry; continuing education (not just graduate education); include bi-vocational pastors; include all our colleges; plus questions of individuals' ability to pay the cost and denominational funding.

CONCLUSIONS AND RECOMMENDATIONS

Attracting More Free Will Baptist Students to Free Will Baptist Colleges

Indications are that the reasons our colleges are not attracting the majority of Free Will Baptist college students are many. From the perspective of many pastors, perhaps it is because young people are not answering the call to vocational Christian ministry in as great a number as generations earlier. The Task Force discussed the trend among students to change their minds about vocational decisions or postpone such decisions. For example, 75% of college students change their major at least once during their college experience. More and more, students are responding to the call to vocational Christian ministry in early adulthood rather than in their teens.

The data from parents/donors and high school students point to a few key facts: Free Will Baptist high school students and their parents perceive Free Will Baptist colleges as *small colleges without the resources and reputations to provide them with the degree programs or career opportunities they desire*. Parents listed a major factor as the expense of private college education and the lack of scholarship funds. While a few students listed factors such as distance from home and strict rules as impediments to their attending a Free Will Baptist college, these were insignificant in comparison to the issues of degree offerings, size, reputation, and cost. The Task Force is also concerned about perceptions on the part of Free Will Baptist parents and students that Free Will Baptist colleges are academically weak or inferior to other colleges and universities.

If this sample is indicative of the whole, then only about one out of five Free Will Baptist students are attending Christian colleges. We need not comfort ourselves by hoping that the majority of Free Will Baptist students who do not attend our colleges are attending other Christian colleges. *These data are startling in view of recent statistics that show that 52% of evangelical Christian students who enter non-Christian colleges and universities list no church attendance a year after their college graduation.*

Therefore, the Task Force recommends

- that Free Will Baptist colleges take more seriously the fact that so few Free Will Baptist college students attend our colleges, and make this concern a priority in their respective visions for their institutions.

- that each college aggressively investigate ways to increase its program offerings (majors) so as to attract students into a Free Will Baptist collegiate environment that will not only provide them with a Christian worldview but will also place them into a context in which they will be more likely to respond to a call to vocational Christian ministry.

- that each college conduct internal needs assessments to determine

which programs to add to their current curriculum. Increased program offerings represent the most feasible way to increase enrollment, thereby answering the concern regarding institutional size.

- that Free Will Baptist colleges strive to improve the level of excellence in all aspects of the educational process so that our people will perceive our colleges as capable of providing college-level education. (Increased scholarship funding is covered below under the heading "Funding for Free Will Baptist Higher Education.")

Graduate Theological Education Among Free Will Baptists

The Task Force analyzed various issues in education for Christian ministry. The members agree that youth ministry education needs to be re-evaluated, owing in part to the fact that so many youth ministers eventually make transitions to pastoral ministry. Furthermore, our college ministry departments need to place more emphasis on education for rural and bi-vocational pastoral ministries. The Task Force agrees that we must train pastoral ministry students to minister to the kinds of churches we have: small and medium-sized churches. Furthermore, in our ministry education, we must emphasize the importance of denominational loyalty and support.

The Task Force also agrees that *the denomination needs to take graduate theological education seriously*. The ministers' survey on graduate education indicates that most pastors (almost 80% of the respondents) believe the denomination needs graduate education. The majority of the responding pastors said that Free Will Baptist pastors and other vocational Christian ministers need more education to help them minister and evangelize more effectively in an increasingly complex environment. Almost two-thirds said that they themselves needed more formal education. About one-fourth indicated that they would study in a Free Will Baptist graduate program, and most of the respondents believe that flexibility and distance learning should be an integral part of any graduate program of theological education among Free Will Baptists.

Based on the above data, the Task Force

- commends the graduate program at Hillsdale Free Will Baptist College.

- encourages other Free Will Baptist colleges to establish academically credible graduate programs in biblical studies/ministry as they acquire the resources necessary for such programs.

- recommends that the denomination continue studying the feasibility of establishing a seminary.

Funding for Free Will Baptist Higher Education

The consensus of the Task Force was that funding for higher education must be increased if Free Will Baptist colleges are to provide the kind of comprehensive education that will meet the needs of Free Will Baptists. The Task Force recommends

- that Free Will Baptist colleges engage in systematic assessment of their programs of stewardship and fundraising, including sources from churches and associations, individual donors, alumni, charitable foundations, and planned giving (e.g., wills, annuities, etc.).

- that colleges place increased emphasis on the establishment of endowments for our colleges, not only for scholarship funds but also for operating funds.

- that our educational institutions develop, promote, and publicize methods of deferred giving to fund our colleges, in conjunction with the Free Will Baptist Foundation.

- that our people be strongly encouraged to help fund our colleges through deferred giving, wills, and trusts.

- that our institutions work together with the Free Will Baptist Foundation to promote deferred giving among Free Will Baptists.

Cooperation Among Our Colleges

Cooperation among Free Will Baptist colleges was in evidence in the meetings of the Task Force. Yet there are impediments to cooperation, owing perhaps to philosophical differences that exist among Free Will Baptists. However, the Task Force recommends that Free Will Baptist colleges cooperate as much as possible in the ministry of higher education among Free Will Baptists. First, this would involve fellowship among the colleges. This discussion fostered the first-ever Student Leaders Summit between the student governments of Free Will Baptist Bible College and Hillsdale Free Will Baptist College. There are plans in the works for a similar summit this fall, and a desire exists for the two colleges to host a student ministry retreat that would be open to all Free Will Baptist college students.

In addition to fellowship, cooperation among Free Will Baptist colleges would involve academic cooperation. Possible kinds of academic cooperation that the Task Force discussed include cooperation in distance learning on the undergraduate level (i.e., colleges sharing distance learning and non-traditional curricula), as well as cooperation on the graduate level (i.e., after the development of graduate programs in theology and ministry, colleges could, within the bounds of accreditation considerations, share adjunct faculty and distance learning curricula). The Task Force strongly recommends such cooperation among Free Will Baptist colleges.

A Higher Education Research Commission for Free Will Baptists

In the interests of continued reflection on the nature, function, and progress of higher education among Free Will Baptists, the Task Force recommends the establishment of a Higher Education Research Commission. The purposes of the Commission would be as follows:

1. To gather and analyze relevant information regarding Christian higher education among Free Will Baptists.
2. To keep Free Will Baptist churches and educational institutions informed of educational trends, issues, and concerns.
3. To make broad, appropriate recommendations regarding the enhancement of Free Will Baptist higher education.

The Task Force recommends that it not be within the scope of this Commission to investigate or make policy recommendations for any Free Will Baptist educational institution.

Epilogue

The Task Force has found it impossible to engage in the complex undertaking of long-range comprehensive planning for Free Will Baptist colleges, as the original resolution asked us to do. However, its members believe that the recommendations in this report will go far in helping Free

Will Baptists address the educational needs of Free Will Baptist students, ministers, and churches. We believe that the ministry of truly Christian higher education is vital to our churches' playing an effective role in fulfilling the Great Commission in the twenty-first century.

We must face these educational challenges squarely: the thousands of Free Will Baptist college students who receive their education from non-Christian colleges and universities because they feel their educational needs are not provided for by Free Will Baptist colleges; ministers who long for more educational opportunities to aid them in their ministry of the gospel in Free Will Baptist churches and mission fields; the lack of vision for funding Christian higher education among Free Will Baptists; the need for more cooperation in Free Will Baptist higher education. When we face these challenges, we believe we will be more effective in fulfilling the call of our Master to "Go . . . and teach all nations, baptizing them in the name of the Father, and of the Son, and of the Holy Ghost: teaching them to observe all things whatsoever I have commanded you."

The Members of the Higher Education Task Force:

Melvin Worthington, Chairman

Carl Cheshier (OK)

William Davidson (SC)

Timothy Eaton (OK)

Milton Fields (TN)

Marco Gonzales (MX)

E. T. Hyatt (CA)

Thomas Marberry (TX)

Daniel Parker (OK)

Matthew Pinson (TN)

Randy Sawyer (NC)

Douglas Simpson (TX)

Wendell Walley (CA)

APPENDIX A ORIGINAL RESOLUTION

Below is the original resolution adopted at the 1999 meeting of the National Association of Free Will Baptists.

We recommend the resolutions from Arkansas and Georgia dealing with Christian higher education be adopted, the study be initiated, a committee selected, and that all our colleges be encouraged to participate. The Arkansas resolution reads:

Whereas;

1. Christian higher education must be a priority among Free Will Baptists as we seek to fulfill the Great Commission,

and Whereas,

2. A comprehensive approach to Christian higher education could better fulfill our needs than the current system,

Be it therefore resolved:

That we initiate a study committee to develop a long-range comprehensive plan for Christian higher education for Free Will Baptists.

The Georgia Resolution reads:

1. Whereas, we have covenanted together to "extend the influence of Christ in Society" and to "labor for the promotion of education" (Free Will Baptist Church Covenant, paragraphs 6-7), and

Whereas, Christian higher education must be a priority among Free Will Baptists as we seek to fulfill the Great Commission of our Lord, and,

Whereas, a comprehensive approach to Christian higher education could better fulfill our needs than the current system,

Be it resolved,

A. That we initiate a task force/study committee to develop a long-range, comprehensive plan for Christian higher education among Free Will Baptists,

B. That this task force be a broad-based committee composed of Free Will Baptist individuals who are knowledgeable of higher education, and,

C. That this task force be comprised of representatives of our four Free Will Baptist colleges, as well as individuals who are not presently affiliated with those colleges.

End Notes:

1. *2000 Free Will Baptist Yearbook*. (Nashville: The Executive Office, National Association of Free Will Baptists, Inc., Printed by Randall House Publications, 2000), pp. A-250, 251.
2. "Minutes of the First Meeting of the Free Will Baptist Educational Task Force." Unpublished minutes, Nashville, Tennessee, December 11-13, 1999, p. 1; addendum.
3. *2000 Yearbook*, pp. A-250, 251. Copies of the two resolutions are included in Appendix A.
4. "Minutes, 1999, p. 3.
5. Ibid.

Registration Report

The 2004 Kansas City Convention registered the following:

National Convention 3,333

Foreign Missionary	27
Home Missionary	52
Licensed Minister	43
Local Church Delegate	16
Visitor	2,309
State Delegate	88
Ordained Minister	614
Ordained Deacon	127
Board/Commission Member	57

National Youth Conference 3,219

NYC Visitor	1,538
NYC Personnel	120
NYC Child Visitor	69
NYC Grades 1-3	248
NYC Grades 4-6	328
NYC Grades 7-8	245
NYC Grades 9-12	550
Preschool Worship	121

Women Nationally Active For Christ 956

WNAC Visitor	735
Local WNAC Delegate	39
WNAC Missionary	25
WNAC National Officer	6
WNAC State Delegate	129
WNAC State Field Worker	10
WNAC State President	12

Total Individuals Registered: 5,476

Budget Committee Report

The National Association of Free Will Baptists, Inc., has approved in this convention these budgets for 2005:
Executive Office (Includes:) \$ 709,145.00

Administrative	\$ 378,735.00	
Convention	330,410.00	
Free Will Baptist Bible College		6,033,945.00
(Includes \$1,300,000.00 in unrestricted gifts)		
Foreign Missions		8,563,374.00
(Does not include Vision and other projects totalling \$7,700,770.00)		
Home Missions		4,500,000.00
Master's Men		136,720.00
Retirement and Insurance		507,390.00
Free Will Baptist Foundation		319,065.00
Sunday School and Church Training		3,471,804.00
Commission for Theological Integrity		6,350.00
Historical Commission		2,800.00
Music Commission		3,500.00
Media Commission		5,000.00
TOTAL		\$ 24,259,093.00

All these ministries receive funds through The Together Way except the Sunday School and Church Training Department which is self-sustaining.

The Budget Committee recommends that gifts received through The Together Way Plan be allocated to the national ministries on the following basis:

1. Underwrite the Executive Office Administrative Budget above designated gifts, not to exceed 45% of cooperative gifts.
2. Disburse the balance of cooperative gifts to the following national ministries according to these percentages:

Free Will Baptist Bible College	23.0%
Foreign Missions	23.0%
Home Missions	18.0%
Retirement and Insurance	14.0%
Master's Men	14.0%
Free Will Baptist Foundation	6.0%
Commission for Theological Integrity	0.5%
Historical Commission	0.5%
Music Commission	0.5%
Media Commission	0.5%
TOTAL	100.0%

Respectfully Submitted, Your Servants,
Keith Burden, Executive Secretary
Matt Pinson, President of Free Will Baptist Bible College
James Forlines, General Director of Foreign Missions Department
Larry Powell, General Director of Home Missions Department
Bill Evans, General Director of Retirement and Insurance Department
Kenneth Akers, General Director of Master's Men Department
Ron Hunter, General Director of Sunday School and Church Training Department

Obituary Committee Report

Alabama

Winford Russell, deacon

Arkansas

Lloyd Summerhill, minister

Ralph Gray, minister

Roy L. Thompson, minister

George Raymond Hunton, minister

Vernon Rosamond, minister

T.A. Miller, minister

Herbert Crouch, minister

Jimmy McCully, minister

Jack Remer, deacon

Truman Coffman, deacon

Thomas Guthrie, deacon

California

James C. Wood, minister

Florida

Harlie Dockens, deacon

Walter Rice, deacon

Georgia

Charles Clark, minister

Leron Clower, deacon

Brooks Coursey, deacon

Illinois

Vernell Clark, minister

Gary L. Culli, deacon

Kansas

Rhan Bowen, minister

Kentucky

Paul Diamond, minister

James Couch, minister

Dewey D. Nelson, minister

Winston Adkins, deacon

Robert Click, deacon

James Simpson, deacon

Ester Thompson, deacon

Robert Welch, deacon

Mississippi

Norlin Jones, minister

Cliff Holland, minister

Rick Powers, minister

Leonard Walden, deacon

Herman Whittermore, deacon

Missouri

Rocky Williams, minister

John Boggess, deacon

Ruel Calkin, deacon

North Carolina

Bill Fulcher, minister

LaRue Davis, minister

Adam Scott, minister

John Artis Gaskins, deacon

Woodrow Ramsey, deacon

Solomon Norton, deacon

Ohio

James Blair, minister

John Jeffrey, minister

John Taylor, minister

John McClland, minister

Ernest Demron, deacon

Ora Gilliland, deacon

Oklahoma

Perry Watson, minister

West Virginia

Jack L. Green, minister

Wade Webb, minister

W.C. Combs, minister

Cecil Woods, minister

Henry Oakes, minister

Thomas Shaver, minister

A.C. Cox, minister

Marshall Kelly, minister

Gordon Robinson, minister

Bernie Napier, minister

Obituary Committee:

J.L. Gore (MS), chairman

Fred Hanson (Atlantic-Canada)

Keith Woody (TX)

Mark Shores (NM)

Steve Faison (VA)

Resolutions Committee Report

National Association of Free Will Baptists

Convening in Kansas City, Missouri

July 18-22, 2004

1. Resolution Concerning Same-Sex Marriage

WHEREAS, the 1st Amendment of the U.S. Constitution grants citizens the freedom to voice support of or opposition to issues that concern us, whether they be issues of law, morality, societal, educational or economic; and

WHEREAS, our sense of moral obligation and evangelistic responsibility forbids us to remain silent on issues so paramount, so eminently threatening to the moral fabric of our nation; and

WHEREAS, our concern for those who are enslaved to a perverted, self-destructive, sinful lifestyle, requires this body to proclaim a clear denunciation, and warn of the dangers and consequences of departing from God's standard; and

WHEREAS, the Supreme Judicial Court of Massachusetts has declared same-sex marriage to be the policy of the commonwealth; and

WHEREAS, in California, Oregon, New York and New Mexico, rogue local officials have defied their own state marriage laws and married thousands of same-sex couples; and

WHEREAS, as a result of such action, at least 46 states now have same-sex married couples who are proactive and implementing a well-funded, multifaceted and highly coordinated legal assault on traditional marriage; and

WHEREAS, Article IV, Section 1 of the U.S. Constitution states that "full faith and credit shall be given in each state to the... judicial proceedings of every other state" so that the decision by the Supreme Judicial Court of Massachusetts could ultimately determine this issue for non-consenting states; and

WHEREAS, traditional marriage between a man and a woman has been the norm in every political community for over 5,000 years, with history revealing society's demise whenever same-sex relationships become prevalent; and

WHEREAS, President Bush has said "the union of a man and a woman is the most enduring human institution, honored and encouraged in all cultures and by every religious faith," and that "marriage cannot be severed from its cultural, religious and natural roots without weakening the good influence of society;" and

WHEREAS, activist judges and courts are moving outside constitutional boundaries and definitions, including the definition of marriage, forcing this present groundswell of conservative, Judeo/Christian opposition; and

WHEREAS, same-sex marriage has now been embraced by the Netherlands, Belgium and three provinces in Canada, which now allow same-sex marriage; be it therefore

RESOLVED, that the delegates to the National Association of Free Will Baptists, convening in Kansas City, Missouri, July 18-22, 2004, reaffirm the legal and biblical definition of marriage as occurring only between one man and one woman; and be it further

RESOLVED, that we declare marriage to be sacred and between one who is born male and one who is born female, that we adamantly oppose any redefinition of marriage, the sanction of marriage counterfeits, such as civil unions, or the legalization of same-sex marriage; and be it further

RESOLVED, that we wholly support the time-proven institution of traditional marriage as the single best arrangement for raising children and forming citizens as opposed to the radical and unacceptable alternative of same-sex marriage; and be it further

RESOLVED, that we support the Defense of Marriage Act of 1996, signed into law by former President Clinton, which prevents federal recognition of same-sex marriage; allowing states to ignore same-sex licenses from outside their borders, and currently is the nation's best defense until a Constitutional Amendment can be enacted; and be it further

RESOLVED, that since the Defense of Marriage Act may itself be struck down by activist courts, we press Congress to follow President Bush's lead and pass the Federal Marriage Amendment, which reads: Marriage in the United States shall consist only of the union of a man and a woman. Neither this Constitution, nor the Constitution of any State, shall be construed to require that marriage or the legal incidents thereof be conferred upon any union other than the union of a man and a woman (wording as of July 12, 2004); and be it further

RESOLVED, that we adamantly oppose the use of public tax dollars to re-educate our children in contradiction to standards taught at home and at church under the guise of tolerance toward the homosexual lifestyle or same-sex marriage; and be it further

RESOLVED, that we commit ourselves to pray for and support legislative and legal efforts to oppose the legalization of same-sex unions; and be it further

RESOLVED, that a copy of this resolution be sent to our nation's President and members of Congress, either by regular or electronic mail; and be it further

RESOLVED, that regardless of how our motives are demonized, we reaffirm our commitment to pray for and evangelize those who are enslaved in the homosexual culture, expressing our mission: that all people be saved by faith in Jesus Christ our Lord, and teaching them to separate from the immorality of this present world and its coming judgment.

2. Resolution Concerning the War on Terror

WHEREAS America is in an ongoing war for freedom at home and abroad against those who would incite terror, and

WHEREAS, we as Free Will Baptists have loved ones who are serving our beloved nation, their lives in jeopardy for the noble cause of freedom, and

WHEREAS, God has blessed the United States with military strength, yet knowing from God's Word in I Samuel 2:9 and II Chronicles 20:15, that our strength lies not in military might, but that the battle is wholly the Lord's, and

WHEREAS, believing the cause to be just, we place our faith and trust in God and in our Savior Jesus Christ; therefore be it

RESOLVED, that the delegates to the 68th National Association of Free Will Baptists, meeting in Kansas City, Missouri, July 18-22, 2004, will stand in the gap and make up the hedge and go on record in support of our brave soldiers at home, in Iraq, Afghanistan and wherever the call of freedom may require them, and be it further

RESOLVED, that we pray faithfully for God's presence, peace, protection and power in the battle against the enemy, both spiritual and material, and be it further

RESOLVED, that as the enemies of freedom are defeated, may the light of the glorious gospel of Christ shine unto these lands as it has unto ours.

3. Resolution to Retain Recognition of the Almighty in Public Life

WHEREAS, foes of God and His Word continue to seek the removal of every scriptural quote and reference from our courthouses and government buildings, and

WHEREAS, some public officials who oppose such removal have lost their jobs and faced legal retribution themselves, therefore be it

RESOLVED, that we join such bold individuals in the effort to preserve the historical Christian foundations that have adorned our public buildings from the very inception of our nation, and be it further

RESOLVED, that we encourage our membership to invoke God's intervention and to do everything legally possible to retain recognition of the Almighty publicly in our land.

4. Resolution Concerning Voter Registration

WHEREAS, statistics show that voter turnout among evangelical Christians decreased 40% from 1990 – 2000, and

WHEREAS, there was noted a slight increase of 2% Christian voter turnout in the 2002 national elections, and

WHEREAS, Christian organizations that work with Christian elected officials noted the largest group of conservative Christian congressmen and senators were elected in 2002, and

WHEREAS, there is a noticeable connection between Christians going to the polls and Christians getting elected to office; therefore be it

RESOLVED, that the National Association of Free Will Baptists go on record encouraging all our members to register to vote in the upcoming elections, and be it further

RESOLVED, that we encourage our churches to conduct voter education and registrations drives, which is a legal privilege of a church body, and be it further

RESOLVED, that we encourage our pastors to do everything possible to inform themselves and inform their people concerning national issues that directly affect Christian people and values, taking advantage of resources available on the internet at www.wallbuilders.com and www.operationvote.org, and be it further

RESOLVED, that we encourage Free Will Baptists to elect officials that represent biblical values to office.

5. Resolution of Appreciation

WHEREAS, the Missouri State Association of Free Will Baptists has hosted the 68th session of the National Association of Free Will Baptists in a most efficient and gracious manner; therefore be it

RESOLVED, that the National Association expresses its appreciation to the officers and membership of the Missouri State Association by a rising vote of thanks.

Respectfully submitted,
Resolutions Committee:
Tim A. Hall (KY), Chairman
Wayne Miracle (GA)
Nathan Ruble (MO)
David Shores (IL)
Mike Wade (OK)

The Executive Secretary's Report 2003

Progress. In a word, that describes the past year in the Executive Office. Some of the more notable areas of progress are:

- I have become more familiar with my responsibilities as executive secretary and better acquainted with the members, pastors and leaders across our denomination.
- Significant strides were made in the feasibility study for a combined publication. The directors and editors of the various departmental publications have worked hard to deliver a detailed, comprehensive list of options and proposals to the Publications Committee. The Publications Committee will present its report and recommendations during this convention.
- Efforts to reprint *The Free Will Baptist Hymn Book: Rejoice* have been productive. Thanks to the assistance of Randall House Publications this worship tool will continue to be available at an affordable price to churches in the quantity and colors they need. Ordering details will be announced during the convention.
- The 2003 Leadership Conference was a success. Interactive sessions produced valuable information for planning future programs. The meeting was streamlined and resulted in substantial cost savings to national departments.
- Discussions are taking place to provide Stewardship Education for churches on a regional level. Means are being investigated through the combined efforts of Randall House, the Free Will Baptist Foundation and the Executive Office to make cost-effective stewardship training and materials available to all Free Will Baptists.
- The process for making housing reservations and doing online registration for the national convention continues to improve. While neither procedure is perfect, steps are being taken to ensure that these annual activities for attendees are equitable and convenient.
- The financial picture has improved significantly. Because of drastic measures taken last year, the Executive Office administrative budget avoided a serious deficit and ended the year in the black. Longstanding financial obligations are being met and indebtedness is being retired at a reasonable rate. The Executive Office staff is to be commended for their hard work and sacrificial spirit. We anticipate 2004 convention revenues will exceed expenses and allow for partial repayment of last year's loan. *Contact* magazine was again heavily subsidized out of the administrative budget. Rent for departments housed in the National Office Building will increase by 10% in 2005 in order to adequately maintain the facility. Our auditor will give a fuller explanation of our financial position.

God has been faithful, and we praise Him for His goodness to us! We also stand indebted to those of you who have faithfully supported the Executive Office with your prayers, finances and words of encouragement. We remain committed to honoring Christ, fulfilling the Great Commission and serving Free Will Baptists.

Humbled to be His servant and yours,

Keith Burden
Executive Secretary

**Statistical Summary
1989 - 2003**

Year	Beginning Membership Totals	Baptisms	Members Added	Members Lost	Net Increase	Ending Membership Totals
1989	210,364	8,678	12,726	7,511	5,215	215,579
1990	215,579	7,946	12,537	6,583	5,954	221,533
1991	221,533	8,703	12,931	7,240	5,691	227,224
1992	227,224	9,283	12,123	7,223	4,900	232,124
1993	232,124	8,828	12,246	6,011	6,235	238,359
1994	238,359	7,804	12,393	7,508	4,885	243,244
1995	243,244	8,089	12,701	6,232	6,469	249,713
1996	249,713	8,436	12,155	5,985	6,170	255,883
1997	255,883	8,971	11,946	6,660	5,286	261,169
1998	261,169	10,169	14,089	6,345	7,744	268,913
1999	268,913	10,200	13,965	7,715	6,250	275,163
2000	275,163	10,549	12,932	5,841	7,091	282,254
2001	282,254	8,982	12,252	5,365	6,887	289,141
2002	289,141	8,924	11,329	6,233	5,096	294,237
2003	294,237	8,713	10,968	6,904	4,064	298,301
Totals		134,275	187,293	99,356	87,937	

Tracking The Together Way Totals

	Designated		Co-op		Total	
1997	2,775,292.31	31.52%	442,453.17	17.75%	3,217,745.48	29.44%
	86%		14%			
1998	3,004,636.43	8.26%	608,297.49	37.48%	3,612,933.92	12.28%
	83%		17%			
1999	3,066,552.21	2.06%	676,020.36	11.13%	3,742,572.57	3.59%
	82%		18%			
2000	3,289,076.32	7.26%	708,470.54	4.80%	3,997,546.86	6.81%
	82%		18%			
2001	3,170,082.84	-3.62%	736,040.45	3.89%	3,906,123.29	-2.29%
	81%		19%			
2002	3,253,772.40	2.64%	738,744.13	0.37%	3,992,516.53	2.21%
	81%		19%			
2003	3,515,300.09	8.04%	770,780.99	4.34%	4,286,081.08	7.35%
	82%		18%			

**EXECUTIVE OFFICE OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Financial Statements

December 31, 2003 and 2002
(With Independent Auditors' Report Thereon)

HHA Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

**Executive Committee of the
General Board of the National
Association of Free Will Baptists:**

761 Old Hickory Boulevard
Suite 206
Brentwood, TN 37027
TEL: 615/377-3485
FAX: 615/377-3488

We have audited the accompanying statements of financial position of Executive Office of the National Association of Free Will Baptists, Inc. as of December 31, 2003 and 2002, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Executive Office's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Executive Office of the National Association of Free Will Baptists, Inc. as of December 31, 2003 and 2002, and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

April 26, 2004

**EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statements of Financial Position
December 31, 2003 and 2002

<u>Assets</u>	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 143,707	43,445
Funds held by Free Will Baptist Foundation	18,390	18,390
Receivables:		
Hymnal sales	27,892	28,738
Other departmental and agency charges	694	2,807
Total receivables	28,586	31,545
Inventory, at lower of cost (first-in, first-out method) or market	50,447	74,713
Prepaid expenses	5,000	9,608
Total current assets	246,130	177,701
Office equipment and furniture	128,535	128,535
Less accumulated depreciation	123,462	118,808
Net office equipment and furniture	5,073	9,727
	<u>\$ 251,203</u>	<u>187,428</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 57,386	46,130
Note payable	66,591	24,591
Convention revenues collected in advance	44,909	-
Deferred subscription revenues	30,402	35,215
Total current liabilities	199,288	105,936
Net assets:		
Executive Office	256,915	217,226
Net investment in equipment	5,073	9,727
Contact Magazine	(80,527)	(61,541)
Special Projects	92,745	92,254
Convention Fund	(222,291)	(176,174)
Total net assets	51,915	81,492
	<u>\$ 251,203</u>	<u>187,428</u>

See accompanying notes to financial statements.

**EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statements of Activities and Changes in Net Assets
For the years ended December 31, 2003 and 2002

	<u>Executive Office</u>	<u>Contact Magazine</u>	<u>Special Projects</u>	<u>Convention Fund</u>	<u>2003 Totals</u>	<u>2002 Totals</u>
Revenues:						
The Together Way Plan	4,650,922	-	-	-	4,650,922	3,992,517
Disbursed to agencies and departments	(4,286,081)	-	-	-	(4,286,081)	(3,636,852)
	364,841	-	-	-	364,841	355,665
Subscriptions to Contact Magazine	-	66,520	-	-	66,520	61,825
Sales of hymnals	-	-	37,667	-	37,667	47,936
Gifts and offerings	2,610	-	-	9,262	11,872	11,486
Investment earnings (losses)	460	473	-	-	933	(532)
Convention fees	-	11,000	-	180,467	191,467	192,920
Other income	3,527	718	2,552	18,408	25,205	24,257
Total revenues	371,438	78,711	40,219	208,137	698,505	693,557
Cost of hymnal sales:						
Beginning inventory	-	-	74,713	-	74,713	104,561
Other costs	-	-	7,704	-	7,704	11,026
Total cost of inventory	-	-	82,417	-	82,417	115,587
Less ending inventory	-	-	50,447	-	50,447	74,713
Cost of hymnal sales	-	-	31,970	-	31,970	40,874
Gros profit	371,438	78,711	8,249	208,137	666,535	652,683
Expenses of operations:						
Executive Office	336,403	-	-	-	336,403	423,317
Contact Magazine	-	97,697	-	-	97,697	104,042
Special Projects	-	-	7,758	-	7,758	16,213
Convention Fund	-	-	-	254,254	254,254	251,049
Total expenses	336,403	97,697	7,758	254,254	696,112	794,621
Increase (decrease) in net assets	35,035	(18,986)	491	(46,117)	(29,577)	(141,938)
Net assets, beginning of year	226,953	(61,541)	92,254	(176,174)	81,492	223,430
Net assets, end of year	\$ 261,988	(80,527)	92,745	(222,291)	51,915	81,492

See accompanying notes to financial statements.

EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.

Statements of Functional Expenses

December 31, 2003 and 2002

	Executive Office	Contact Magazine	Special Projects	Convention Fund	2003 Totals	2002 Totals
Expenses of operations:						
Salaries	\$ 126,443	-	4,418	31,457	162,318	197,354
Housing allowance	50,021	-	-	-	50,021	54,894
Employee fringe benefits and health insurance	40,136	-	-	1,062	41,198	52,039
Payroll taxes	21,082	-	338	2,354	23,774	29,092
Travel	17,892	688	-	29,244	47,824	61,767
Executive Committee and General Board	2,340	-	-	8,054	10,394	16,709
Occupancy costs	29,892	-	-	-	29,892	29,892
Depreciation	4,655	-	-	-	4,655	4,657
Legal and audit	3,174	772	50	1,983	5,979	6,867
Equipment maintenance	85	-	-	-	85	183
Supplies, office expense	6,098	533	18	12,320	18,969	17,081
Printing and promotion	1,981	71,968	-	32,411	106,360	121,037
Postage / mail services	1,139	18,230	15	499	19,883	19,733
Telephone	2,749	23	-	260	3,032	4,138
Writer's fees	-	3,635	-	-	3,635	3,575
Auditorium and other convention services	-	-	-	120,187	120,187	105,807
Leadership Conference	-	-	-	-	-	222
International Fellowship	240	-	-	-	240	4,655
Educational Task Force	-	-	-	5,591	5,591	9,352
The Together Way Plan	167	-	-	-	167	317
Auto and copier leases	24,140	-	-	-	24,140	23,582
Church directory	-	-	1,265	-	1,265	2,166
Nominating Committee	-	-	-	-	-	80
Publications Committee	-	-	-	2,033	2,033	15,002
Interest expense	-	-	-	-	-	52
Other	4,169	1,848	1,654	6,799	14,470	14,368
Total expenses	\$ 336,403	97,697	7,758	254,254	696,112	794,621

See accompanying notes to financial statements.

EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities		
Decrease in net assets	\$ (29,577)	(141,938)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	4,654	4,657
Gain on sale of securities	-	1,610
(Increase) decrease in:		
Receivables	2,959	(14,911)
Inventories	24,266	29,848
Prepaid expenses	4,608	22,611
Increase (decrease) in:		
Convention revenues collected in advance	44,909	-
Deferred subscription revenues	(4,813)	10,302
Accounts payable and accruals	11,256	10,635
Net operating activities	58,262	(77,186)
Cash Flows from Investing Activities		
Funds held by Free Will Baptist Foundation	-	(3,800)
Purchase of property and equipment	-	(3,881)
Net investing activities	-	(7,681)
Cash Flows from Financing Activities		
Proceeds from debt	42,000	32,539
Repayment of debt	-	(7,948)
Net financing activities	42,000	24,591
Increase (decrease) in cash and cash equivalents	100,262	(60,276)
Cash and cash equivalents, at beginning of year	43,445	103,721
Cash and cash equivalents, at end of year	\$ 143,707	43,445
Supplemental disclosures:		
Interest paid	\$ -	52

See accompanying notes to financial statements.

EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.

Notes to Financial Statements
December 31, 2003 and 2002

The Executive Office Operates under auspices of the National Association of Free Will Baptists, Inc. and is governed by the Executive Committee of the General Board of the National Association of Free Will Baptists, Inc.

(1) **Summary of Significant Accounting Policies**

Organization

The financial statements of the Executive Office have been prepared on the accrual basis of accounting.

The Executive Office follows provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS 117, the Executive Office is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Executive Office is required to present a statement of cash flows.

Further, the Executive Office also follows the provisions of SFAS 116, "Accounting for Contributions Received and Contributions Made," which requires contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and / or nature of any donor restrictions.

The Executive Office also follows the provisions of an interpretation of SFAS No. 116 (Accounting for Contributions Received and Contributions Made), Interpretation No. 42, "Transfers of Assets in Which a Not-for-Profit Organization Acts as an Agent, Trustee, or Intermediary". In accordance with Interpretation No. 42, funds received from donors which are designated by the donor to be transferred to third parties are accounted for as liability transactions. (see note 6)

Recognition of Subscription Revenue from Contact Magazine

The amount of subscriptions collected are recorded as a liability in the account deferred subscription revenues. Revenues are recognized ratably over the live of the subscription.

Office Equipment and Furniture

Office equipment and furniture are stated at cost. Depreciation is provided over the useful life of the asset using the straight-line method. Expenditures for maintenance and repairs, renewals and betterments that do not significantly extend the useful lives of assets are expensed as incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Executive Office considers all cash on hand, deposits with financial institutions, and debt instruments with an original maturity of three months or less to be cash and cash equivalents.

EXECUTIVE OFFICE OF THE NATIONAL
ASSOCIATION OF FREE WILL BAPTISTS, INC.

Notes to Financial Statements, continued

Use of Estimate

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees of the Executive Office are entitled to paid vacations, paid sick days and personal days off, depending on job classification, length of service and other factors. It is not practicable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Executive Office policy is to recognize the cost of compensated absences when actually paid to employees.

Income Taxes

The Executive Office is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts.

Presentation of Financial Statements

Certain amounts as reported in the 2002 financial statements may be reclassified to conform to current year presentation.

(2) **Inventory of Hymnals**

The Executive Office has an agreement with Sunday School and Church Training and Randall House Publications (Randall House), whereby Randall House warehouses and distributes Free Will Baptist hymnals, further, Randall House invoices the customer, collects funds and remits to the Executive Office \$6.32 for each hymnal sold. Randall House warehoused hymnals valued at a cost of \$46,747 and \$74,713 at December 31, 2003 and 2002, respectively.

(3) **Pension**

The Executive Office participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists, Inc. The plan is contributory and is matched up to a maximum of 5% of compensation. Employees may participate at date of employment. Pension expenses amounted to \$4,697 in 2003 and \$10,150 in 2002. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase one of several types of annuity contracts.

(4) **Operating Leases**

The Executive Office has entered into non-cancellable lease arrangements relating to a copy machine and three automobiles. Total expenses amounted to \$24,140 in 2003 and 2002. The future minimum payments required are: \$19,634 for 2005; and \$7,355 for 2006.

(5) **Note Payable**

6.5% and 7% unsecured demand notes payable, repayable to Free Will Baptist Foundation.

**2005
ADMINISTRATIVE BUDGET**

PROJECTED EXPENSES	2003	Revised 2003	2004	2005
Salaries	\$166,631.99	\$138,621.72	\$128,347.00	\$135,655.07
Housing	49,000.00	49,000.00	49,000.00	44,000.00
Social Security	25,020.65	22,094.60	22,091.85	22,344.14
Retirement	7,922.67	2,882.63	0.00	4,685.58
Employees Insurance (Dental/Disability/Health/Life/Travel)	40,763.71	36,991.27	34,648.33	33,117.67
Auditing/Legal	3,500.00	3,000.00	3,000.00	3,500.00
Automobile Lease (1 Car)	11,100.00	11,800.00	11,800.00	5,110.32
Copier Lease	8,000.00	7,000.00	7,000.00	7,000.00
Equipment Maintenance	2,000.00	500.00	500.00	1,000.00
Computer Supplies	7,000.00	2,000.00	4,000.00	4,000.00
Executive Committee	5,000.00	1,800.00	2,000.00	2,500.00
General Insurance	5,500.00	2,800.00	3,000.00	3,200.00
Int'l. Fellowship of FWB Churches	2,400.00	240.00	500.00	240.00
Leadership Conference	3,000.00	500.00	500.00	500.00
Office Rental (\$1.10 per sq. ft. x 2,491)	29,892.00	29,892.00	29,892.00	32,881.20
Office Supplies/Expense	10,000.00	1,200.00	5,000.00	3,000.00
Other	4,428.47	1,370.75	2,938.22	3,000.00
Postage	1,500.00	1,500.00	1,500.00	1,700.00
Printing	3,000.00	750.00	3,000.00	2,500.00
Promotion	3,000.00	650.00	1,000.00	1,250.00
Books/Dues/Registrations	3,000.00	1,250.00	1,500.00	1,700.00
Telephone	4,000.00	2,500.00	3,000.00	3,250.00
Tog. Way Plan/Stewardship Education	1,000.00	500.00	500.00	1,000.00
Travel	24,000.00	17,000.00	19,500.00	22,500.00
Christmas Bonus (Extra Week's Salary)	2,003.78	0.00	0.00	1,292.88
Extra Week Ret. in lieu of 4th week vacation beginning 16th year of service	2,336.73	578.97	0.00	702.33
Melvin Worthington's Retirement Lease Car	0.00	6,598.56	13,209.60	0.00
CONTACT Underwriting/New Magazine Support	0.00	23,257.50	26,106.00	30,596.00
Contingency Fund	0.00	0.00	0.00	6,510.26
Totals	<u>\$425,000.00</u>	<u>\$366,278.00</u>	<u>\$373,533.00</u>	<u>\$378,735.45</u>
PROJECTED INCOME				
The Together Way Plan				
Cooperative Gifts	\$350,000.00	\$297,478.00	\$303,427.00	\$353,788.53
Designated Gifts	<u>75,000.00</u>	<u>65,300.00</u>	<u>66,606.00</u>	<u>18,349.09</u>
Other Income		<u>3,500.00</u>	<u>3,500.00</u>	<u>6,597.83</u>
Totals	<u>\$425,000.00</u>	<u>\$366,278.00</u>	<u>\$373,533.00</u>	<u>\$378,735.45</u>

SALARY BREAKDOWN	Revised 2003	2004	2005
Executive Secretary			
Salary	\$31,368.74	\$36,943.50	\$41,943.50
Housing and Utilities	25,000.00	25,000.00	20,000.00
Social Security	8,624.41 (15.30%)	9,477.36 (15.30%)	9,477.36 (15.30%)
Retirement	403.93	0.00	0.00
Insurance (Health/Dental/Life)	12,750.00	12,750.00	7,047.69
Disability/Travel	363.67	425.47	449.47
NOTE: Office car furnished.			
	78,510.75	84,596.33	78,918.02
Administrative Assistant/CONTACT Editor (Or New Magazine Support)			
Salary	20,827.96	25,491.85	26,481.69 (2%)
Housing and Utilities	24,000.00	24,000.00	24,000.00 (2%)
Social Security	6,858.68 (15.30%)	7,572.25 (15.30%)	7,723.70 (15.30%)
Retirement	424.88	0.00	1,324.08 (5%)
Insurance (Health/Dental/Life)	9,000.00	9,000.00	9,400.00
Disability/Travel	157.32	60.00	460.45
	61,268.84	66,124.10	69,389.92
Executive Bookkeeper/Accountant			
Salary	32,442.87	35,805.22	36,521.32 (2%)
Social Security	2,481.88 (7.65%)	2,739.10 (7.65%)	2,793.88 (7.65%)
Retirement	596.76	0.00	1,826.07 (5%)
Insurance	5,556.36	6,206.43	9,400.00
Health/Life	5,070.72	5,684.38	
Dental	485.64	522.05	
Disability			215.48
	41,077.87	44,750.75	50,756.75
Editorial Assistant/Secretary			
Salary	21,942.93	0.00	0.00
Social Security	1,678.63 (7.65%)	0.00	0.00
Retirement	955.30	0.00	0.00
Insurance	3,618.80	0.00	0.00
Disability/Life	200.00		
Health	3,242.24		
Dental	176.56		
	28,195.66	0.00	0.00
Yearbook Coordinator/ Registration Coordinator			
Salary	27,286.41	30,106.43	30,708.56 (2%)
Social Security	2,087.41 (7.65%)	2,303.14 (7.65%)	2,349.20 (7.65%)
Retirement	501.76	0.00	1,535.43 (5%)
Insurance	5,545.12	6,206.43	6,144.58
Disability/Life	196.12	136.92	318.10
Health	4,863.36	5,547.46	5,252.15
Dental	485.64	522.05	574.33
	35,420.70	38,616.00	40,737.77
Part-Time Help			
Salary (104 days)	4,752.81 (\$9.83 hr.)	0.00	0.00
Social Security	363.59 (7.65%)	0.00	0.00
	5,116.40	0.00	0.00

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 18-22, 2004
Kansas City, Missouri

PROJECTED RECEIPTS

Booth Fees	\$29,000.00
Host State (Missouri)	30,000.00
Local Church Representation Fees (\$100)	3,000.00
Offerings	8,500.00
Printing Income	6,210.00
Reimbursements	7,500.00
State Representation Fees (\$100 per church)	242,000.00
Truck Reimbursements	1,200.00
Other	<u>3,000.00</u>

TOTAL **330,410.00**

PROJECTED EXPENDITURES

Auditorium	125,786.83
Printing and Promotion	29,685.00
Convention Office	56,941.77
Convention Personnel	10,424.06
Meals	3,748.00
Travel	2,402.40
Lodging	4,273.66
Convention Officials	5,205.00
Volunteer Staff	4,793.49
Honorariums	1,400.00
Decorator Services	10,800.00
Meal Functions	2,315.80
Executive Committee	3,375.00
Meal and Motel Expenses	
Pre-Convention Expenses	<u>5,000.00</u>

Sub-Total 255,726.95

National Committee Expenses	16,100.00
Surplus Revenue	<u>58,583.05</u>
(Operating Capital/Payment on Convention Loan)	

TOTAL **330,410.00**

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 18-22, 2004
Kansas City, Missouri

PROJECTED RECEIPTS

Booth Fees	\$29,000.00
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Truck Reimbursements	1,200.00
Other	<u>3,000.00</u>

TOTAL **330,410.00**

PROJECTED EXPENDITURES

AUDITORIUM

Rental	42,800.00
Flowers	500.00
Other	73,486.83
First Aid Staff	2,000.00
Liability, ASCAP, BMI, CCLI Insurance	1,000.00
Music/Equipment/Fees	4,500.00
Offering Buckets	200.00
Signs	500.00
Sound System/AV Equipment	63,186.83
Union Personnel	2,000.00
Usher Badges	100.00
Police Security/Badge Checkers	<u>9,000.00</u>

TOTAL **125,786.83**

PRINTING AND PROMOTION

Convention Brochure	6,500.00
Convention Materials	9,635.00
<i>Digest of Reports</i>	6,900.00
Programs	2,735.00
Photos	50.00
Pre-Convention Printing/Publicity/Art	<u>13,500.00</u>

TOTAL **29,685.00**

CONVENTION OFFICE

Audit	\$2,000.00
Convention Manager	21,239.92
Payroll Taxes	1,624.85
Retirement	1,062.00
Courtesy Car	100.00
Equipment Rentals	5,100.00
Computers, Printers	600.00
Copiers (2)/Paper	4,000.00
Tables/Chairs/Trash Cans, etc.	500.00
Office Expense/Supplies	2,000.00
Postage	550.00
Pre-Registration Salaries	9,000.00
Payroll Taxes	700.00
Pre-Registration Staff	1,500.00
Payroll Taxes	115.00
Pre-Registration (Supplies, Postage)	5,500.00
Registration (Supplies)	3,000.00
Registration Computers/Printers	2,250.00
Telephone	550.00
Two-Way Radios	650.00

TOTAL 56,941.77

CONVENTION PERSONNEL

MEALS

Debbie Burden (27 meals @ \$12.00 each)	324.00
Keith Burden (36 meals @ \$12.00 each)	432.00
Dari Goodfellow (27 meals @ \$12.00 each)	324.00
Melody Hood (30 meals @ \$12.00 each)	360.00
Dean Jones (36 meals @ \$12.00 each)	432.00
Steve Pate (18 meals @ \$12.00 each)	216.00
Jack Williams (21 meals @ \$12.00 each)	252.00
Convention Interns (8)	1,408.00

TOTAL 3,748.00

TRAVEL

Debbie Burden	131.20
Keith Burden	131.20
Dari Goodfellow	131.20
Melody Hood	131.20
Dean Jones	115.20
Steve Pate	131.20
Jack Williams	131.20
Convention Truck (Fuel/Meals/Trailer Rental)	1,500.00

TOTAL 2,402.40

LODGING

Keith Burden	0.00
Dari Goodfellow (8 nights @ \$99.06)	792.48
Melody Hood (9 nights @ \$99.06)	891.54
Dean Jones	0.00
Steve Pate (5 nights @ \$99.06)	564.20
Jack Williams (6 nights @ \$99.06)	594.36
Convention Interns (14 nights @ \$102.22)	1,431.08

TOTAL (Includes applicable tax and parking) 4,273.66

CONVENTION OFFICIALS

Moderator - Tim York	\$1,694.00
Travel	382.00
Meals	216.00
(18 meals @ \$12.00 each)	
Lodging (6 nights @ \$102.22)	696.00
Honorarium	400.00

Clerk - Randy Bryant	1,687.00
Travel	375.00
Meals	216.00
(18 meals @ \$12.00 each)	
Lodging (6 nights @ \$102.22)	696.00
Honorarium	400.00

Assistant Moderator - William Smith	912.00
Meals	216.00
(18 meals @ \$12.00 each)	
Lodging (6 nights @ \$102.22)	696.00

Assistant Clerk - Ernie Lewis	912.00
Meals	216.00
(18 meals @ \$12.00 each)	
Lodging (6 nights @ \$102.22)	696.00

TOTAL (Includes applicable tax and parking) 5,205.00

VOLUNTEER STAFF

Music Coordinator - Chris Truett	594.36
Lodging (6 nights @ \$99.06)	

News Coordinator - Deanna Hollifield	511.10
Lodging (5 nights @ \$102.22)	

Organist - Jamie Patrick	511.10
Lodging (5 nights @ \$102.22)	

Photographer - Danny Conn	511.10
Lodging (5 nights @ \$102.22)	

Pianist - Jerry Carraway	511.10
Lodging (5 nights @ \$102.22)	

Taping - Mike Anderson	693.42
Lodging (7 nights @ \$99.06)	

Transportation Coordinator - Manuel Lopes	866.95
Lodging (7 nights @ \$123.85)	

Usher Coordinator - Billy Walker	594.36
Lodging (6 nights @ \$99.06)	

TOTAL (Includes applicable tax and parking) 4,793.49

HONORARIUMS

Bob Farwell	175.00
Glenn Murray	175.00
Kerry Gandy	175.00
Randy Wright	175.00
Jose Rodriguez	175.00
Glen Johnson	175.00
Allen West	175.00
David Archer	175.00

1,400.00

DECORATOR SERVICES

Booth (80) Installation/Drape Tables/Exhibit Hall Rental	\$3,400.00
Exhibitor Badges	50.00
Registration	650.00
Chairs, Counters, Skirted Tables	2,500.00
Electricity/Masking Drape	900.00
Stage	883.60
Carpet	1,000.00
Risers	2,000.00
Skirted Tables/Chairs	300.00
Skirting/Draping/Stage Set-Up	650.00
TOTAL	4,983.60

MEAL FUNCTIONS

Executive Committee	0.00
Coffee Breaks (2)	250.00
Luncheon (30 people @ \$21.12)	633.60
General Board Breakfast (55 people @ \$11.31)	622.05
State Leaders Breakfast (65 people @ \$11.31)	735.15
Presidents' Breakfast (6 people @ \$12.50)	75.00
TOTAL	1,432.20

EXECUTIVE COMMITTEE

MEAL AND MOTEL EXPENSES

(For the Executive Committee Meeting prior to the 2004 National Convention)

Gene Norris	375.00
Nathan Ruble	375.00
Rick Cash	375.00
Glen Johnson	375.00
David Joslin	375.00
Keith Woody	375.00
J.L. Gore	375.00
Ernest Harrison, Jr.	375.00
Doice McAlister	375.00
TOTAL	3,375.00

PRE-CONVENTION EXPENSES

Pre-Convention Meetings/Site Inspections	5,000.00
TOTAL	5,000.00

NATIONAL COMMITTEE EXPENSES

Educational Task Force Committee	7,000.00
Executive Committee	7,500.00
Nominating Committee	100.00
Publications Committee	1,500.00
TOTAL	16,100.00

SURPLUS REVENUE

(Operating Capital/Payment on Convention Loan)	58,583.05
TOTAL	58,583.05

2003

The Together Way Plan Gifts/Executive Office Cooperative

	January	February	March	April	May	June	July	August	September	October	November	December	Year To Date Totals
Alabama	\$161.29	\$68.34	\$0.00	\$150.42	\$59.14	\$0.00	\$139.71	\$0.00	\$0.00	\$136.89	\$68.27	\$76.82	\$860.88
Arizona	46.58	0.00	0.00	8.78	0.00	23.85	0.00	27.00	22.10	5.85	0.00	0.00	134.16
Arkansas	13,037.78	6,474.47	3,931.15	10,880.64	3,984.98	10,386.94	5,831.32	8,378.90	7,477.91	8,409.96	8,958.53	5,169.69	92,922.27
California	556.70	547.78	482.31	599.21	461.84	546.67	625.32	587.60	374.74	678.68	502.53	532.15	6,495.53
Canada	6.65	5.40	4.18	7.02	5.80	6.00	6.73	7.19	8.61	5.59	9.15	13.36	85.68
Florida	0.00	0.00	2,041.20	0.00	0.00	0.00	0.00	2,041.20	0.00	0.00	0.00	2,041.20	6,123.60
Georgia	988.15	705.11	586.44	1,010.81	755.05	291.46	1,174.91	822.27	781.45	782.87	538.46	882.95	9,319.93
Illinois	1,007.57	876.26	736.74	1,039.41	3,455.01	954.60	1,113.31	799.08	1,303.85	1,034.51	906.87	888.00	14,115.21
Indiana	180.01	172.51	21.60	0.00	87.04	61.39	99.35	66.96	145.83	63.08	65.28	67.50	1,030.55
Iowa	0.00	29.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.25
Kansas	0.00	0.00	102.08	29.21	42.29	0.00	69.65	0.00	0.00	0.00	67.46	46.49	357.18
Kentucky	669.78	392.01	866.19	383.50	504.92	338.86	539.41	488.75	1,264.98	269.67	508.79	625.55	6,852.41
Louisiana	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maryland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Michigan	1,888.29	1,088.30	464.41	659.73	1,428.17	486.24	1,071.91	1,588.91	935.82	1,012.16	2,027.38	854.15	13,505.47
Mississippi	249.35	406.36	153.89	301.12	423.58	252.31	103.26	523.77	0.00	292.12	235.85	288.05	3,229.66
Missouri	10,026.30	6,348.84	6,549.79	8,486.34	6,400.26	6,656.64	8,455.16	6,733.89	7,530.86	7,471.46	5,986.20	6,790.77	87,416.51
New Mexico	0.00	10.45	10.77	33.16	22.37	0.00	18.42	9.08	5.39	10.96	0.00	25.83	146.43
North Carolina	1,742.67	932.56	1,073.78	983.34	1,038.68	1,284.63	890.25	1,123.91	1,723.23	1,033.19	2,567.58	38.25	14,432.07
Northwest Assoc.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ohio	1,928.00	2,408.02	889.40	987.24	3,201.52	1,640.99	1,075.14	1,944.22	1,110.15	1,266.44	1,555.16	2,113.19	20,119.47
Oklahoma	6,074.30	4,248.93	4,650.29	5,007.96	5,997.32	4,238.53	4,653.56	3,778.18	5,656.82	3,705.77	6,224.83	4,093.67	58,330.16
South Carolina	20.30	24.84	0.00	32.26	19.62	13.65	4.05	0.00	1.45	181.35	9.00	9.00	315.52
Tennessee	113.74	858.71	588.29	798.78	493.53	596.83	1,366.20	739.09	679.58	96.43	1,022.61	848.47	8,202.26
Texas	326.28	4.05	0.00	278.78	102.55	0.00	168.27	336.91	0.00	123.43	257.65	175.83	1,773.75
Virginia	5.04	0.00	41.23	27.74	9.95	14.45	0.00	118.13	0.00	0.00	59.06	59.06	334.66
West Virginia	34.70	54.71	130.55	34.16	43.13	32.58	58.76	0.00	146.19	119.05	31.65	33.41	718.89
TOTALS	\$39,063.48	\$25,656.90	\$23,324.29	\$31,739.61	\$28,536.75	\$27,826.62	\$27,464.69	\$30,115.04	\$29,168.96	\$26,699.46	\$31,582.31	\$25,673.39	\$346,851.50

2003 The Together Way Plan Gifts/Executive Office Designated

	January	February	March	April	May	June	July	August	September	October	November	December	Year To Date Totals
Alabama	\$283.37	\$227.97	\$212.69	\$286.23	\$175.57	\$159.85	\$324.00	\$159.06	\$0.00	\$473.36	\$328.27	\$216.05	\$2,846.42
Arizona	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arkansas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
California	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	89.34	41.58	0.00	0.00	0.00
Canada	4.85	4.88	5.05	5.10	5.42	5.54	5.25	5.30	5.49	5.67	5.70	5.77	130.92
Delaware	0.00	0.00	0.00	114.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64.02
Florida	0.00	0.00	125.96	0.00	0.00	131.00	0.00	0.00	121.88	0.00	0.00	0.00	114.40
Georgia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	503.84
Illinois	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indiana	0.00	0.00	0.00	199.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Iowa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kansas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kentucky	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	600.00
Louisiana	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maryland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Michigan	0.00	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mississippi	83.00	117.80	191.00	191.00	116.00	116.00	41.00	0.00	0.00	0.00	0.00	0.00	15.00
Missouri	0.00	0.00	0.00	0.00	0.00	0.00	0.00	232.00	0.00	41.00	41.00	0.00	1,210.80
New Mexico	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
North Carolina	346.36	150.00	205.64	232.40	160.00	175.00	293.00	0.00	309.51	102.00	50.00	0.00	0.00
Northeast Assoc	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Northwest Assoc	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ohio	120.00	85.00	10.00	10.00	35.00	10.00	10.00	45.00	10.00	10.00	35.00	0.00	390.00
Oklahoma	53.84	0.00	0.00	57.34	0.00	24.57	45.52	0.00	0.00	21.45	0.00	0.00	202.72
South Carolina	315.77	289.25	82.46	683.27	260.81	102.26	580.21	68.14	462.52	372.65	82.28	585.11	3,884.73
Tennessee	294.79	413.70	115.54	86.92	303.98	266.40	254.19	328.31	520.25	165.67	443.63	514.67	3,708.05
Texas	94.29	90.56	0.00	30.84	0.00	0.00	178.24	109.92	0.00	21.00	51.69	0.00	576.54
Virginia	327.60	111.51	67.73	0.00	99.61	49.76	0.00	103.73	44.44	0.00	46.90	0.00	851.28
West Virginia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTALS	\$2,223.87	\$1,505.67	\$1,316.07	\$1,896.60	\$1,156.39	\$1,040.38	\$1,731.41	\$1,306.46	\$1,563.43	\$1,254.38	\$1,084.47	\$1,910.17	\$17,989.30

2003 Gifts to National Ministries

States	Executive	Foreign Missions	FWBEC	Home Missions	Refremment & Insurance	Master's Men	Commission for Theo. Integrity	WNAC	FWB Foundation	Historical Commission	Media Commission	Music Commission	Totals
Alabama	\$3,707.30	\$357,444.09	\$77,134.89	\$438,469.28	\$211.70	\$2,850.81	\$67.94	\$7,570.04	\$338.44	\$61.89	\$63.54	\$67.49	\$86,199.43
Alaska	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arizona	134.16	7,993.30	562.70	24,566.48	26.81	102.95	1.36	499.74	11.17	0.83	0.93	1.17	33,801.60
Arkansas	92,922.27	532,099.43	69,720.66	271,959.50	15,909.88	18,381.55	61.77	1,963.89	6,817.69	567.86	568.11	568.72	1,022,095.33
California	6,626.45	69,273.61	7,657.51	159,788.14	1,111.46	1,972.34	43.19	2,173.21	476.34	39.69	299.69	39.69	747,501.32
Canada	149.70	5,088.47	275.49	4,808.04	26.96	0.00	0.95	60.35	10.53	0.52	0.84	1.59	10,393.44
Colorado	0.00	3,495.16	0.00	57,537.45	0.00	14.66	0.00	0.00	0.00	0.00	0.00	0.00	61,032.61
Connecticut	0.00	0.00	3,600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,614.66
District of Columbia	0.00	0.00	12,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,000.00
Delaware	114.40	0.00	1,009.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,124.39
Florida	6,627.44	163,741.36	37,513.29	41,989.56	1,047.81	1,707.81	40.53	2,937.50	44,977.71	37.41	37.41	37.41	254,188.40
Georgia	9,319.93	274,698.22	107,035.81	110,033.65	1,829.98	2,217.61	1.58	7,356.24	764.76	56.96	263.00	77.42	513,895.16
Hawaii	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Idaho	0.00	31,697.87	0.00	8,657.68	2,497.72	3,371.42	94.03	2,758.49	1,063.60	86.24	88.36	93.41	11,237.55
Illinois	14,113.21	227,186.00	33,210.04	88,546.85	6,075.25	9,811.25	34.10	877.28	3,942.25	324.98	63.30	4.30	115,679.53
Indiana	1,403.99	66,979.82	4,562.10	3,952.81	6,075.25	9,811.25	34.10	877.28	3,942.25	324.98	63.30	4.30	11,237.55
Iowa	29.25	1,218.22	8.22	1,152.07	41.13	367.13	0.18	2.15	26.20	2.18	2.18	2.18	16,973.85
Kansas	357.16	91,345.14	838.66	89,172.75	1,172.52	2,974.83	44.87	3,110.00	502.51	41.88	41.88	41.88	212,533.40
Kentucky	7,452.41	2,398.45	6,000.00	14,855.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,801.88
Louisiana	0.00	0.00	0.00	3,200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,200.00
Maine	0.00	57,142.90	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,167.90
Maryland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Massachusetts	13,520.47	217,251.19	26,747.56	152,200.32	2,310.95	6,523.75	86.20	3,011.50	990.41	82.54	82.54	82.54	422,959.97
Michigan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mid-Atlantic Association	4,440.46	92,623.19	28,252.80	134,694.26	557.63	1,857.43	20.86	4,249.00	736.84	19.73	189.73	19.73	267,158.86
Mississippi	87,416.51	533,147.78	50,677.43	183,053.80	15,068.23	17,375.94	57.93	7,902.00	6,448.64	534.21	537.04	543.80	903,278.51
Missouri	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Montana	0.00	2,375.00	0.00	715.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,090.00
Nebraska	0.00	2,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00
New Hampshire	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Jersey	146.43	1,907.16	191.12	4,373.60	305.84	25.05	0.36	152.70	10.73	0.90	0.90	0.90	16,800.36
New Mexico	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New York	16,949.61	721,144.83	165,675.02	330,343.22	3,107.73	3,709.49	244.41	9,897.63	1,278.91	95.44	95.44	95.44	1,253,899.03
North Carolina	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Northeast Association	0.00	88,565.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	88,565.72
Northwest Association	20,509.47	198,239.53	27,723.42	145,843.94	3,395.03	5,317.68	130.74	3,003.22	1,556.00	122.94	128.92	143.22	405,615.61
Ohio	58,532.88	506,981.40	24,555.00	369,290.20	10,129.56	13,098.81	380.69	10,867.91	4,328.90	356.47	360.28	369.39	999,251.49
Oregon	0.00	0.00	0.00	10,705.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.00	10,705.21
Oregon	0.00	3,746.00	510.00	22,363.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26,619.24
Pennsylvania	4,200.25	441,983.17	74,370.70	179,818.22	1,120.43	764.05	5.58	7,108.48	57.58	1.93	554.49	10.60	709,995.46
South Carolina	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
South Dakota	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tennessee	0.00	917,690.99	237,488.43	1,300,392.90	5,021.45	12,289.30	1,836.70	13,900.05	2,611.01	302.52	308.59	308.10	1,642,903.46
Texas	2,350.28	70,592.33	11,898.44	827.26	0.00	0.00	45.70	1,912.45	313.04	27.54	27.54	27.54	219,925.54
Utah	0.00	0.00	0.00	2,450.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,450.00
Vermont	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virginia	1,185.94	65,181.87	21,903.12	186,632.15	195.64	307.27	3.06	3,095.99	35.11	2.04	2.83	4.70	2,781,597.22
Washington	0.00	0.00	1,997.00	2,470.60	265.16	0.00	9.73	293.60	91.63	0.00	0.00	0.00	4,558.36
West Virginia	718.89	158,631.24	7,343.05	94,024.48	123.02	283.02	4.54	1,590.00	52.72	4.38	4.38	4.38	267,784.10
Wisconsin	0.00	0.00	0.00	41,900.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41,900.45
Wyoming	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	702.12
Puerto Rico	0.00	0.00	0.00	0.00	2.58	0.00	0.04	111.79	0.92	0.00	0.07	0.22	999.251.49
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	6.40	0.00	0.13	124.43	2.21	0.00	0.16	0.56	44,569.89
Virgin Islands	0.00	1,250.00	700.00	42,486.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	885,294.03
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00</			

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Financial Statements

**December 31, 2003 and 2002
(With Independent Auditors' Report Thereon)**



Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

**Executive Committee of the
General Board of the National
Association of Free Will Baptists, Inc.:**

761 Old Hickory Boulevard
Suite 206
Brentwood, TN 37027
TEL: 615/377-3485
FAX: 615/377-3488

We have audited the accompanying statements of financial position of the Building Services Fund of the National Association of Free Will Baptists, Inc. as of December 31, 2003 and 2002, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Services Fund of the National Association of Free Will Baptists, Inc. as of December 31, 2003 and 2002, and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

April 23, 2004

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

**Statements of Financial Position
December 31, 2003 and 2002**

<u>Assets</u>	<u>2003</u>	<u>2002</u>
Cash and interest bearing deposits	\$ 54,008	7,636
Accounts receivable	7,524	7,609
Prepaid expenses	562	562
Property and equipment:		
Land and land improvements	209,671	209,671
Building	1,471,335	1,449,411
Building services equipment	87,529	72,068
Departmental workstations	77,228	65,060
	<u>1,845,763</u>	<u>1,796,210</u>
Less accumulated depreciation	<u>865,799</u>	<u>790,151</u>
Net property and equipment	<u>979,964</u>	<u>1,006,059</u>
	\$ <u>1,042,058</u>	<u>1,021,866</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 27,609	-
Notes payable and long-term debt	<u>26,103</u>	<u>6,144</u>
Total liabilities	<u>53,712</u>	<u>6,144</u>
Net assets:		
Operations	62,094	15,807
Net investment in property, plant and equipment	<u>926,252</u>	<u>999,915</u>
Total net assets	<u>988,346</u>	<u>1,015,722</u>
	\$ <u>1,042,058</u>	<u>1,021,866</u>

See accompanying notes to financial statements.

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2003 and 2002

	2003			2002
	Operations	Services for Departments	Totals	Total Funds
Revenues:				
Building rental	\$ 243,948	-	243,948	243,948
Contributions, net of campaign expenses	-	-	-	100
Reimbursement from departments	-	434,674	434,674	444,871
Other	856	-	856	1,808
Net assets released from restrictions and departmental reimbursements	434,674	(434,674)	-	-
Net revenues	679,478	-	679,478	690,727
Expenses:				
Expenses incurred for departments:				
Employee benefits	283,940	-	283,940	274,133
Stewardship office expense	5,869	-	5,869	5,936
Leadership Conference	19,731	-	19,731	24,773
Property and liability insurance	32,030	-	32,030	32,456
Telephone	17,584	-	17,584	19,894
Mailroom and other	67,885	-	67,885	73,756
Depreciation	6,431	-	6,431	9,793
Interest expense	1,405	-	1,405	1,101
	434,875	-	434,875	441,842
Building operating expenses:				
Salaries	58,846	-	58,846	55,595
Payroll taxes	4,502	-	4,502	4,253
Employee benefits	23,702	-	23,702	23,914
Janitorial services	27,335	-	27,335	25,802
Depreciation	69,217	-	69,217	65,028
Audit and legal	4,217	-	4,217	5,953
General insurance	17,185	-	17,185	16,073
Supplies and office expense	11,039	-	11,039	10,130
Utilities / telephone	25,331	-	25,331	26,699
Repairs and maintenance	17,062	-	17,062	40,306
Mailroom and other	13,543	-	13,543	18,076
	271,979	-	271,979	291,829
Total expenses	706,854	-	706,854	733,671
Decrease in net assets	(27,376)	-	(27,376)	(42,944)
Net assets at beginning of year	1,015,722	-	1,015,722	1,058,666
Net assets at end of year	\$ 988,346	-	988,346	1,015,722

See accompanying notes to financial statements.

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities		
Decrease in net assets	\$ (27,376)	(42,944)
Adjustments to reconcile decrease in net assets to net operating activities :		
Depreciation and amortization	75,648	74,821
Gain on sale of securities	-	(689)
(Increase) decrease in:		
Receivables	85	7,357
Prepaid expenses	-	(562)
Increase (decrease) in:		
Accounts payable and accruals	27,609	-
Net operating activities	75,966	37,983
Cash Flows from Investing Activities		
Proceeds from sale of securities	-	10,512
Purchase of property and equipment	(49,553)	(46,330)
Net investing activities	(49,553)	(35,818)
Cash Flows from Financing Activities		
Proceeds from debt	33,200	-
Repayment of debt	(13,240)	(10,636)
Net financing activities	19,960	(10,636)
Increase (decrease) in cash and cash equivalents	46,373	(8,471)
Cash and cash equivalents, at beginning of year	7,635	16,106
Cash and cash equivalents, at end of year	\$ 54,008	7,635
Supplemental disclosures:		
Interest paid	\$ 1,405	1,101

See accompanying notes to financial statements.

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.
Notes to Financial Statements
December 31, 2003 and 2002**

(1) Summary of Significant Accounting Policies

Organization

The Fund operates under the auspices of the National Association of Free Will Baptists, Inc. and is governed by a management committee which is chaired by the Executive Secretary of the National Association of Free Will Baptists, Inc. The management committee is composed of the directors of the Departments which occupy the National Offices Facility.

Basis of Presentation

The financial statements of the Board have been prepared on the accrual basis of accounting.

The Board adheres to the provisions of Statement of Financial Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Board is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets, if any. In addition, the Board is required to present a statement of cash flows.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs, renewals, and betterments that do not significantly extend the useful lives of assets are expensed as incurred. Depreciation is provided using the straight-line method.

Income Taxes

The Board is exempt from federal and state income taxes; accordingly, no provision for income taxes is made in the accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all cash on hand, deposits with financial institutions, and debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation.

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.
Notes to Financial Statements, continued**

(1) Summary of Significant Accounting Policies, continued
Compensated Absences

Employees of the Fund are entitled to paid vacation, paid sick days and personal days off, depending on job classifications, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Fund's policy is to recognize the cost of compensated absences when actually paid to employees.

(2) Notes Payable and Long-term Debt

Summary of notes payable and long term-debt payable to Free Will Baptist Foundation is as follows:

	<u>2003</u>	<u>2002</u>
8.5% installment note secured by telephone system, which required monthly payments of \$903 including principal and interest matured during 2003.	-	6,144
6.5% unsecured installment note, which requires monthly payments of \$800 including principal and interest with final payment due December 2005.	17,838	-
6.5% installment note secured by truck, which requires monthly payments of \$282 including principal and interest with final payment due Sept. 2006.	8,264	-
Total notes payable and long-term debt	26,102	6,144
Less current portion of notes payable and long-term debt	11,629	6,144
Long-term debt	\$ 14,473	-

Maturities of notes payable and long-term debt follows: \$12,270 in 2005; \$2,203 in 2006.

(3) Pension

The Fund participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists, Inc. The plan is contributory and is matched up to a maximum of 5% of compensation. Employees may participate at date of employment. Pension expense amounted to \$2,540 and \$2,442 for the years ended December 31, 2003 and 2002, respectively. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase several types of annuity contracts.

(4) Operating Leases

The Fund has entered into a noncancelable lease arrangement relating to mailing equipment. Total rent expense amounted to \$5,057. The future minimum payments required are: \$5,688 in 2004; \$5,688 in 2005; and \$2,844 in 2007.

**BUILDING SERVICES FUND OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(5) Rental Income

The Fund rents office space of the National Office Building located in Antioch Tennessee to various denominational agencies. The lease covers the period from September 1 through August 31 of each year, to be renegotiated and renewed by mutual agreement from year to year. Each lease agreement is cancelable by either party with a 90 day written notice. Rental income amounted to \$248,948 for 2003 and 2002, and is expected to remain \$248,948 in 2004. The lease agreement has been renegotiated, effective January 1, 2005 rents will be increased 10%. This rental increase will result in rental income for 2005 to approximate \$274,000.

**2005
Projected
Building Services Budget**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
PROJECTED INCOME			
Square Footage (20,329 @ \$1.10 = \$20,329.00 mo.)	\$243,948.00	\$243,948.00	\$268,342.80
Total Income	<u>\$243,948.00</u>	<u>\$243,948.00</u>	<u>\$268,342.80</u>
 PROJECTED EXPENSES			
Audit & Legal	\$7,000.00	\$7,500.00	\$6,500.00
General Supplies	5,500.00	5,500.00	4,500.00
Insurance (Employee)	21,299.71	22,061.71	19,267.18
Insurance (Plant)	15,000.00	18,000.00	20,000.00
Janitorial Services	30,000.00	30,000.00	30,000.00
Janitorial Supplies	3,500.00	3,500.00	3,500.00
Mail Room	12,000.00	8,500.00	9,500.00
Mail Truck	5,500.00	6,500.00	6,500.00
General Maintenance/Contingency Fund	28,469.58	24,636.85	47,043.98
Network Expense	8,000.00	8,000.00	10,000.00
Payroll Taxes (Employer's S.S.)	4,273.68	4,467.21	4,556.45
Postage Meter/UPS	1,000.00	750.00	500.00
Retirement	2,539.94	2,616.15	2,668.46
Salaries	54,888.19	58,394.87	59,561.32
Telephone	5,000.00	3,000.00	3,000.00
Utilities	25,000.00	27,500.00	27,500.00
Christmas Bonus/Extra Week's Salary	976.90	1,015.98	1,145.41
Debt Retirement (FWB Foundation Loan)	9,000.00	9,005.23	9,600.00
Other	<u>5,000.00</u>	<u>3,000.00</u>	<u>3,000.00</u>
Total Expenses	<u>\$243,948.00</u>	<u>\$243,948.00</u>	<u>\$268,342.80</u>

**BUILDING SERVICES
SALARY BREAKDOWN**

	2003	2004	2005
Maintenance Superintendent/ Mail Room Supervisor			
Salary	\$26,676.42 (4%)	\$27,476.71 (3%)	\$28,026.24 (2%)
Social Security	2,040.75 (7.65%)	2,101.97 (7.65%)	2,144.01 (7.65%)
Insurance (Health/Dental/Life)	12,000.00	12,750.00	13,250.00
Disability	157.39	163.69	165.35
Retirement	<u>1,333.82</u> (5%)	<u>1,373.84</u> (5%)	<u>1,401.31</u> (5%)
	42,208.38	43,866.21	44,986.91
Receptionist/Assistant Bookkeeper			
Salary	24,122.49 (4%)	24,846.16 (3%)	25,343.08 (2%)
Social Security	1,845.37 (7.65%)	1,900.73 (7.65%)	1,938.75 (7.65%)
Insurance	9,000.00	9,000.00	5,702.31
Dental			
Health/Life			313.24
Disability	142.32	148.02	5,389.07
Retirement	<u>1,206.12</u> (5%)	<u>1,242.31</u> (5%)	149.52
	36,316.30	37,137.22	<u>1,267.15</u> (5%)
			34,400.81
Part-time Worker			
Salary	52 days 4,089.28 (4%/9.83 hr.)	75 days 6,072.00 (3%/10.12 hr.)	75 days 6,192.00 (2%/10.32 hr.)
Social Security	<u>312.83</u> (7.65%)	<u>464.51</u> (7.65%)	<u>473.69</u> (7.65%)
	4,402.11	6,536.51	6,665.69



BOARD OF RETIREMENT

It was really good to get back into positive returns for 2003.

→ Returns are strongly in the black.

1 year	-	19.079%
3 years	-	1.483%
5 years	-	5.485%
10 years	-	8.640%
Life Plan	-	8.347%

→ Contributions were up \$1,965,538 from \$1,759,557 for 2002.

→ Enrollments increased over prior year by 72. Although that is an increase of only 4, it is very positive in light of 2002's loss in investments. New enrollments are at 27 through March of this year. That is ahead of our pace for most years.

→ Roll-over/Transfers INTO our plan is on a pace for \$364,000 for a 12-month period. This is a tremendous plus!

→ Office operations continue to function efficiently. Actual cost of operations for 2003 was only \$342,709: down over \$41,000 from 1992, while managing almost three times the assets.

I have announced to the Retirement Board that I would be retiring effective July 31, 2005 to devote full time to the Foundation for my final years of service.

**SYNOPSIS OF MINUTES
FREE WILL BAPTIST BOARD OF RETIREMENT**

Annual meeting – April 29-30, 2003. Absent: Roger Harwell and Jack Ward

The Board reviewed the unqualified audit report and proposed a budget for 2004. Experience of our money managers was reviewed and an investment consulting firm was interviewed.

Semi-annual meeting – December 8, 2003. Absent: Ron Barber.

All business was routine with the exception of a discussion on the wisdom of creating a free-standing board for the Foundation.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS**

December 31, 2003

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**

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WARREN, DENNEY & WALLACE

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Members

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Directors
Board of Retirement and Insurance of the
National Association of Free Will Baptists

We have audited the accompanying statements of financial position of the Board of Retirement and Insurance of the National Association of Free Will Baptists (the "Board") as of December 31, 2003 and 2002, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Board's managements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Retirement and Insurance of the National Association of Free Will Baptists as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

March 2, 2004

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**

Statements of Financial Position
December 31, 2003 and 2002

ASSETS

	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
<u>Operating Assets</u>		
Cash and cash equivalents	\$ 50,825	\$ 11,192
Funds invested with the Free Will Baptist Foundation	2,450	30,140
Accounts receivable	53,275	926
Total operating assets		42,258
<u>Retirement Assets</u>		
Cash and cash equivalents	1,700,392	1,139,746
Investment in marketable securities and instruments, at fair market value - Note 3	22,891,417	19,717,535
Accrued investment income receivable	115,854	107,961
Funds invested with the Free Will Baptist Foundation		4,750
Notes receivable, net of allowance for doubtful accounts - Note 2	837,400	956,665
Total retirement assets	25,545,063	21,926,657
<u>Office Furniture, Equipment and Automobiles,</u> at cost, net of accumulated depreciation - Notes 1 & 4	23,827	33,223
Total assets	\$25,622,165	\$22,002,138

See accountants' report and accompanying notes
to the financial statements.

LIABILITIES & NET ASSETS

	December 31,	
	2003	2002
Liabilities		
Annuities payable – Note 6	\$ 2,907,512	\$ 2,938,663
Note payable to Free Will Baptist Foundation – Note 8		250,000
Accounts payable, accrued expenses and other liabilities	16,239	13,967
Total liabilities	2,923,751	3,202,630
Net Assets		
Unrestricted:		
Operations:		
Operating funds	(8,882)	2,997
Designated for future asset purchases	50,825	30,140
Net invested in equipment	23,827	33,223
Operating net assets	65,770	66,360
Retirement accounts:		
Net assets available for participants	22,492,700	18,861,413
Designated as reserve funds (deficit)	124,944	(141,265)
Designated as annuity reserve funds	15,000	13,000
Retirement net assets	22,632,644	18,733,148
Total net assets	22,698,414	18,799,508
Total liabilities and net assets	\$25,622,165	\$22,002,138

BOARD OF RETIREMENT AND INSURANCE OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS Statements of Activities and Changes in Net Assets For the Years Ending December 31, 2003 and 2002

	2003			2002		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Support, Revenue and Other Additions						
Contributions from participants	\$ 1,965,538	\$	\$ 1,965,538	\$ 1,759,557	\$	\$ 1,759,557
Investment income:						
Gains of investment portfolio:						
Net realized gains (losses)	453,012		453,012	(370,986)		(370,986)
Net unrealized gains (losses)	2,876,269		2,876,269	(2,414,563)		(2,414,563)
	3,329,281		3,329,281	(2,785,549)		(2,785,549)
Interest and dividends from investments (net of investment fees)	518,099		518,099	562,187		562,187
Total investment income (loss)	3,847,380		3,847,380	(2,223,362)		(2,223,362)
Income earned from interest bearing notes:						
Interest income	71,747		71,747	89,128		89,128
Loan origination fees earned				4,163		4,163
Total income earned from interest and loan origination fees	71,747		71,747	93,291		93,291
Forfeitures and late charges	283		283	233		233
Gifts		67,759	67,759		68,596	68,596
Reimbursement from Free Will Baptist Foundation		1,721	1,721		7,500	7,500
Miscellaneous income	283	69,480	69,763	233	5,153	5,386
Total other income	5,884,948	69,480	5,954,428	(370,281)	81,249	(289,032)
Total additions (losses)	(273,229)	273,229		(254,285)	254,285	
Allocation for operations						
Net additions (loss) after allocation for operations	5,611,719	342,709	5,954,428	(624,566)	335,534	(289,032)

See accountants' report and accompanying notes
to the financial statements.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statements of Activities and Changes in Net Assets
For the Years Ending December 31, 2003 and 2002

	2003			2002		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Expenses and Other Deductions						
Withdrawals by participants	\$ 1,274,766	\$	\$ 1,274,766	\$ 1,545,206	\$	\$ 1,545,206
Transfers to annuities by participants	297,296		297,296	1,047,674		1,047,674
Insurance deductions from participant's accounts	41,212		41,212	42,705		42,705
Income allocated to annuitant obligations	86,006		86,006	90,959		90,959
Salaries		80,516	80,516		76,926	76,926
Housing		55,966	55,966		53,813	53,813
Fringe benefits		55,331	55,331		57,510	57,510
Travel and promotional		19,941	19,941		28,448	28,448
Office supplies and expense		41,455	41,455		37,959	37,959
Occupancy		51,467	51,467		48,409	48,409
Board members expense		10,994	10,994		10,577	10,577
Legal and auditing		16,192	16,192		9,582	9,582
Depreciation		9,396	9,396		16,922	16,922
Miscellaneous	12,943	2,041	14,984	2,993	1,014	4,007
Total deductions	1,712,223	343,299	2,055,522	2,729,537	341,160	3,070,697
Increase (decrease) in net assets	3,899,496	(590)	3,898,906	(3,354,103)	(5,626)	(3,359,729)
Net assets at beginning of year	18,733,148	66,360	18,799,508	22,087,251	71,986	22,159,237
Net assets at end of year	\$22,632,644	\$ 65,770	\$22,698,414	\$18,733,148	\$ 66,360	\$18,799,508

See accountants' report and accompanying notes
to the financial statements.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statements of Cash Flows
For the Years Ending December 31, 2003 and 2002

	2003			2002		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Cash flows from operating activities						
Cash received from:						
Contributions from participants and employers	\$ 1,965,538	\$	\$ 1,965,538	\$ 1,759,557	\$	\$ 1,759,557
Gifts		67,759	67,759		68,596	68,596
Income earned from interest and loan origination fees	71,747		71,747	89,128		89,128
Investment income	510,206		510,206	576,194		576,194
Forfeitures and late charges	283		283	233		233
Reimbursement from Free Will Baptist Foundation					11,500	11,500
Miscellaneous income		197	197		227	227
Cash paid for:						
Supplies and employees	(54,094)	(331,692)	(385,786)	(51,913)	(324,040)	(375,953)
Withdrawal of funds by participants	(1,572,062)		(1,572,062)	(2,592,880)		(2,592,880)
Income allocated to annuitant obligations	(86,006)		(86,006)	(90,959)		(90,959)
Net cash provided (used) by operating activities	835,612	(263,736)	571,876	(310,640)	(243,717)	(554,357)
Cash flows from investing activities						
Purchases of office furniture and equipment					(14,741)	(14,741)
Investments:						
Purchases of investment securities	(25,377,795)		(25,377,795)	(22,323,900)		(22,323,900)
Funds invested with Free Will Baptist Foundation	4,750	(20,685)	(15,935)	(4,750)	(16,084)	(20,834)
Proceeds from sale of investment securities	25,533,194		25,533,194	22,265,308		22,265,308
Notes receivable:						
New loans made	(259,453)		(259,453)	(430,404)		(430,404)
Collection of notes receivable	378,718		378,718	405,068		405,068
Net cash provided (used) by investing activities	279,414	(20,685)	258,729	(88,678)	(30,825)	(119,503)

See accountants' report and accompanying notes
to the financial statements.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statement of Cash Flows (continued)
For the Years Ended December 31, 2003 and 2002

	2003			2002		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Cash flows from financing activities						
Allocation for operations	(\$ 273,229)	\$ 273,229	\$	(\$ 254,285)	\$ 254,285	\$
Net additions to (withdrawals from) annuities payable	(31,151)		(31,151)	976,270		976,270
Loan proceeds from Foundation				250,000		250,000
Repayment of loan from Foundation	(250,000)		(250,000)			
Net cash provided (used) by financing activities	(554,380)	273,229	(281,151)	971,985	254,285	1,226,270
Net increase (decrease) in cash	560,646	(11,192)	549,454	572,667	(20,257)	552,410
Cash and cash equivalents at beginning of year	1,139,746	11,192	1,150,938	567,079	31,449	598,528
Cash and cash equivalents of end of year	\$1,700,392	\$ -0-	\$ 1,700,392	\$1,139,746	\$ 11,192	\$1,150,938
Reconciliation of increase (decrease) in net assets to cash flows from operating activities						
Increase (decrease) in net assets	\$3,899,496	(\$ 590)	\$ 3,898,906	(\$3,354,103)	(\$ 5,626)	(\$3,359,729)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization		9,396	9,396		16,922	16,922
Allocation for operations	273,229	(273,229)		254,285	(254,285)	
Loss (gains) on investment transactions	(3,329,281)		(3,329,281)	2,785,549		2,785,549
Decrease (increase) in accrued investment income	(7,893)		(7,893)	14,007		14,007
Decrease (increase) in accounts receivable		(1,524)	(1,524)		(926)	(926)
Decrease (increase) in prepaid expenses					2,004	2,004
Increase (decrease) in accounts payable, accrued expenses and other	61	2,211	2,272	(6,215)	(1,806)	(8,021)
Decrease in loan origination fees				(4,163)		(4,163)
Total adjustments	(3,063,884)	(263,146)	(3,327,030)	3,043,463	(238,091)	2,805,372
Net cash provided (used) by operating activities	\$ 835,612	(\$ 263,736)	\$ 571,876	(\$ 310,640)	(\$ 243,717)	(\$ 554,357)

See accountants' report and accompanying notes to the financial statements.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Notes to Financial Statements
December 31, 2003 and 2002

Note - 1

Summary of significant accounting policies

Organization

The Board of Retirement and Insurance of the National Association of Free Will Baptists (the "Board") is operated under the auspices of the National Association of Free Will Baptists, Inc. The purpose of the Board is to maintain contributory retirement accounts for licensed or ordained ministers and lay employees of churches, schools and denominational agencies of the National Association of Free Will Baptists, Inc. The Board maintains this retirement pension plan pursuant to Section 403(b) of the Internal Revenue Code of 1986, which is an exempt church plan under the provisions of the code.

Accrual basis and financial statement presentation

The financial statements of the Board have been prepared on the accrual basis of accounting.

The Board classifies its revenue, expenses, gains, and losses into three classes of net assets based on the existence of absence of donor-imposed restrictions. Net assets of the Board and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Board and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Board. Generally, the donors of these assets permit the Board to use all or part of the income earned on the related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the statements of financial position, and the amount of change in each class of net assets is displayed in the statements of activities and changes in net assets. The Board had no temporarily or permanently restricted net assets at December 31, 2003 and 2002.

Further, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Notes to Financial Statements
December 31, 2003 and 2002

Note - 1 Summary of significant accounting policies - (continued)

Retirement Pension Plan

Under the terms of the retirement pension plan which the Board maintains, contributions may be made to the Plan through employer contributions, salary reduction contributions, voluntary employee contributions and general contributions. The participant may elect from two plan types. Plan 1 requires employer contributions for such employee to be at least 5% of the employee's compensations. Plan 2 requires the total of employer contributions, salary reduction and voluntary employee contributions to be at least 3% of the employee's compensation. A third plan exists that members may enter initially upon employment or when they lose eligibility to participate in Plan 1 or 2. Minimum contributions required by this plan are \$10 per month and can be made by any of the plan's contribution means. Total employer contributions and salary reduction contributions that may be made for a participant in any year shall not exceed the limits imposed by IRS Code Sections 402(g), 403(b) and 415.

Each participant's account is credited with contributions made by and on behalf of the participant. Allocations of Plan earnings are based on account balances and the plan elections made by each participant, as defined in the Plan, on the last day of each adjustment period. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

On retirement, death or disability, participants receive payments of their individual vested account balances based on options and provisions as defined in the Plan. Benefits are recorded when paid.

Although it has not expressed any intent to do so, the Board has the right under the Plan with the approval of the Association, to terminate the Plan. In the event of Plan termination, participants will become 100% vested in their accounts.

Investments

Investments in marketable securities are reported at fair value with gains and losses included in the statement of activities and changes in net assets. Investments in marketable securities are valued at current quoted or estimated market value. Non-marketable investments are carried at cost unless a permanent loss of value has occurred.

Office furniture, equipment and automobiles

Office furniture, equipment and automobiles are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, generally 6 years for automobiles and 5 - 10 years for furniture and equipment.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Notes to Financial Statements
December 31, 2003 and 2002

Note - 1 Summary of significant accounting policies - (continued)

Income taxes

The Board is exempt from income taxes; accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and cash equivalents

For purposes of the statements of cash flows, the Board considers all cash on hand, deposits in financial institutions and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Loan origination fees

A one-time origination fee for 4% for each new church loan is charged to borrowers to cover service fees throughout the life of the loan. These loan origination fees are amortized to revenue over the life of the related loan.

Uses of estimates in the preparation of financial statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the collectibility of notes receivable, the determination of fair value of investments, and the recovery period for office furniture, equipment and automobiles. Management believes that such estimates have been based on reasonable assumptions and that each estimates are adequate. Actual results could differ from those estimates.

Note - 2

Notes receivable

Following is a summary of notes receivable:

	2003	2002
Participant notes (net) secured by retirement account balances	\$ 1,545	\$ 906
Churches and agency notes secured by related real property	865,855	985,759
	867,400	986,665
	(30,000)	(30,000)
Less allowance for doubtful accounts	\$ 837,400	\$ 956,665

The notes bear interest at various rates from 3.0% to 11.25% and mature at various dates from 2004 through 2012.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**

Notes to Financial Statements
December 31, 2003 and 2002

Note - 3

Investments in marketable securities and instruments

	2003		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Certificate of deposit	\$ 43,616	\$ 40,000	\$ 3,616
Mutual funds	3,914,312	3,937,511	(23,199)
Common stocks	8,472,582	8,072,067	400,515
U.S. Government issues	8,873,654	8,783,981	89,673
Corporate bonds	1,337,248	1,393,837	(56,589)
Real estate trust	250,005	250,005	
Total Investments	\$ 22,891,417	\$ 22,477,401	\$ 414,016

For 2003, total investment gain relating to marketable securities and instruments amounted to \$3,847,380 and consisted of investment gains of \$3,329,281 and interest and dividends of \$518,099 (net of investment fees of \$137,181). Investment income (loss) represented yields of 18.06% and 17.23% based on the average market value and average cost of such investments for 2003.

	2002		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Certificate of deposit	\$ 461,106	\$ 450,000	\$ 11,106
Mutual funds	2,410,745	3,152,919	(742,174)
Common stocks	9,699,042	11,733,393	(2,034,351)
U.S. Government issues	5,970,511	5,503,345	467,166
Corporate bonds	926,126	1,084,349	(158,223)
Real estate trust	250,005	250,005	
Total Investments	\$ 19,717,535	\$ 22,174,011	(\$ 2,456,476)

For 2002, total investment loss relating to marketable securities and instruments amounted to \$2,223,362 and consisted of investment losses of \$2,785,549 and interest and dividends of \$562,187 (net of investment fees of \$149,085). Investment income (loss) represented yields of (10.55%) and (9.96%) based on the average market value and average cost of such investments for 2002.

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**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**

Notes to Financial Statements
December 31, 2003 and 2002

Note - 4

Office furniture, equipment and automobiles

A summary of office furniture, equipment and automobiles is as follows:

	2003	2002
Office furniture and fixtures	\$ 39,319	\$ 39,319
Computer equipment	21,767	44,230
Automobiles	54,174	54,174
	115,260	137,723
Accumulated depreciation	(91,433)	(104,500)
	\$ 23,827	\$ 33,223

Note - 5

Lease and occupancy expense

Under the terms of a lease agreement with an affiliate, the Board leases 3,933 feet of office and storage space for \$1.00 per square foot per month. In addition, the Board pays additional expenses related to their share of operating and maintenance costs of the building. Total lease payments, additional operating, and maintenance costs related to the lease were \$51,467 and \$48,409 for the years ended December 31, 2003 and 2002, respectively.

Note - 6

Annuities Payable

Upon attaining retirement age, the retiree has the option, among others, to convert his participant account into an annuity to provide retirement benefits over his remaining life. The periodic benefit is calculated based on mortality tables considering life expectancy. As of December 31, 2003 and 2002, the recorded liability amounted to \$2,907,512 and \$2,938,663. The actuary has determined that the current periodic benefit exceeded the reserve account at December 31, 2003 by \$239,971 (\$187,149 at December 31, 2002), accordingly, management has determined that there will be no pension benefit increases for 2003.

Note - 7

Information regarding financial instruments

The Board has an accounting risk of loss in the areas of cash and cash equivalents, investments and notes receivable to the extent cash funds are not insured by a governmental agency, or notes receivable and investments are not secured by mortgages or guaranteed by the United States Government.

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BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2003 and 2002

Note - 7

Information regarding financial instruments - continued

The following table summarizes the Board's accounting risk of loss as of December 31, 2003 and 2002:

	2003		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 837,400	\$ 837,400	\$
Cash and cash equivalents	690,725	690,725	
Funds invested with the Free Will Baptist Foundation	50,825	50,825	
Short-term liquid investments	1,009,667		1,009,667
Corporate bonds	1,337,248		1,337,248
Certificates of deposit	43,616	43,616	
Mutual funds	3,914,312		3,914,312
Common stocks	8,472,582		8,472,582
U.S. Treasury notes and bills	8,873,654	8,873,654	
Real estate investment trust	250,005		250,005
	<u>\$25,480,034</u>	<u>\$10,496,220</u>	<u>\$14,983,814</u>

	2002		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 956,665	\$ 956,665	\$
Cash and cash equivalents	123,599	123,599	
Funds invested with the Free Will Baptist Foundation	34,890	34,890	
Short-term liquid investments	1,027,339		1,027,339
Corporate bonds	926,126		926,126
Certificates of deposit	461,106	449,601	11,505
Mutual funds	2,410,745		2,410,745
Common stocks	9,699,042		9,699,042
U.S. Treasury notes and bills	5,970,511	5,970,511	
Real estate investment trust	250,005		250,005
	<u>\$21,860,028</u>	<u>\$ 7,535,266</u>	<u>\$14,324,762</u>

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BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2003 and 2002

Note - 8

Related party transactions

The Board provided office space and certain administrative services to the Free Will Baptist Foundation, Inc. The foundation reimbursed the Board \$-0- and \$7,500 for these services during the years ended December 31, 2003 and 2002, respectively.

The Board had \$50,825 and \$34,890 invested with the Free Will Baptist Foundation, Inc. at December 31, 2003 and 2002, respectively. The Board also had an unsecured 6% demand note to the Free Will Baptist Foundation, Inc. in the amount of \$-0- and \$250,000 at December 31, 2003 and 2002, respectively.

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**Board of Retirement and Insurance
Proposed Budget for 2005**

	2002 Budget	2002 Actual	2003 Proposed	2003 Actual	2004 Proposed	2005 Proposed
Salaries	76,868	76,926	79,943	80,515	82,950	139,931
Employee Benefits	48,161	57,510	60,000	55,331	60,000	87,134
Housing	53,814	53,814	55,967	55,966	57,569	79,125
Travel/Promotion	20,250	21,075	20,250	11,648	22,000	22,000
Auto Maintenance	1,500	5,369	4,500	8,293	4,500	5,500
Future Purchases/Auto	3,000	3,000	7,200	7,000	7,200	7,200
Hardware/Software Future Purchases	12,000	12,000	12,000	12,000	12,000	12,000
Plant Fund	52,000	48,408	52,000	51,467	50,000	30,000
Office Expense	28,000	24,868	28,000	29,531	28,000	30,000
Equipment	5,000	1,640	5,000	0	5,000	10,000
Education/Training	10,000	6,214	8,500	8,074	8,500	9,000
Publications	12,250	499	8,000	0	10,000	30,000
Board Expense	17,000	10,577	18,000	10,994	12,500	17,500
Legal	8,500	1,044	10,000	6,983	10,000	12,000
Auditing	12,000	8,537	12,000	9,209	10,500	11,000
Equipment Lease	4,000	2,004		0	0	0
Software Maintenance	7,000	4,738	3,000	3,850	3,000	3,000
Board Insurance		0	5,000	0	12,000	0
Miscellaneous	2,000	1,014	2,000	2,041	2,000	2,000
Total	373,343	339,238	391,359	352,903	397,719	507,390

**Board of Retirement and Insurance
Salary and Benefits Breakdown**

	2003	2004	2005
Director: (7 Months)			
Salary	29,853.12	34,572.34	20,973.88
Housing/Utilities	26,766.36	27,569.35	16,725.41
Social Security/Medicare	10,227.60	11,225.12	6,809.91
Christmas Check	1,285.52	1,410.90	
Retirement	4,053.35	4,448.68	2,638.95
Insurance	11,977.42	6,759.78	3,943.21
Life	756.12	756.12	441.07
Hospitalization	10,357.42	5,176.38	3,019.56
Dental	453.96	485.64	283.29
Disability	409.92	341.64	199.29
Note: Office Car Furnished			
Total	84,163.38	85,986.18	51,091.36

Incoming Director:			
Salary			28,000.00
Housing/Utilities			31,200.00
Social Security/Medicare			10,937.39
Christmas Check			1,348.80
Retirement			4,238.42
Insurance			6,357.78
Life			574.92
Hospitalization			5,176.38
Dental			264.84
Disability			341.64
Note: Office Car Furnished			
Total			82,082.38

Associate Director:			
Salary	20,773.03	21,471.89	22,330.76
Housing/Utilities	29,199.67	30,000.00	31,200.00
Social Security/Medicare	9,026.95	9,297.75	9,889.98
Christmas Check	1,134.61	1,168.65	1,219.63
Retirement	3,577.51	3,684.84	3,832.53
Insurance	6,360.66	6,317.70	6,317.70
Life	574.92	574.92	574.92
Hospitalization	5,176.38	5,176.38	5,176.38
Dental	247.56	264.84	264.84
Disability	361.80	301.56	301.56
Note: Office Car Furnished			
Total	70,072.43	71,940.82	74,790.59

Business Manager:			
Salary			36,000.00
Social Security/Medicare			5,613.92
Christmas Check			692.31
Retirement			2,568.46
Insurance			13,664.62
Life			400.00
Hospitalization			12,301.98
Dental			750.24
Disability			212.40
Total			58,539.31

Secretary/Receptionist			
Salary	26,896.80	27,703.70	28,811.85
Social Security/Medicare	2,097.17	2,119.33	2,246.49
Christmas Check	517.25	532.76	554.07
Retirement	1,918.98	1,976.55	2,055.61
Insurance	6,033.30	6,018.78	6,018.78
Life	418.92	418.92	418.92
Hospitalization	5,176.38	5,176.38	5,176.38
Dental	247.56	264.84	264.84
Disability	190.44	158.64	158.64
Total	37,463.50	38,351.13	39,686.81

Hospitalization Cap: \$9,400 Couple; \$13,250 Family

**Disability Insurance is .059 per \$100



The Foundation experienced continued growth during 2003. Following on the heels of last year's 48% increase of total assets under management was this year's 44%. There are two sources of encouragement in these figures.

A primary reason for encouragement relates to our permanent gifts. These figures include endowments which increased 23% and provide income to Free Will Baptist ministries today. Also included are deferred agreements which are up almost 14%. They will benefit ministries later.

Secondarily is the immediate assistance provided to our agencies from the national offices to local churches through our revocable trust program. This help is produced through the three-fold benefits of these trusts. First of all, revocable trusts provide the lion's share of the cost created by the Foundation. Second, is the direct increase of funds to ministries using the program based on the values of the 193 agency agreements. We increased their income by over \$280,000 more than they would have received from savings or checking deposits. Plus, we provided individuals an extra \$168,000 on which they could tithe or even make permanent gifts.

Can we continue this rate of growth? Certainly not indefinitely; but, for a number of years, yes! Why am I so certain?

- ... Because we have more people with more money than ever before;
- ... Because we have more churches with savings that are losing value to inflation, or with funds that need the boost of higher returns with safety;
- ... Because long-time faithful donors want to make sure some of their giving continues after death;
- ... And, finally, because of an increased understanding that it is possible to provide for our families and the Lord's work at the same time.

The Foundation Board is requesting the National Association to restructure the formation of the Foundation Board as a stand-alone board. This will require an amendment to our charter and Part V, Section 17 of the By-Laws of the Constitution of the National Association of Free Will Baptists, Inc.

This request is being made because of the following:

1. The Foundation generates enough fee income, plus the Together Way proceeds, to support its work.
2. The Foundation will soon exceed \$25 million under management.
3. The Foundation Board needs to meet when all members can attend. Presently, we have conflicts with the meeting schedule of other boards.
4. The work of the Foundation is quite different from the Retirement Department.
5. Putting this request on the table this year allows the nominating committee a full year to find qualified candidates for the Board.

SYNOPSIS OF FREE WILL BAPTIST FOUNDATION MEETINGS

The Foundation met for its annual meeting on April 28, 2003. All members were present except for Jack Ward, Roger Harwell and James Forlines. We accepted the audit, reviewed the operation, and adopted the budget.

The Board instituted a new policy concerning endowments. All general endowments, unless otherwise stated, will pay a 5% return with excess earnings to be added to the endowment. When downturns in the market are experienced, the 5% return would come from excess earnings and, in no case, would the principal be invaded.

The Foundation met December 8, 2003, before the leadership conference. Absent: Ron Barber. We reviewed the operation and received a financial report as information.

Current Endowment Values For Various Ministries

<u>Ministry</u>	<u>Value</u>	<u>% of Total</u>
Foreign Missions Department	\$824,573	36.80%
Local Churches	\$247,615	11.05%
Free Will Baptist Bible College	\$234,954	10.48%
State and District Associations	\$209,550	9.35%
Home Missions Department	\$192,388	8.58%
Board of Retirement	\$112,283	5.01%
Master's Men Department	\$106,767	4.76%
Together Way / Executive Office	\$83,344	3.72%
Free Will Baptist Family Ministries	\$69,796	3.11%
California Christian College	\$68,521	3.06%
Hillsdale College	\$52,168	2.33%
Seven Other Free Will Baptist Ministries	\$20,695	0.94%
Women Nationally Active for Christ	\$18,066	0.81%
TOTAL:	\$2,240,720	100.00%

Future Gifts To Ministries

<u>Ministry</u>	<u>Gift</u>	<u>% of Total</u>
Free Will Baptist Bible College	\$401,541	32.41%
Foreign Missions Department	\$204,012	16.49%
Hillsdale College	\$122,203	9.88%
Together Way	\$104,856	8.48%
Home Missions Department	\$89,660	7.25%
Free Will Baptist Family Ministries	\$89,610	7.24%
Gideon's International	\$87,715	7.08%
Board of Retirement	\$43,338	3.50%
Free Will Baptist Foundation	\$38,185	3.08%
California Christian College	\$28,642	2.31%
Local Churches	\$21,241	1.72%
Master's Men Department	\$4,830	0.39%
Women Nationally Active for Christ	\$2,000	0.17%
TOTAL:	\$1,237,833	100.00%

FREE WILL BAPTIST FOUNDATION, INC.

December 31, 2003

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WARREN, DENNEY & WALLACE
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Independent Auditors' Report

The Board of Directors
Free Will Baptist Foundation, Inc.

We have audited the accompanying statements of financial position of the Free Will Baptist Foundation, Inc. (the "Foundation") as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Free Will Baptist Foundation, Inc., at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

March 2, 2004

FREE WILL BAPTIST FOUNDATION, INC.
Statements of Financial Position
December 31, 2003 & 2002

ASSETS

	2003	2002
Cash and cash equivalents	\$ 663,958	\$ 682,766
Accrued earnings receivable	189,588	117,048
Other accounts receivable	1,628	3,082
Investments, at fair market value – Note 2		
Certificates of deposit	2,187,188	2,457,892
U.S. Government instruments	13,061,786	6,888,940
Common Stocks	1,072,867	1,072,624
Real estate investments	1,007,015	817,015
Mutual funds	531,424	351,579
Corporate bonds	424,769	757,064
Trusts	43,619	41,823
Total investments	18,328,668	12,386,937
Notes receivable – Note 3	251,708	285,338
Total assets	<u>\$19,435,550</u>	<u>\$13,475,171</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Operating liabilities:		
Accrued expenses	\$ 299,047	\$ 4,530
Liabilities to beneficial owners:		
Interest bearing revocable and savings trusts – Note 4	15,401,714	10,398,250
Future gift interests payable – Note 5	1,288,067	1,133,908
Funds held in trust – Note 6	2,240,989	1,819,387
Total liabilities	19,229,817	13,356,075
<u>Net Assets</u>		
Unrestricted	205,733	119,096
Total net assets	205,733	119,096
Total liabilities and net assets	<u>\$19,435,550</u>	<u>\$13,475,171</u>

See accountants' report and accompanying notes
to the financial statements.

FREE WILL BAPTIST FOUNDATION, INC.
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Revenue and Support</u>		
Investment income:		
Interest and dividends, net of investment fees	\$ 788,402	\$ 487,156
Realized net gains (losses) on sale of investments	92,161	11,670
Unrealized net gains (losses) from investments	399,601	(175,591)
Total investment income	1,280,164	323,235
Support through "The Together Way"		
Plan and other contributions	28,754	28,731
Interest income – note receivable	11,570	4,853
Endowment income	237	
Total revenue and support	1,320,725	356,819
Allocations of earnings to revocable trusts, savings trust, beneficiaries and annuitants	(1,086,131)	(234,580)
Revenue and support after allocations	234,594	122,239
<u>Expenses</u>		
Reimbursement to the Board of Retirement of National Association of Free Will Baptists	5,000	5,000
Salaries and benefits	71,852	67,685
Equipment expense	1,947	
Travel and promotion	33,059	22,249
Office expense	7,814	5,019
Printing and publications	2,080	186
Training and education	17,959	3,053
Legal and auditing	6,614	7,308
Miscellaneous	1,632	899
Total Expenses	147,957	111,399
Increase (decrease) in net assets	86,637	10,840
Net assets at beginning of year	119,096	108,256
Net assets at end of year	<u>\$ 205,733</u>	<u>\$ 119,096</u>

See accountants' report and accompanying notes
to the financial statements.

FREE WILL BAPTIST FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Cash flows for operating activities</u>		
Cash received for:		
Contributions	\$ 30,208	\$ 26,968
Interest and dividends	715,862	437,817
Other income	11,807	4,853
Cash paid to suppliers and employees	(143,440)	(106,869)
Allocations of earnings to revocable trusts, savings trusts, beneficiaries and annuitants	(1,086,131)	(234,580)
Net cash provided (used) by operating activities	(471,694)	128,189
<u>Cash flows from investing activities</u>		
New loans made	(448,929)	(286,341)
Principal payments received on notes receivable	482,559	17,783
Proceeds from sale of investment securities	7,556,223	6,097,552
Purchases of investment securities	(12,716,192)	(9,980,365)
Net cash provided (used) by investing activities	(5,126,339)	(4,151,371)
<u>Cash flows from financing activities</u>		
Proceeds from additions, net of withdrawals, to future gift interest, revocable and savings trusts	(1,629,095)	(1,197,844)
Contributions to funds held in trust	7,208,320	5,554,200
Net cash provided (used) by financing activities	5,579,225	4,356,356
Net increase (decrease) in cash	(18,808)	333,174
Cash and cash equivalents at beginning of year	682,766	349,592
Cash and cash equivalents at end of year	\$ 663,958	\$ 682,766
<u>Reconciliation of increase in net assets to cash flows from operating activities</u>		
Increase (decrease) in net assets	\$ 86,637	\$ 10,840
Realized and unrealized (gains) losses on investment transaction	(491,762)	163,921
Decrease (increase) in accrued investment income	(71,086)	(51,102)
Increase (decrease) in operating liabilities	4,517	4,530
Net cash provided (used) by operating activities	(\$ 471,694)	\$ 128,189

See accountants' report and accompanying notes to the financial statements.

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 -

Summary of Significant Accounting Policies

Free will Baptist Foundation, Inc. (the Foundation) is operated under the auspices of the National Association of Free Will Baptists, Inc.

Accrual Basis and Financial Statement Presentation

The financial statements of the foundation have been prepared using the accrual basis of accounting.

The Foundation classifies its revenue, contributions, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Foundations and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the statement of financial position and the amount of change in each class of net assets is displayed in the statements of activities. The foundation had no temporarily restricted net assets at December 31, 2003 and 2002.

Income Taxes

The Foundation is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code under a group exemption of the National Association of Free Will Baptist, Inc. In addition, the foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of 509 (a) of the Internal Revenue Code. There was no unrelated business income for 2003 and 2002.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash on hand, deposits in financial institutions and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the collectibility of notes receivable and determination of fair value of investments. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities are reported at fair value with gains and losses included in the statement of activities. Investments in marketable securities are valued at current quoted or estimated market value. Nonmarketable investments are carried at cost unless a permanent loss of value has occurred.

Liabilities to Beneficial Owners

The Foundation has recorded liabilities for assets they held as trustee, intermediary, custodian or agent for beneficial owners of income or remainder interests. Generally, the Foundation's liability is limited to assets held within a specific trust or account.

Note 2 - Investments

A summary of investments at market value and cost is as follows:

	2003		
	Market/ Stated Value	Cost	Appreciation (depreciation)
Investments:			
Marketable Securities:			
Certificate of deposits	\$ 2,187,188	\$ 2,247,384	(\$ 60,196)
U.S. Government instruments	13,061,786	13,038,899	22,887
Common stocks	1,072,867	1,012,727	60,140
Mutual funds	531,424	536,041	(4,617)
Corporate bonds	424,769	398,670	26,099
Trusts	43,619	43,619	
Real estate investment trust	1,007,015	940,005	67,010
Total Investments	<u>\$18,328,668</u>	<u>\$18,217,345</u>	<u>\$ 111,323</u>
	2002		
	Market/ Stated Value	Cost	Appreciation (depreciation)
Investments:			
Marketable Securities:			
Certificate of deposits	\$ 2,457,892	\$ 2,519,104	(\$ 61,212)
U.S. Government instruments	6,888,940	6,551,209	337,731
Common stocks	1,072,624	1,302,352	(229,728)
Mutual funds	351,579	480,289	(128,710)
Corporate bonds	757,064	761,497	(4,433)
Trusts	41,823	41,823	
Real estate investment trust	817,015	750,005	67,010
Total Investments	<u>\$12,386,937</u>	<u>\$12,406,279</u>	<u>(\$ 19,342)</u>

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 2 - Investments (continued)

Total investment income amounted to \$1,280,164 for 2003, consisting of investment gains of \$491,762 and interest and dividends of \$788,402. This investment income represents yields of 3.07% and 4.92% based on the average market value and average cost of such investments for 2003.

Total investment income amounted to \$323,235 for 2002, consisting of investment losses of \$163,921 and interest and dividends of \$487,156. This investment income represents yields of (1.48%) and 4.41% based on the average market value and average cost of such investments for 2002.

Note 3 - Notes Receivable

Notes receivable consist of obligations from related parties as follows:

	2003	2002
6% demand note receivable by the Board of Retirement and Insurance of the National Association of Free Will Baptists.	\$	\$ 253,750
6.5% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	26,189	24,591
8.5% note receivable due in monthly installments of \$903 through 2003, relating to the purchase of a phone system by the National Association of the Free Will Baptists.		6,997
6.5% demand note receivable by the National Association of Free Will Baptists Building Services Fund.	18,125	
7.0% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	44,130	
6.5% note receivable due in 36 monthly installments of \$282 through 2006, relating to the purchase of a truck by the National Association of Free Will Baptists Building Services Fund.	8,264	
6.963% note receivable due in 180 monthly installments of \$1,390 through 2019, relating to the purpose of providing a building for the Japanese Field Council in Hokkaido, Japan. This note is not secured by any real estate but is guaranteed by the Board of Foreign Missions of the National Association of Free Will Baptists.	155,000	
	<u>\$ 251,708</u>	<u>\$ 285,338</u>

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 4 - Interest Bearing Revocable and Saving Trusts

The Foundation maintains revocable trusts and savings trusts which totaled \$15,401,714 and \$10,398,250 at December 31, 2003 and 2002, respectively. The trusts pay interest to the trust beneficiaries. The rate of interest paid is dependent upon the amount of income earned from the related investments. Withdrawal from the accounts, which may require a 7-45 day notice, is without penalty, and the trusts are without maturity.

Note 5 - Future Gift Interests Payable

The foundation maintains charitable unitrusts amounting to \$382,942 and \$341,579 and gift annuities amounting to \$905,125 and \$792,329 as of December 31, 2003 and 2002, respectively. These future gift interests pay interest at specified rates ranging from 5.0% to 10.4%.

Note 6 - Funds Held in Trust

The Foundation holds in trust that are subject to restrictions by the donor requiring that the principal, and in certain instances earnings, be invested in perpetuity, and only the income be distributed to the beneficiaries of the endowment. The rate of interest paid is dependent upon the amount of income earned from the related investments. As of December 31, 2003 and 2002, the permanently restricted endowment funds totaled \$2,240,989 and \$1,819,387, respectively.

Note 7 - Related Party Transactions

The Board of Retirement and Insurance of the National Association of Free Will Baptists provided office space and certain administrative services to the Foundation for fees of \$5,000 and \$5,000 for 2003 and 2002, respectively.

Note 8 - Information Regarding Financial Instruments

The Foundation has an accounting risk of loss in the areas of cash and cash equivalents and investments to the extent they are not insured or guaranteed by a governmental agency. The Foundation may also be at risk of loss with respect to the market values of other investments. The following table summarizes the Foundation's accounting risk of loss at December 31, 2003 and 2002:

	December 31, 2003		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 473,253	\$ 100,000	\$ 373,253
Short term liquid investments	190,705	190,705	
Certificates of deposit	2,187,188	1,707,652	479,536
U.S. Government instruments	13,061,786	13,038,899	22,887
Common stock	1,072,867		1,072,867
Mutual funds	531,424		531,424
Corporate bonds	424,769		424,769
Real estate investment	1,007,015		1,007,015
Trusts	43,619		43,619
Receivables	442,924		442,924
	<u>\$19,435,550</u>	<u>\$15,037,256</u>	<u>\$ 4,398,294</u>

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 8 - Information Regarding Financial Instruments (continued)

	December 31, 2002		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 675,626	\$ 100,000	\$ 575,626
Short term liquid investments	7,140	7,140	
Certificates of deposit	2,457,892	1,956,841	501,051
U.S. Government instruments	6,888,940	6,551,209	337,731
Common stock	1,072,624		1,072,624
Mutual funds	351,579		351,579
Corporate bonds	757,064		757,064
Real estate investment	817,015		817,015
Trusts	41,823		41,823
Receivables	405,468		405,468
	<u>\$13,475,171</u>	<u>\$ 8,615,190</u>	<u>\$ 4,859,981</u>

SALARIES AND BENEFITS 2004

David Brown

Salary	\$46,725.00
Soc Security / Medicare	\$3,574.00
Retirement	\$3,271.00
Hospitalization Insurance	\$11,553.00
Life Insurance	\$198.00
Dental Insurance	\$698.00
Disability Insurance	\$276.00
	<u>\$66,295.00</u>

Dotty Moore

Salary	\$20,707
Soc Security / Medicare	\$1,584
Retirement	\$1,035
Hospitalization Insurance	\$4,093
Life Insurance	\$0
Dental Insurance	\$237
Disability Insurance	\$125
	<u>\$27,781 **</u>

** 9½ Months

SALARIES AND BENEFITS 2005

David Brown

Salary	\$51,000.00
Soc Security / Medicare	\$3,901.50
Retirement	\$3,517.50
Hospitalization Insurance	\$12,301.68
Life Insurance	\$198.12
Dental Insurance	\$750.24
Disability Insurance	\$300.90
	<u>\$71,969.94</u>

Dotty Moore

Salary	\$26,175
Soc Security / Medicare	\$2,002
Retirement	\$1,284
Hospitalization Insurance	\$5,436
Life Insurance	\$0
Dental Insurance	\$285
Disability Insurance	\$129
	<u>\$35,311</u>

William Evans (5 months in 2005)

Salary	\$13,723.00
Housing/Utilities	\$11,948.00
Soc Security / Medicare	\$4,565.00
Christmas Check	\$1,468.00
Retirement	\$1,810.00
Hospitalization Insurance	\$2,155.00
Life Insurance	\$315.00
Dental Insurance	\$200.00
Disability Insurance	\$145.00
	<u>\$36,329.00</u>

FOUNDATION BUDGET

	Actual 2002	Actual 2003	Approved 2004	Projected 2004	Amended 2004	Proposed 2005
INCOME						
The Together Way	\$27,590	\$27,888	\$29,000	\$29,000		\$29,500
Gifts	\$1,142	\$866	\$1,250	\$750	(\$500)	\$750
Interest Income	\$2,716	\$9,998	\$2,500	\$3,000	\$500	\$5,000
Endowment	\$0	\$237	\$250	\$250		\$250
Miscellaneous	\$0		\$100	\$100		\$100
Management Fees	\$90,793	\$195,605	\$150,000	\$215,000	\$65,000	\$275,000
TOTAL:	\$122,240	\$234,594	\$183,100	\$248,100	\$65,000	\$310,600
EXPENSES						
Salaries	\$44,043	\$45,366	\$46,725	\$67,432	\$20,707	\$104,278
Salaries Part-Time	\$3,216	\$3,760	\$5,500	\$2,500	(\$3,000)	\$5,000
Employee Benefits	\$20,426	\$22,726	\$20,750	\$27,300	\$6,550	\$39,679
Department Car	\$0		\$0	\$0	\$0	\$9,500
Travel	\$11,010	\$17,667	\$14,000	\$18,000	\$4,000	\$22,000
New Magazine	\$0	\$0	\$0	\$0	\$20,000	\$40,000
Board Expense		\$1,311	\$1,750	\$1,750		\$12,000
Promotion	\$11,239	\$14,081	\$14,000	\$15,000	\$1,000	\$18,000
Office Expense	\$2,342	\$4,779	\$3,025	\$5,000	\$1,975	\$5,000
Rent	\$5,000	\$5,000	\$5,000	\$5,000		\$25,958
Printing	\$0	\$1,795	\$8,000	\$3,000	(\$5,000)	\$3,000
Publications	\$186	\$285	\$750	\$500	(\$250)	\$1,000
Training & Education	\$3,054	\$17,959	\$12,000	\$15,000	\$3,000	\$16,000
Auditing	\$7,287	\$6,594	\$8,000	\$8,000		\$8,000
Legal	\$20	\$20	\$1,000	\$50	(\$950)	\$50
Bank Fees	\$1,861	\$1,988	\$2,000	\$200	(\$1,800)	\$100
Postage	\$815	\$1,047	\$1,000	\$1,200	\$200	\$2,000
Equipment	\$0	\$1,947	\$2,000	\$8,000	\$6,000	\$5,000
Miscellaneous	\$552	\$1,632	\$2,500	\$2,500		\$2,500
TOTAL	\$111,052	\$147,957	\$148,000	\$180,432	\$52,432	\$319,065
	\$11,188	\$86,637	\$35,100	\$67,668	\$12,568	(\$8,465)



HOME MISSIONS REPORT

Dear Friends,

Home Missions experienced unprecedented growth across North America in church planting and cross-cultural outreach. God has thrust us into great harvest fields and our missionaries have won many souls and brought them into the body of Christ.

Self-Supporting Status:

On February 1, 2003, Chris and Jan Clay, our church planters in Indianapolis, Indiana, brought Peace Free Will Baptist Church to self-supporting status. Well done, faithful servants.

Missionary Appointees:

Dexter and Denise Guin - Colorado Springs, Colorado
 Paul and Deniece Hammons - Flagstaff, Arizona
 Scott and Dawn Real - St. Croix, Virgin Islands
 Jimmy and Laura Caudill - Kendallville, Indiana
 Jason and Melissa Taylor, Yuma, Arizona

Hispanic Appointees:

Fernando Bustamonte, Georgia
 Andres Sancho, Florida
 Rigobreto Lumbreras, North Carolina
 Alfredo Bottello, Idaho
 Jesus Delangel, California
 Fernando Hernandez, North Carolina

Seminaries and Institute:

The Seminary of the Cross, Reynosa, Mexico and the Bible Institute of the Cross, Altamira, Mexico are both doing very well.

The Home Mission Board voted to open the Gwen Hendrix Hispanic Seminary in Inman, South Carolina. This seminary will be used in the training of bi-vocational Hispanic pastors and teachers.

Building Facilities:

This year, 2003, saw twelve church planters in building programs. God has enabled them to erect wonderful facilities for worship, training, and to reach families with the message of salvation.

Roll Call Sunday 2003:

The total attendance in Home Missions churches on this day was 3,750, with 760 first-time visitors, and 50 precious souls were saved. Across the nation Free Will Baptist churches registered these approximate totals:

Number saved: 1,390

First time visitors: 13,748

Total attendance was 275,755

Chaplains:

This year we had nine chaplains ministering around the world in Iraq, Kuwait, Afghanistan, Germany, Spain, and the United States.

*The Church Extension Loan Fund (CELFF) loaned our churches, in building facilities, a record \$4,000,000.

*The Benjamin Randall Offering was a record high of \$348,000.00.

*The total income for Home Missions was \$4,475,523.12.

Thank you, dear friends of Home Missions, for your faithful support.

Rev. Larry A. Powell

General Director

Home Missions Department

A Synopsis of Minutes of Home Mission Board Meetings for 2003

May 5, 2003

MSC to accept Dexter Guin as National Home Missionary to Colorado Springs upon the completion of all contractual agreements with a 12 month and 24 month review of his progress.

MSC to accept Paul and Deniece Hammons as National Home Missionaries to Flagstaff, Arizona upon the completion of all contractual agreements.

MSC to accept Scott Real as an Associate Missionary to St. Croix, Virgin Islands.

MSC to change Missionary Roger Raper's status from an Associate Missionary to a National Home Missionary status.

MSC to name the Hispanic institute in Inman, South Carolina, *the Gwen Hendrix Hispanic Bible Institute of Inman, South Carolina*.

MSC that we send a letter of commendation to Chris and Carla Fannin for their faithfulness to the work in Puerto Rico.

MSC that we send a letter of commendation to Bud Bivens and present him a plaque for his faithful service to Home Missions.

MSC that we name the second million dollar endowment trust, *The Roy Thomas Memorial Trust*.

December 9, 2003

Recommendations of the Personnel Committee:

1. Accept the director's recommendation of the following Hispanic ministers as Associate Missionaries:

Rev. Fernando Bustamonte	Georgia
Rev. Andres Sancho	Florida
Rev. Rigoberto Lumbreras	North Carolina
Rev. Alfredo Bottello	Idaho
Rev. Jesus Delangel	California
Rev. Fernando Hernandez*	North Carolina

*Fernando is waiting for his visa/approval for entry into USA from Cuba.

2. To approve Jason and Melissa Taylor to become National Home Missionaries to Yuma, Arizona.

MSC to accept and approve the recommendations of the Personnel Committee.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS

December 31, 2003

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.

December 31, 2003 and 2002

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Board of Home Missions of the National
Association of Free Will Baptists of the
United States of America, Inc.
Antioch, Tennessee

We have audited the accompanying statements of financial position of the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc. (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc. as of December 31, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

January 30, 2004

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.

Statements of Financial Position
December 31, 2003 and 2002

ASSETS

	2003	2002
<u>Assets</u>		
Cash - Note 8	\$ 632,285	\$ 180,427
Investments	21,256	18,988
Investments in Church Extension		
Loan Fund - Note 5	303,205	495,970
Accounts receivable - related party - Note 5	58,595	11,845
Accounts receivable - employees	2,750	
Inventory - Note 1	25,028	24,336
Property and equipment, at cost		
less accumulated depreciation of \$138,553		
(\$135,670 in 2002) - Notes 1 & 2	160,519	158,552
	<u>\$1,203,638</u>	<u>\$ 890,118</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 4,424	11,869
Total liabilities	<u>4,424</u>	<u>11,869</u>
 <u>Commitments - Notes 6</u>		
<u>Net assets</u>		
Unrestricted		
Operating	963,089	624,126
Board designated - Note 7	165,000	165,000
	1,128,089	789,126
Temporarily restricted - Note 4	71,125	89,123
Total net assets	<u>1,199,214</u>	<u>878,249</u>
Total liabilities and net assets	<u>\$1,203,638</u>	<u>\$ 890,118</u>

See accountants' report and accompanying
notes to the financial statements.

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BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.

Statements of Activities
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Unrestricted</u>		
Revenue:		
Cooperative program	\$ 216,201	\$ 186,472
Designated contributions	819,512	473,589
Management fees - Note 5	180,000	200,000
Interest income	29,906	52,071
Dividend income	4	5
Gain (loss) on sale of property & equipment	1,250	3,500
Unrealized gain (loss) on value of investment	2,264	(53,421)
Net assets released from restrictions:		
Restrictions satisfied by payments	3,322,459	3,433,964
Total revenue	<u>4,571,596</u>	<u>4,296,180</u>
Expenses:		
Administrative expenses	910,174	907,530
Missionary expenses	2,752,765	2,826,364
Missionary land & building	569,694	607,600
Total expenses	<u>4,232,633</u>	<u>4,341,494</u>
Increase (decrease) in unrestricted net assets	<u>338,963</u>	<u>(45,314)</u>
 <u>Temporarily restricted</u>		
Revenue:		
Cooperative program	849,519	785,796
Designated contributions	2,454,942	2,445,299
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	(2,752,765)	(2,826,364)
Missionary land & building	(569,694)	(607,600)
Increase (decrease) in temporarily restricted net assets	<u>(17,998)</u>	<u>(202,869)</u>
Total increase (decrease) in net assets	<u>320,965</u>	<u>(248,183)</u>
Net assets - beginning of year	<u>878,249</u>	<u>1,126,432</u>
Net assets - end of year	<u>\$ 1,199,214</u>	<u>\$ 878,249</u>

See accountants' report and accompanying
notes to the financial statements.

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BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Operating activities</u>		
Increase (decrease) in net assets	\$ 320,965	(\$ 248,183)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	19,355	18,167
(Gain) loss on sale of property & equipment	(1,250)	(3,500)
(Gain) loss on value of investment	(2,264)	53,421
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(49,500)	137,506
(Increase) decrease in inventories	(692)	(9,874)
Increase (decrease) in accounts payable and accrued expenses	(7,445)	(13,041)
Increase (decrease) in deferred compensation		(8,144)
Net cash provided (used) by operating activities	<u>279,169</u>	<u>(73,648)</u>
<u>Investing activities</u>		
Redemption of investments	614,922	765,070
Acquisition of investments	(422,161)	(468,131)
Proceeds from the sale of property & equipment	1,250	3,500
Purchases of property and equipment	(21,322)	(30,350)
Net cash provided (used) by investing activities	<u>172,689</u>	<u>270,089</u>
<u>Financing activities</u>		
Proceeds from the line of credit		435,194
Repayments on the line of credit		(564,025)
Net cash used by financing activities		<u>(128,831)</u>
Increase (decrease) in cash and cash equivalents	451,858	67,610
Cash and cash equivalents at beginning of years	<u>180,427</u>	<u>112,817</u>
Cash and cash equivalents at end of years	<u>\$ 632,285</u>	<u>\$ 180,427</u>

See accountants' report and accompanying notes to the financial statements.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 -

Organization and summary of significant accounting policies

The Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc. is a nonprofit organization affiliated with the National Association of Free Will Baptists located in Antioch, Tennessee. The purpose of the Organization is to establish and support Free Will Baptist Mission churches in the United States (including U.S. Virgin Islands and Puerto Rico) and Mexico. The Organization's support comes primarily from donor contributions.

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code under a group exemption of the National Association of Free Will Baptists, Inc. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of 509(a) of the Internal Revenue Code. There was no unrelated business income for 2003.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of accounting

The Organization prepares its financial statements using the accrual basis of accounting, which involves the application of generally accepted accounting principles; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Investments in Church Extension Loan Fund

Investments consist of investments in the Church Extension Loan Fund. Investments are stated at cost, which approximates market value at December 31, 2003 and 2002.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies (Continued)

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization has no permanently restricted net assets.

Property and equipment and depreciation

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500 and an estimated useful life of at least two years. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows.

Automobile	5 years
Office furniture and equipment	3 - 20 years

The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

Cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory is stated at the lower of cost (first in, first out method) or market. Inventory consists of books, pamphlets, videos, door hangers and various other small items.

Investments

Investments are composed of equity securities and are valued at fair value.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 2 - Property and equipment

A summary of property and equipment is as follows:

	2003	2002
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	58,225	57,625
Office furniture & equipment	135,847	131,597
	299,072	294,222
Less: Accumulated depreciation	(138,553)	(135,670)
	\$ 160,519	\$ 158,552

Note 3 - Deferred compensation

The Board of Home Missions provides deferred compensation for each employee based on a formula combining a percent of salary and years of service. The compensation is payable to the employee when employment is terminated. The following is a summary of the deferred compensation account. This account was replaced by a pension plan during the year (see note 11).

	2003	2002
Balance at beginning of the year	\$ -0-	\$ 8,144
Transfer and terminations	()	(8,144)
Balance at end of the year	\$ -0-	\$ -0-

Note 4 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2003	2002
Missionaries	\$ 67,520	\$ 72,201
Church Extension Loan Fund	3,605	16,922
	\$ 71,125	\$ 89,123

These net assets are restricted due to donor restrictions. They are released when the donor restriction is satisfied.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 5 - Related party transactions

The Board of Home Missions provides office space for and pays the salaries of the employees of a related party, the Church Extension Loan Fund. During the year, the Church Extension Loan Fund paid the Board of Home Missions a management fee of \$180,000 (\$200,000 at December 31, 2002) to reimburse the cost of the office space and salaries. The Board of Home Missions has invested money in a demand note of the Church Extension Loan Fund. The balance in this investment at year-end was \$303,205 (\$495,970 at December 31, 2002). This investment is uncollateralized. The Board of Home Missions' management constantly scrutinizes the monthly financial statements of the Loan Fund to make sure that the Loan Fund is solvent and to minimize the credit risk of the investment. This investment is short term in nature and the interest can be changed, therefore cost approximates fair value.

The Board of Home Missions has a receivable from the Church Extension Loan Fund for unrestricted earnings during the year. The balance on this receivable at year-end was \$58,595 (\$11,845 at December 31, 2002).

Note 6 - Lease

The Board of Home Missions entered into a lease agreement on October 1, 1990 with the National Association of Free Will Baptists, Inc. for office and storage space. The Organization entered into a new lease agreement on July 1, 2000. The term of the lease was July 1, 2000 to August 31, 2000, then beginning September 1, 2000 the lease became a year to year lease. The rent expense for the year amounted to \$50,220 (\$50,350 for the year ended December 31, 2002).

Note 7 - Designation of unrestricted net assets

During 2001 the Board designated \$165,000 in unrestricted net assets to reduce the deficits in missionary accounts.

Note 8 - Concentration of credit risk

The Board maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2003, the excess amount over the federally insured limit was \$532,285 (\$80,427 in 2002). The Board has a cash management agreement with a local bank which invests any excess cash overnight in U.S. Government Securities under a repurchase agreement. Any cash not insured should, under the terms of this agreement, be collateralized by U.S. Government Securities.

The Board also has \$303,205 (\$495,970 in 2002) invested in a demand note of the Church Extension Loan Fund. This note is uninsured.

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 9 - Fair values of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, investments in Church Loan Fund, receivables and payables: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair value of investments is based on quoted market price for those investments.

Note 10 - Investments

Investments are stated at fair value and consist of equity securities:

	December 31, 2003		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$360,671</u>	<u>\$ 21,256</u>	<u>(\$ 339,415)</u>
Investment return is summarized as follows:			
Net realized and unrealized income			<u>2,268</u>

	December 31, 2002		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$360,671</u>	<u>\$ 18,988</u>	<u>(\$ 341,683)</u>
Investment return is summarized as follows:			
Net realized and unrealized income			<u>(53,421)</u>

BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.
Notes to the Financial Statements
December 31, 2003 and 2002

Note 11-

Pension plan

The Board participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The Board contributes 5% of gross salary for missionaries and administrative employees with 5 or more years of service and 2% of gross salary for missionaries and administrative employees with less than 5 years of service. Pension expenses amounted to \$49,572 (\$37,403 in 2002). The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase one of several types of annuity contracts.

WARREN, DENNEY & WALLACE

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INDEPENDENT AUDITOR'S REPORT
 ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
 the Board of Home Missions of the
 National Association of Free Will Baptists
 of the United States of America, Inc.

Our report on our audits of the basic financial statements of the Board of Home Missions for 2003 and 2002 appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Warren, Denney & Wallace

January 30, 2004

**BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC.**
Schedule of Functional Expenses
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Administrative expenses</u>		
Salaries and wages	\$ 295,894	\$ 303,470
Payroll taxes	12,627	13,521
Housing allowance and employee benefits	96,545	101,505
Retirement	14,727	10,480
Cost of literature	(117)	17,061
Promotion expense	69,172	52,779
Utilities	14,062	15,947
Office expense	21,469	22,603
Printing and postage	113,738	108,954
Rent expense	50,220	50,350
Professional fees	4,400	5,583
Auto and travel expense	67,332	68,216
Board meeting expense	17,063	10,152
Insurance expense	74,690	73,385
Telephone	4,908	6,542
Together Way Office	1,970	3,865
Miscellaneous	32,119	24,950
Depreciation	19,355	18,167
Total administrative expenses	<u>910,174</u>	<u>907,530</u>
<u>Missionary expenses</u>		
Salaries and wages	2,244,130	2,334,082
Retirement	34,845	26,923
Promotion expense	183	2,926
Printing and postage	105,887	104,065
Literature	49,550	40,827
Auto and travel expense	121,217	167,002
Insurance expense	39,823	28,680
Designated contributions	95,591	57,515
Miscellaneous other expense	61,539	64,344
Total missionary expenses	<u>2,752,765</u>	<u>2,826,364</u>
<u>Missionary land & buildings</u>	<u>569,694</u>	<u>607,600</u>
Total expenses	<u>\$4,232,633</u>	<u>\$4,341,494</u>

See accountants' report on supplementary information.

	2003	2004	2005
General Director:			
Salary	\$45,194.28	\$47,090.04	\$49,693.65
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$2,427.92	\$2,500.00	\$2,600.00
Retirement	\$3,159.60	\$3,254.40	\$3,384.69
Insurance *	\$9,055.00	\$9,055.00	\$10,500.00
TOTALS	\$77,836.80	\$79,899.44	\$84,178.34
Office car furnished			
Director of Development:			
Salary	\$30,799.32	\$32,371.20	\$34,530.05
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$2,466.59	\$2,500.00	\$2,600.00
Retirement	\$2,619.96	\$2,698.56	\$2,806.51
Insurance *	\$5,079.16	\$6,000.00	\$6,500.00
TOTALS	\$62,565.03	\$65,169.76	\$68,036.56
Office car furnished			
Director of Missionary Assistance:			
Salary	\$30,799.32	\$32,371.20	\$34,530.05
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$3,353.70	\$3,400.00	\$3,500.00
Retirement	\$2,619.96	\$2,698.56	\$2,806.51
Insurance *	\$12,805.00	\$12,805.00	\$14,000.00
TOTALS	\$71,177.98	\$72,874.76	\$76,436.56
Office car furnished			
Director of Church Growth:			
Salary	\$34,399.32	\$35,971.20	\$38,130.05
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$3,133.78	\$3,200.00	\$3,300.00
Retirement	\$2,619.96	\$2,698.56	\$2,806.51
Insurance *	\$12,805.00	\$12,805.00	\$14,000.00
TOTALS	\$70,958.06	\$72,674.76	\$76,236.56
Office car furnished			
Insurance*:			
Travel, Life,			
Health, Dental			

2005 Proposed State Quotas

Alabama	\$415,000.00
Alaska	\$7,500.00
Arizona	\$20,000.00
Arkansas	\$275,000.00
California	\$130,000.00
Canada	\$5,500.00
CELF	\$125,000.00
Colorado	\$65,000.00
Florida	\$40,000.00
FWB Foundation	\$5,000.00
Georgia	\$130,000.00
Hawaii	\$500.00
Idaho	\$10,000.00
Illinois	\$117,000.00
Indiana	\$57,000.00
Iowa	\$7,000.00
Kansas	\$20,000.00
Kentucky	\$90,000.00
Louisiana	\$25,000.00
Maine	\$3,000.00
Massachusetts	\$3,000.00
Michigan	\$150,000.00
Mid-Atlantic	\$30,000.00
Mississippi	\$125,000.00
Missouri	\$200,000.00
Montana	\$1,000.00
New Hampshire	\$5,000.00
New Jersey	\$1,500.00
New Mexico	\$10,000.00
North Carolina	\$360,000.00
Ohio	\$160,000.00
Oklahoma	\$325,000.00
Oregon	\$5,000.00
Other Income	\$225,000.00
Other States	\$20,000.00
Pennsylvania	\$25,000.00
Puerto Rico	\$5,000.00
South Carolina	\$165,000.00
South Dakota	\$1,000.00
Tennessee	\$500,000.00
Texas	\$125,000.00
Utah	\$6,000.00
Virginia	\$185,000.00
Virgin Islands	\$50,000.00
Washington	\$5,000.00
West Virginia	\$100,000.00
Wisconsin	\$35,000.00
WNAC	\$125,000.00
Wyoming	\$5,000.00
TOTAL	\$4,500,000.00

2005 Proposed Budget

	Administrative	Missionary	Total
Salaries/Housing	\$400,000.00	\$2,500,000.00	\$2,900,000.00
Personal Revivals	\$20,000.00		\$20,000.00
Retirement	\$20,000.00	\$40,000.00	\$60,000.00
Insurance	\$85,000.00	\$50,000.00	\$135,000.00
Health Spending	\$10,000.00		\$10,000.00
Auto and Travel	\$75,000.00	\$160,000.00	\$235,000.00
Postage	\$45,000.00	\$50,000.00	\$95,000.00
Printing	\$75,000.00	\$65,000.00	\$140,000.00
Promotion/Advertising	\$75,000.00	\$5,000.00	\$80,000.00
Office Supplies/Maintenance	\$20,000.00		\$20,000.00
Utilities	\$15,000.00		\$15,000.00
Board Expense	\$17,000.00		\$17,000.00
Literature	\$20,000.00	\$50,000.00	\$70,000.00
Rent	\$55,242.00		\$55,242.00
Phone and FAX	\$6,000.00		\$6,000.00
Depreciation	\$20,000.00		\$20,000.00
Payroll Taxes	\$12,000.00		\$12,000.00
Medicare Taxes	\$3,000.00		\$3,000.00
Legal and Audit	\$5,000.00		\$5,000.00
Together Way	\$2,500.00		\$2,500.00
Misc.	\$7,758.00	\$17,000.00	\$24,758.00
Scholarships	\$10,000.00		\$10,000.00
Flowers/Gifts	\$2,000.00		\$2,000.00
Bank Service Charges	\$2,500.00		\$2,500.00
Misc. Receipts		\$5,000.00	\$5,000.00
Build My Church	\$125,000.00		\$125,000.00
Land/Building		\$425,000.00	\$425,000.00
FM Exchange		\$5,000.00	\$5,000.00
TOTAL	\$1,128,000.00	\$3,372,000.00	\$4,500,000.00

CHURCH EXTENSION LOAN FUND

December 31, 2003 and 2002

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Church Extension Loan Fund
Antioch, Tennessee

We have audited the accompanying statements of financial position of the Church Extension Loan Fund (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church Extension Loan Fund as of December 31, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

January 30, 2004

CHURCH EXTENSION LOAN FUND
Statements of Financial Position
December 31, 2003 and 2002

	<u>ASSETS</u>	
	2003	2002
<u>Assets</u>		
Cash - Note 6	\$ 1,012,870	\$ 2,360,479
Investment in trust	517,272	
Notes receivable - Notes 1, 4 & 8	17,229,371	16,509,893
Accrued interest receivable	100,505	116,945
Property and equipment - at cost, less accumulated depreciation of \$13,835 (\$30,168 in 2002) - Notes 1 & 2	12,133	
Total assets	<u>\$18,872,151</u>	<u>\$18,987,317</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>Liabilities</u>		
Accounts payable - related party - Note 4	\$ 58,595	\$ 11,845
Accrued interest	6,686	6,697
Revocable and irrevocable trusts - Note 9	1,637,629	1,629,519
Deferred compensation - Note 10	216,210	216,210
Notes payable - Notes 3, 4 & 8	<u>15,289,730</u>	<u>15,539,767</u>
Total liabilities	<u>17,208,850</u>	<u>17,404,038</u>
<u>Net assets</u>		
Unrestricted	<u>1,663,301</u>	<u>1,583,279</u>
Total net assets	<u>1,663,301</u>	<u>1,583,279</u>
Total liabilities and net assets	<u>\$18,872,151</u>	<u>\$18,987,317</u>

See accountants' report and accompanying
notes to the financial statements.

CHURCH EXTENSION LOAN FUND
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	<u>Unrestricted</u>	
	2003	2002
<u>Operating</u>		
<u>Revenue</u>	\$ 21,485	\$ 11,811
Investment income	1,273,411	1,349,220
Interest income on notes receivable	6,420	7,046
Management fee	1,555	
Other revenue	<u>1,302,871</u>	<u>1,368,077</u>
<u>Expenses</u>	944,681	1,035,683
Interest expense	3,807	4,429
Office expense	35,199	28,928
Auto and travel	180,000	200,000
Management fee - Note 4	12,624	10,729
Promotion	2,579	2,791
Postage	5,519	5,010
Professional fees	1,867	3,662
Depreciation	58,000	65,000
Build My Church Project expense	58,595	11,845
Transfer to Free Will Baptists Home Missions	<u>1,302,871</u>	<u>1,368,077</u>
Increase (decrease) in operating net assets	<u>-0-</u>	<u>-0-</u>
<u>Build My Church - Note 5</u>		
<u>Revenue</u>	80,022	57,676
Designated contributions	<u>-0-</u>	<u>-0-</u>
<u>Expenses</u>	80,022	57,676
Increase (decrease) in Build My Church net assets	<u>80,022</u>	<u>57,676</u>
Total increase (decrease) in net assets	80,022	57,676
Net assets - beginning of year	<u>1,583,279</u>	<u>1,525,603</u>
Net assets - end of year	<u>\$ 1,663,301</u>	<u>\$ 1,583,279</u>

See accountants' report and accompanying
notes to the financial statements.

CHURCH EXTENSION LOAN FUND
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
<u>Operating activities</u>		
Increase (decrease) in net assets	\$ 80,022	\$ 57,676
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,867	3,662
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	16,440	599
Increase (decrease) in accounts payable	46,750	(137,506)
Increase (decrease) in accrued interest payable	(11)	(121,941)
Increase (decrease) in deferred compensation	—	(70,199)
Net cash provided (used) by operating activities	145,068	(267,709)
<u>Investing activities</u>		
Additions to notes and bonds receivable	(4,595,606)	(3,715,548)
Collection on notes receivable	3,876,128	1,923,291
Additions to investment in trusts	(1,517,272)	
Disbursements from investment in trusts	1,000,000	
Purchase of new equipment	(14,000)	
Net cash provided (used) by investing activities	(1,250,750)	(1,792,257)
<u>Financing activities</u>		
Addition to trusts	92,351	97,474
Termination of trusts	(84,241)	(84,705)
Additions to notes payable	2,874,105	4,717,517
Repayment of notes payable	(3,124,142)	(1,894,766)
Net cash provided (used) by financing activities	(241,927)	2,835,520
Increase (decrease) in cash and cash equivalents	(1,347,609)	775,554
Cash and cash equivalents at beginning of year	2,360,479	1,584,925
Cash and cash equivalents at end of year	\$ 1,012,870	\$ 2,360,479
<u>Supplemental disclosures</u>		
Interest received	\$ 1,311,336	\$ 1,357,397
Interest paid	\$ 944,692	\$ 1,157,624

See accountants' report and accompanying notes to the financial statements.

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2003 and 2002

Organization and summary of significant accounting policies

The Church Extension Loan Fund is a nonprofit organization under the direction of the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc. located in Antioch, Tennessee. The purpose of the Fund is to loan money to Free Will Baptist Churches, primarily Home Mission Churches, for purchase of land and buildings. The Organization's support comes primarily from interest on notes receivable.

The Fund is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code under a group exemption of the National Association of Free Will Baptists, Inc. In addition, the Fund has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2003 and 2002.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of accounting

The Fund prepares its financial statements using the accrual method of accounting which involves the application of U.S. generally accepted accounting principles; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

The Fund accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies (Continued)

Contributions (continued)

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Fund has no temporarily restricted or permanently restricted net assets.

Property and equipment and depreciation

The Fund follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500 with a useful life of at least two years. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Automobile	5 years
Office equipment	5 years

The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

Investments

Investments are composed of equity securities and are valued at quoted market price.

Notes receivable

The Fund loans money to Free Will Baptist Churches, primarily Home Mission Churches, for the purchase of land and buildings. Each church is required to give a first mortgage on the property or sign a deed of trust. Principal and interest on the loans is payable monthly at 7.0% (8.5% in 2002) over a fifteen to twenty year period except for churches still under construction which are required to pay interest only. The Board of Trustees changes the rate on these notes receivable as other interest rates change. The carrying value of these loans approximates market value. The churches are located throughout the United States.

The aggregate maturities of these notes are as follows:

2004	\$ 894,261
2005	958,907
2006	1,028,226
2007	1,102,557
2008	1,182,261
Thereafter	<u>12,063,159</u>
	<u>\$17,229,371</u>

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies (Continued)

Allowance for doubtful accounts

Management considers accounts and notes receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Cash equivalents

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note 2 - Property and equipment

A summary of property and equipment follows:

	2003	2002
Automobile	\$ 14,000	\$ 18,200
Office equipment	<u>11,968</u>	<u>11,968</u>
	25,968	30,168
Accumulated depreciation	<u>(13,835)</u>	<u>(30,168)</u>
	\$ 12,133	\$ -0-

Note 3 - Notes payable

Notes payable consist of 3 - 5% (5 - 6¼% in 2002) unsecured demand notes from individuals and churches. The proceeds of these notes are then loaned to churches to help them purchase land and buildings. The Board of Trustees change the interest rates on these notes payable as other interest rates change.

Note 4 - Related party transactions

The Fund paid the Board of Home Missions of the National Association of Free Will Baptists, Inc. a management fee of \$180,000 (\$200,000 at December 31, 2002) to reimburse the Board of Home Missions for salary, rent and other expenses paid by the Board. The Board of Home Missions has invested in the note payable of the Fund. The balance of this note payable to the Board of Home Missions at year-end was \$-0- (\$34,036 at December 31, 2002). The Fund had accounts payable to the Board of Home Missions in the amount of \$58,595 (\$11,845 at December 31, 2002).

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2003 and 2002

Note 5 - Designated contributions

The designated contributions are amounts given to the "Build My Church" program. The monies given to this program are loaned to churches in the same manner that other funds are loaned to churches. The total amount given for the first phase of the Build My Church program has reached \$1,000,000. In accordance with the provisions of the program payments totaling \$58,000 (\$65,000 at December 31, 2002) were made subsequent to year-end to the land funds of two Home Mission's Churches from the interest earned on loans made with Build My Church contributions. A second phase of the Build My Church program has begun. When the total amount given through the second phase of Build My Church program reaches \$1,000,000, then the interest earned from the loans made with the program will be used to assist the Cross Cultural Ministry and the Home Missions General Fund. The total amount given through the end of the year is \$1,625,251 (\$1,545,229 at December 31, 2002).

Note 6 - Concentration of credit risk

The Fund maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2003, the excess amount over the federally insured limit was \$912,870 (\$2,260,479 in 2002). However, the Fund has a cash management agreement with a local bank which invests any excess cash overnight in U.S. Government Securities under a repurchase agreement. The amount invested under this agreement was \$1,094,000 (\$2,321,000 in 2002). Any cash invested under this agreement should, under the terms of this agreement, be collateralized by U.S. Government Securities.

The Fund also has \$517,272 in a trust with the Free Will Baptist Foundation. This trust is uninsured.

Note 7 - Fair value of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, accrued interest receivable, investment in Free Will Baptist Foundation, payables, accrued interest payable and deferred compensation: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Notes receivable and bonds receivable: Based on current interest rates, the carrying value approximates the fair value of the notes receivable and bonds receivable at December 31, 2003 and 2002.

Notes payable and trusts: Based on current interest rates, the carrying value approximates the fair value of the notes payable and trusts at December 31, 2003 and 2002.

Note 8 - Concentration

Included in notes receivable at December 31, 2003 are twenty-six which total \$9,585,922 (twenty-two loans which total \$8,372,804 in 2002). This balance represents 55.64% (50.71% in 2002) of total notes receivable.

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2003 and 2002

Note 8 - Concentration (continued)

Notes payable include fifty-nine notes which total \$9,424,264 or 61.64% (sixty-two notes which total \$9,921,738 or 63.85% in 2002) of total notes payable. Of these fifty-nine (sixty-two in 2002) notes payable, three total \$1,168,623 or 7.64% (two notes total \$1,000,000 or 6.44% in 2002) of total notes payable.

Note 9 - Revocable and irrevocable trusts

Eleven irrevocable and four revocable charitable remainder trusts pay interest at 6-9% per year. The principal of these trusts was used to make mortgage loans. Interest expense for the year ended December 31, 2003 amounted to \$131,031 (\$131,551 at December 31, 2002).

Note 10 - Deferred compensation

Deferred compensation represents savings trusts transferred from the Board of Home Missions of the National Association of Free Will Baptists for the benefit of their principal and other employees upon their retirement or departure from Home Missions. During 2001 the Board of Home Missions adopted a pension plan. After the pension plan was adopted all of the accounts in the savings trusts were transferred to the pension plan except for the account of the retired general director.



MASTER'S MEN

Free Will Baptist Men's Ministry

Master's Men

The Men's Ministry of the National Association of Free Will Baptists

The Lord continued to bless our department in 2003. We added 13 new chapters from 10 different states. We continued to provide opportunities for our men to be involved in activities through our department. We took a group of ten people to Fairbanks, Alaska to help Home Missionaries, Ron and Janice Wallace, work on their new building. We held our Annual Master's Men Retreat at Camp Linden, TN, with over forty men present. We continued to see men gathering for fellowship as we hosted our Deep South and National Golf Tournaments as well as our National Softball Tournament.

We once again joined hand in hand with our other National Departments. In April, we collaborated with WNAC for our Second Marriage Enrichment Conference in Pigeon Forge, TN. We had fifty couples from eleven states join us there. We also supported Home Mission through Operation Saturation, our mission trip to Alaska and developed a notebook for short term mission trips. We introduced one new Bible Study in our Direction Bible Study Series, The Walk.

We continue to pray and labor for the men of our denomination. Continually asking God to stir the hearts of our men and burden them for the challenge that is before them.

Your Fellow Servant,

Kenneth W. Akers
General Director

Master's Men Synopsis of Board Meeting

March 28, 2003

Received Director's report; Discussed annual retreat at Camp Linden; Approved Alaska Mission Trip; Approved auditor for 2003; Declined offer from Howard Gwartney to assume 1st mortgage on house; Motion to send letter to Executive Board expressing concern over nominating process; Discussed National Convention; Set Dec. board meeting; Reviewed 2005 Budget; Adjourned.

December 8, 2003

Discussed audit and adjustments; Discussed Life membership endowment; recommended Director make Operation Saturation a yearly event with strong spiritual emphasis; Discussed Director and Staff Salary; Adjourned.

THE MASTER'S MEN, A DEPARTMENT OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS

DECEMBER 31, 2003

LESLIE AND BECKMAN
CERTIFIED PUBLIC ACCOUNTANTS

THE MASTER'S MEN, A DEPARTMENT OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS

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LESLIE AND BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

LINDA B. LESLIE, CPA
TAMARA L. BECKMAN, CPA

11 SOUTH JEFFERSON AVENUE
COOKEVILLE, TN 38501
(931) 526-5489

To the Board of Directors of
The Master's Men
Antioch, Tennessee

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of The Master's Men (a nonprofit organization) as of December 31, 2003, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of The Master's Men's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Master's Men as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leslie and Beckman CPAs

April 25, 2004
Cookeville, Tennessee

THE MASTER'S MEN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003

<u>Current Assets</u>		
Cash	\$ 8,281.38	
Trust Account—Build a House	406.06	
Trust Account—Lifetime Members	106,665.14	
Investments	13.34	
Interest Receivable	2,650.00	
Inventory	430.00	
Accounts Receivable	4,866.16	
Notes Receivable	<u>53,000.00</u>	
Total Current Assets		\$ 176,312.08
<u>Fixed Assets</u>		
Equipment and furniture	\$ 50,276.00	
Accum. Depreciation—Equip/Furn.	< 37,358.52 >	
Capitalized Leases	4,018.00	
Accum. Amortization—Cap. Leases	< <u>2,511.78</u> >	
Total Fixed Assets		<u>14,423.70</u>
Total Assets		<u>\$ 190,735.78</u>
<u>Liabilities</u>		
Accounts Payable	\$ 2,218.00	
Deferred Revenue	605.00	
Other Accrued Expenses	<u>929.01</u>	
Total Liabilities		\$ 3,752.01
<u>Net Assets</u>		
Permanently Restricted	\$ 172,690.75	
Unrestricted	<u>14,293.02</u>	
Total Net Assets		<u>186,983.77</u>
Total Liabilities and Net Assets		<u>\$ 190,735.78</u>

The accompanying notes are an integral part of the financial statements
2

**THE MASTER'S MEN
STATEMENT OF ACTIVITIES
DECEMBER 31, 2003**

Unrestricted Net Assets

Support

Gifts and donations	\$ 17,866.78
Dues from members	19,831.00
Cooperative Program	66,759.28
Merchandise Sales	2,217.26
Tournament & Conference income	50,610.27
Interest income	7,379.95
Unrealized gain on Investments	<u>6,640.52</u>

Total Unrestricted Support \$171,305.06

Expenses

Salaries and wages	\$ 62,937.30
PR Taxes and employee benefits	7,294.07
Cost of sales and printing	4,836.06
Travel expense	7,195.96
Conferences & Conventions	13,044.50
Office expense	6,206.08
Telephone	2,675.95
Postage	2,005.68
Rent expense	18,601.00
Professional fees	2,475.00
Bookkeeping expense	900.00
Ministry & Resource Development	1,933.30
Tournament Expense	26,061.70
Dues, subscriptions, fees	1,084.66
Depreciation expense	5,344.45
Amortization expense	200.89
Miscellaneous expense	<u>1,711.82</u>

Total Expenses 164,508.42

Increase in unrestricted net assets 6,796.64

Temporarily Restricted Net Assets

Designated Gifts	4,600.00
Life Membership Dues	<u>25.00</u>

Total temporarily restricted net assets 4,625.00

Increase in Net Assets 11,421.64
Net Assets at Beginning of Year 175,562.13

Net Asset at End of Year \$186,983.77

The accompanying notes are an integral part of the financial statement

**THE MASTER'S MEN
STATEMENT OF CASH FLOWS
DECEMBER 31, 2003**

Cash Flows from Operating Activities

Increase in net assets \$ 11,421.64

Adjustments to reconcile increase in net assets to net cash provided by operating activities:

Depreciation	\$ 5,344.45
Amortization	200.89
Unrealized gain on investments	< 6,640.52 >
Interest on investments	<u>< 6,611.79 ></u>

(Increase) decrease in operating assets
Accounts receivable < 423.00 >

Increase (decrease) in operating liabilities
Accounts payable 1,604.41
Deferred Revenue 215.00
Other Accrued Expenses < 248.41 >
Total < 6,558.97 >

Net Cash Used by Operating Activities 4,862.67

Cash Flows from Investing Activities

Fixed Assets Purchased < 4,040.00 >

Cash Flows from Financing Activities

New Loan	4,000.00
Principle Payments	<u>< 4,000.00 ></u>

Net Cash Provided by Financing Activities --

Net Increase in Cash and Cash Equivalents 822.67

Beginning Cash and Cash Equivalents 7,458.71

Ending Cash and Cash Equivalents \$ 8,281.38

The accompanying notes are an integral part of the financial statements

**THE MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Note 1 – Summary of Significant Accounting Policies

Governing Body

The Master's Men operates under the auspices of the National Association of Free Will Baptists and is governed by a Board of Directors.

Basis of Accounting

The accompanying financial statements of The Master's Men have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when incurred.

Financial Statement Presentation

The Department follows Statement of Financial Accounting Standard (SFAS) No.117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Department is required to report information regarding its financial position and activities accordingly according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Department is required to present a statement of cash flows. As permitted by this statement, the Department has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets are reclassified to unrestricted net assets.

Receivables and Allowance for Doubtful Accounts

Receivables are presented in the financial statements at the amount deemed collectible by management. Any provision for doubtful accounts is recognized using the direct write-off method.

Investments

The investments are valued at the lower of cost or market. For gifts, the cost is determined by the fair market value of the security at the time of the gift.

Inventories

The inventories are valued at the lower of cost or market, with cost being determined by using the first-in, first-out method.

Property, Equipment and Depreciation

Property and equipment are presented in the financial statements at cost and are depreciated by the straight-line method over the estimated useful lives of the assets ranging from 3-20 years.

Income Taxes

The Department is exempt from federal and state income taxes; accordingly, no provision for income taxes is made in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statement of cash flow, the Department considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 2 – Property and Equipment

The following is a summary of property and equipment owned by the Department at December 31, 2003:

Equipment and furniture	\$ 50,276.00
Less: Accumulated Depreciation	<u>37,358.52</u>
Property and Equipment, Net	<u>\$ 12,917.48</u>

Note 3 – Capitalized Leases

The National Association of Free Will Baptists purchased an office building to house various departments and agencies of the denomination. The Board of Directors has entered into an agreement to lease space in this new building and agreed to contribute to the debt service costs during the construction period and to continue until the debt has been retired. The construction period costs of \$4,018.00 were capitalized and are being amortized over a period of twenty years. Amortization expense for 2003 and accumulated amortization as of December 31, 2003 were \$200.89 and \$2,511.78, respectively.

Note 4 – Notes Receivable

Following is a summary of the Department's notes receivable at December 31, 2003

Note receivable from Howard Gwartney; Locust Grove, Oklahoma; dated May 10, 2001; Due upon demand	\$ 53,000.00
---	--------------

Interest receivable on this note at December 31, 2003 was \$ 2,650.00.

Note 5 – Deferred Revenue

Deferred revenue consists of golf tournament fees and life membership dues received for future years as of December 31, 2003. There were no deferred meal tickets for 2003.

Note 6 – Related Parties

A loan of \$4,000.00 was received in May 2003 from the director to purchase a car. The loan was paid back in October 2003 and no balance was due at December 31, 2003.

Note 7 – Restricted Fund Balance

The restricted fund balance is revenue designated for specific projects and consists of the following as of December 31, 2003.

Missions	\$ 11,422.33
Build A House campaign	48,676.00
Lifetime Membership	98,642.42
Master's Hands Projects	<u>13,950.00</u>
Total	<u>\$172,690.75</u>

Salary Breakdown

Director	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Salary	30,600	31,880	31,880	31,880
Housing	19,800	20,400	20,400	20,400
Retirement	2,460	2,614	2,614	2,614
Insurance	8,400	3,600	6,500	6,500
Total	<u>61,260</u>	<u>58,494</u>	<u>61,394</u>	<u>61,394</u>

Proposed Budget for 2005

<u>Expenses</u>		<u>Income</u>	
Office Operations			
Rent	22,692	Dues	21,000
Equipment & Supplies	6,000	Father's Day Offering	6,000
Telephone	3,000	Together Way	71,720
Postage	2,500	Softball	4,000
Total	34,192	Golf	4,000
		Gifts	9,000
Accounting		Sales	6,000
Bookkeeping	900	Endowment Income	8,000
Audit	1,500	BAH	5,000
Total	2,400	Master's Men Conferences	2,000
		Total Income	136,720
Resource Development			
Printed Materials	7,200		
Total	7,200		
Department Travel	10,000		
National Association	2,500		
Salaries			
Director			
Salary	31,880		
Housing	20,400		
Retirement	2,614		
Insurance	6,500		
Total	61,394		
Secretary			
Wages (40 hrs/wk@8.50)	17,680		
FICA	1,097		
MED	257		
Total	19,034		
Total Salaries	80,428		
Total Expenses	136,720		



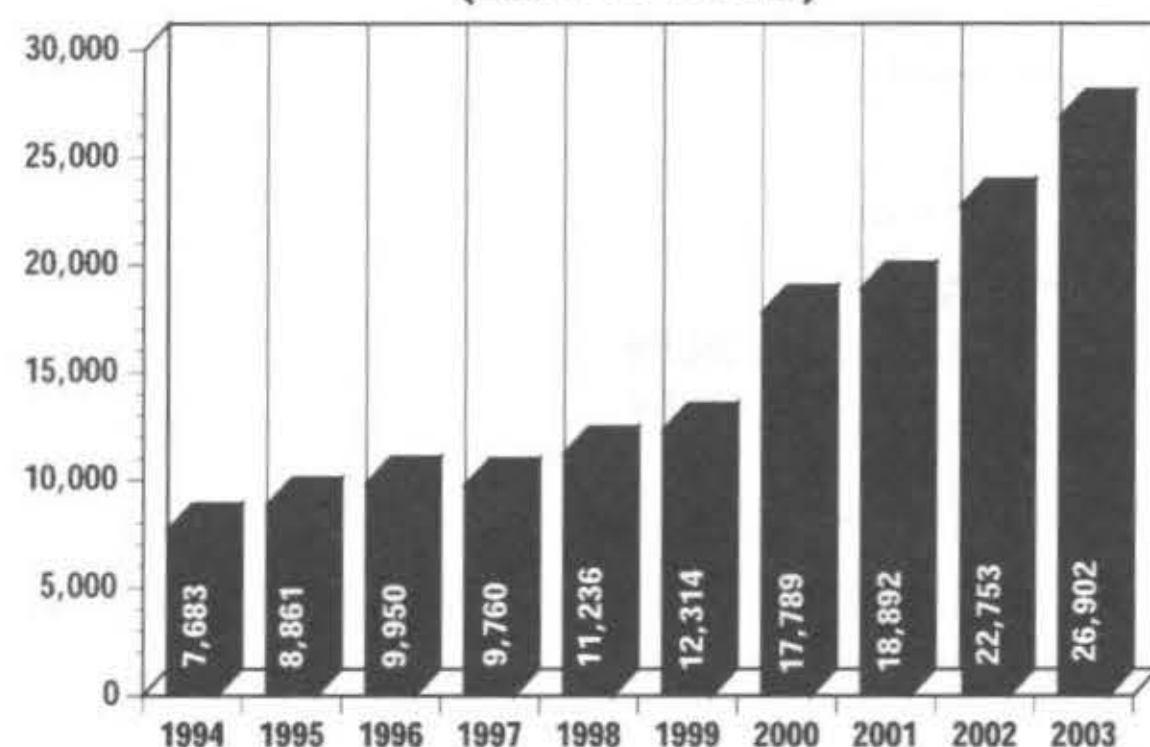
FOREIGN MISSIONS

A Summary of the Activities on our Fields - 2003

Free Will Baptist Foreign Missions continued to have missionaries on the ground in ten countries in 2003: Brazil, France, India, Ivory Coast, Japan, Panama, Russia, South Korea, Spain, and Uruguay. In addition, we work with national pastors in Cuba, Nepal, and China. Partnerships with two non-governmental organizations (NGOs), one of which is Free Will Baptist, enable Free Will Baptist people to minister in seven additional countries. Each of these restricts the access of traditional missionaries.

Our international efforts are experiencing the blessings of God as we see significant and sustained growth. Ten years ago, in 1993, we had 290 organized churches and mission works with a combined attendance of 7,397. Through God's power and provision, and the faithful proclamation of our missionaries and national pastors, we now have 690 organized churches and mission works with a combined attendance of 26,902. In 2003 overseas ministries recorded 2,153 salvation decisions.

Overseas Attendance Growth (Last 10 Years)



Nearly 300 students are enrolled in Bible institutes and seminaries. This promises to accelerate the efforts of church planting. Many of these students will join over 400 licensed, ordained, and lay preachers with whom we work.

Eleven new missionaries went to the field in 2003. They include: Micah and Becky Derby (M-Team in France); Tim and Di Keener (M-Team in France); Darren and Dana Portell

(M-Team in France); Joni Thomas (Japan); Matthew and Brooke Turnbough (Spain); and Sean and Jill Warren (M-Team in France). In addition, nine career and three short-term missionaries received preliminary or final approval.

As these begin their missionary service we mourn the loss of two former foreign missionaries. Marvis Eagleton passed away on February 21, 2003. She and her husband, Ken, served as missionaries in Brazil from 1958-1999. Damon Dodd passed away on April 27, 2003. He and his wife, Sylvia, served in the early days of our work in Cuba.

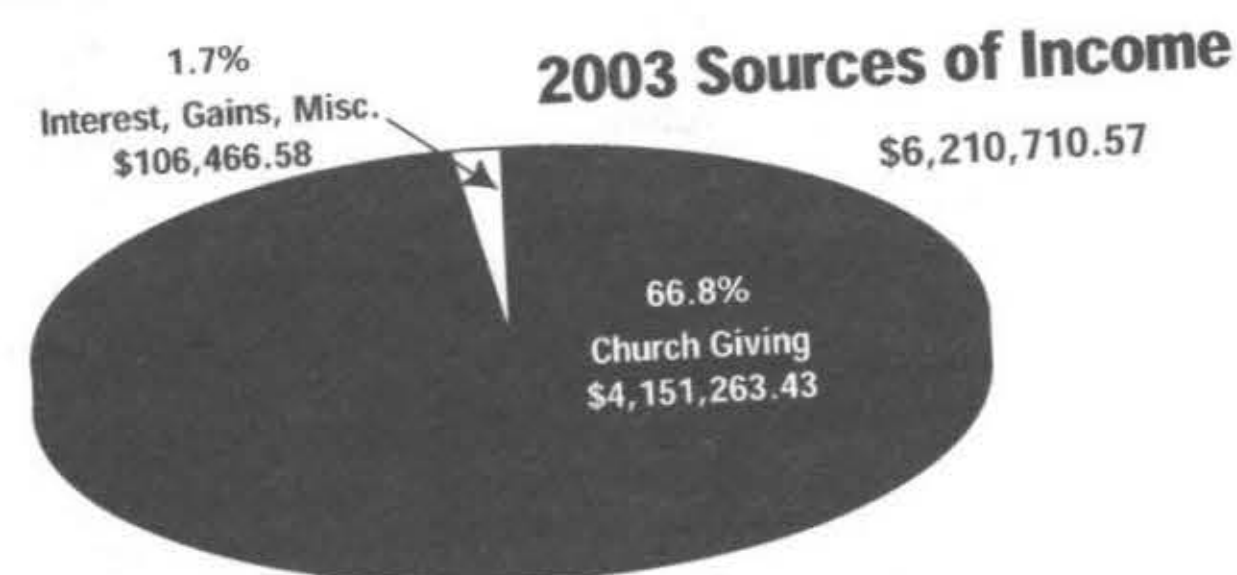
In 2002 we evacuated all of our missionary personnel from Ivory Coast because of the civil war and accelerated anarchy. In July of 2003 two couples returned to Abidjan. One of these couples served in an area still under rebel control. Circumstances did not allow them to stay. They have since resigned and returned to the States. The situation has improved some in the first half of 2004. The missionaries still assigned to Ivory Coast plan to return before the end of this year.

Denominational mobilization efforts have quickened as more individuals and churches find their role in global evangelism. Ten years ago few Free Will Baptists traveled to our mission fields to use their gifts, training, and abilities. Now it is almost impossible to track how many are involved.

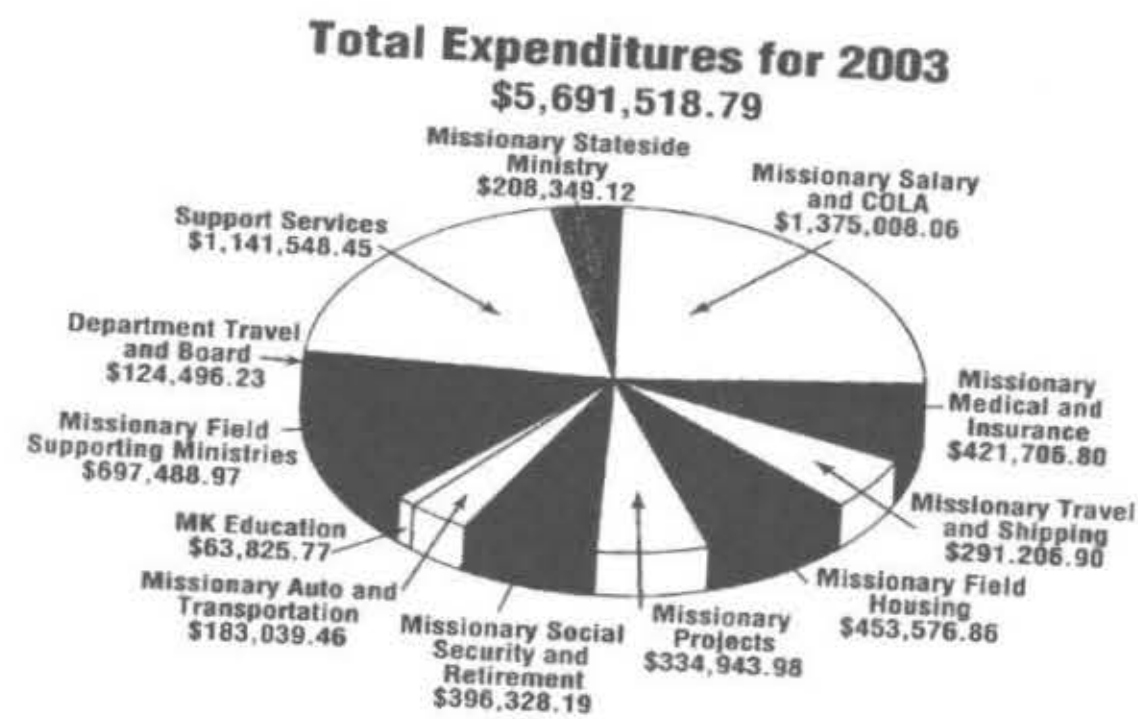
The Missionary-In-Residence house was dedicated on the campus of Free Will Baptist Bible College in Nashville, Tennessee. It was named the Laura Belle Barnard House in memory of the first missionary of the reorganized denomination in 1935. Over 100 men and women donated their skills to completely remodel the house. Special thanks goes to Women Nationally Active for Christ and Master's Men for their sacrificial help.

2003 - Financial Summary

The economy here in the States continued to be sluggish throughout 2003. For the last two years many missions agencies have seen a decrease in giving. That has not been the case with Free Will Baptist Foreign Missions. In 2002 income gained 3.4% over 2001. In 2003 that grew substantially to a 9.3% gain over 2002. This was a record year in giving as income surged to \$6,210,710.57.



Expenses for 2003 were \$5,691,518.79. Whereas income grew by 9.3%, expenses only grew by 4.5%. This combination allowed the Mission to end in the black by \$519,191.78. Praise the Lord!



In 2003, 1,522 churches and hundreds of individuals supported missions efforts through Free Will Baptist Foreign Missions (up from 1,422 last year). Each gift enabled us to extend the witness of Christ around the world. We would like to give special recognition to those churches that gave over \$10,000. In 2003 we recorded 90 churches in this category (up from 80 last year).

1	Donelson FWB Church	Nashville	TN	\$104,874.42
2	Unity FWB Church	Greenville	NC	90,874.86
3	Victory FWB Church	East Wenatchee	WA	84,592.76
4	Limestone FWB Church	Limestone	TN	84,104.00
5	First FWB Church	Russellville	AR	67,347.83
6	Norman First FWB Church	Norman	OK	55,330.00
7	Central FWB Church	Royal Oak	MI	44,498.02
8	Macedonia FWB Church	Purdy	MO	42,497.23
9	First FWB Church	Albany	GA	38,903.47
10	Kirby FWB Church	Taylor	MI	35,591.55
11	Pleasant Acres FWB Church	New Bern	NC	34,409.16
12	Bethany FWB Church	Broken Arrow	OK	32,654.89
13	Horse Branch FWB Church	Turbeville	SC	32,147.96
14	Cross Timbers FWB Church	Nashville	TN	31,526.13
15	Fellowship FWB Church	Kingsport	TN	28,661.66
16	Garner FWB Church	Garner	NC	27,840.30
17	Hannon FWB Church	Liberal	MO	27,016.00
18	Sherwood Forest FWB Church	New Bern	NC	26,598.98
19	First FWB Church N Little Rock	N Little Rock	AR	26,486.98

20	First FWB Church	Florence	SC	26,017.49
21	Ina FWB Church	Ina	IL	23,883.00
22	Peace FWB Church	Florence	SC	23,702.89
23	Bethel FWB Church	Kinston	NC	23,507.00
24	Franklin Community Church	Franklin	TN	21,477.27
25	Bethel FWB Church	South Roxana	IL	21,288.33
26	Cofer's Chapel FWB Church	Nashville	TN	20,792.46
27	Good Springs FWB Church	Pleasant View	TN	20,020.92
28	Westside FWB Church	Johnsonville	SC	19,405.98
29	First FWB Church	Jacksonville	NC	18,373.25
30	Sand Hill FWB Church	Coward	SC	18,309.32
31	Parker's Chapel FWB Church	Greenville	NC	18,175.00
32	Townsend FWB Church	Townsend	DE	18,046.77
33	Locust Grove FWB Church	Locust Grove	OK	17,878.00
34	Tippett's Chapel FWB Church	Clayton	NC	17,870.02
35	Liberty Bible FWB Church	Gainesville	GA	17,775.25
36	New Hope FWB Church	Ina	IL	17,444.60
37	Peace FWB Church	Wilson	NC	17,094.87
38	Verdella FWB Church	Liberal	MO	17,081.66
39	Ruth's Chapel FWB Church	New Bern	NC	16,506.45
40	Gilead FWB Church	Scranton	SC	15,927.02
41	First FWB Church	Star City	AR	15,862.78
42	Woodward FWB Church	Woodward	OK	15,478.50
43	First FWB Church	Beaufort	NC	15,445.46
44	Bethlehem FWB Church	Ashland City	TN	15,204.00
45	Piney Grove FWB Church	ChIPLEY	FL	15,203.20
46	Bethany FWB Church	Timmons ville	SC	14,692.50
47	Porter FWB Church	Portsmouth	OH	14,667.39
48	First FWB Church	Washington	NC	14,657.87
49	Allen Chapel FWB Church	Batesville	AR	13,937.08
50	First Bible FWB Church	New Castle	IN	13,879.92
51	Winfield First FWB Church	Winfield	AL	13,756.85
52	Southern Oaks FWB Church	Oklahoma City	OK	13,751.00
53	First FWB Church	Ada	OK	13,452.50
54	Piney Grove FWB Church	Guin	AL	13,391.95
55	Trinity FWB Church	Darlington	MD	13,327.08
56	Liberty FWB Church	Lancaster	SC	13,160.00
57	Faith FWB Church	Goldsboro	NC	13,141.10
58	Calvary Fellowship FWBC	Fenton	MO	13,140.50
59	Red Bay FWB Church	Red Bay	AL	12,965.98
60	Westerville FWB Church	Westerville	OH	12,929.09
61	Temple FWB Church	Greenville	NC	12,753.59
62	Mt Olive FWB Church	Guin	AL	12,662.11

63	First FWB Church	Northport	AL	12,466.68
64	Double Branch FWB Church	Unadilla	GA	12,385.75
65	New Hope FWB Church	Joelton	TN	12,287.81
66	Cavanaugh FWB Church	Fort Smith	AR	12,237.92
67	Huntsville FWB Church	Huntsville	AL	12,085.41
68	Gospel Light FWB Church	Bonne Terre	MO	12,000.00
69	Union Chapel FWB Church	Chocowinity	NC	11,961.00
70	Poplar Springs FWB Church	Glen	MS	11,957.45
71	Temple FWB Church	Darlington	SC	11,759.57
72	Bellview FWB Church	Colquitt	GA	11,409.14
73	First FWB Church	Darlington	SC	11,408.00
74	Calvary FWB Church	Norman	OK	11,390.00
75	Calvary FWB Church	Norman	OK	11,290.00
76	Landmark FWB Church	Cary	NC	11,205.09
77	Harrah FWB Church	Harrah	OK	10,761.00
78	Unity FWB Church	Smithfield	NC	10,731.86
79	Rejoice First FWB Church	Owasso	OK	10,675.00
80	Phillip's Chapel FWB Church	Northport	AL	10,623.92
81	Harvest FWB Church	Fort Wayne	IN	10,588.79
82	Statesboro FWB Church	Statesboro	GA	10,529.35
83	Oak Park FWB Church	Pine Bluff	AR	10,448.75
84	Tupelo FWB Church	Tupelo	MS	10,405.38
85	Immanuel FWB Church	Durham	NC	10,373.00
86	Mt. Zion FWB Church	Pell City	AL	10,338.05
87	Cramerton FWB Church	Cramerton	NC	10,238.95
88	Harrison FWB Church	Minford	OH	10,200.00
89	First FWB Church	Springfield	MO	10,145.74
90	New Haven FWB Church	Ernul	NC	10,107.61

Special recognition also is due the top 10 states in giving to Free Will Baptist Foreign Missions.

Tennessee.....	\$971,690.99
North Carolina	721,144.83
Missouri	533,147.78
Arkansas.....	532,099.43
Oklahoma.....	506,981.40
South Carolina	441,983.17
Alabama.....	357,446.09
Georgia.....	274,698.22
Illinois	227,186.00
Michigan	217,251.19

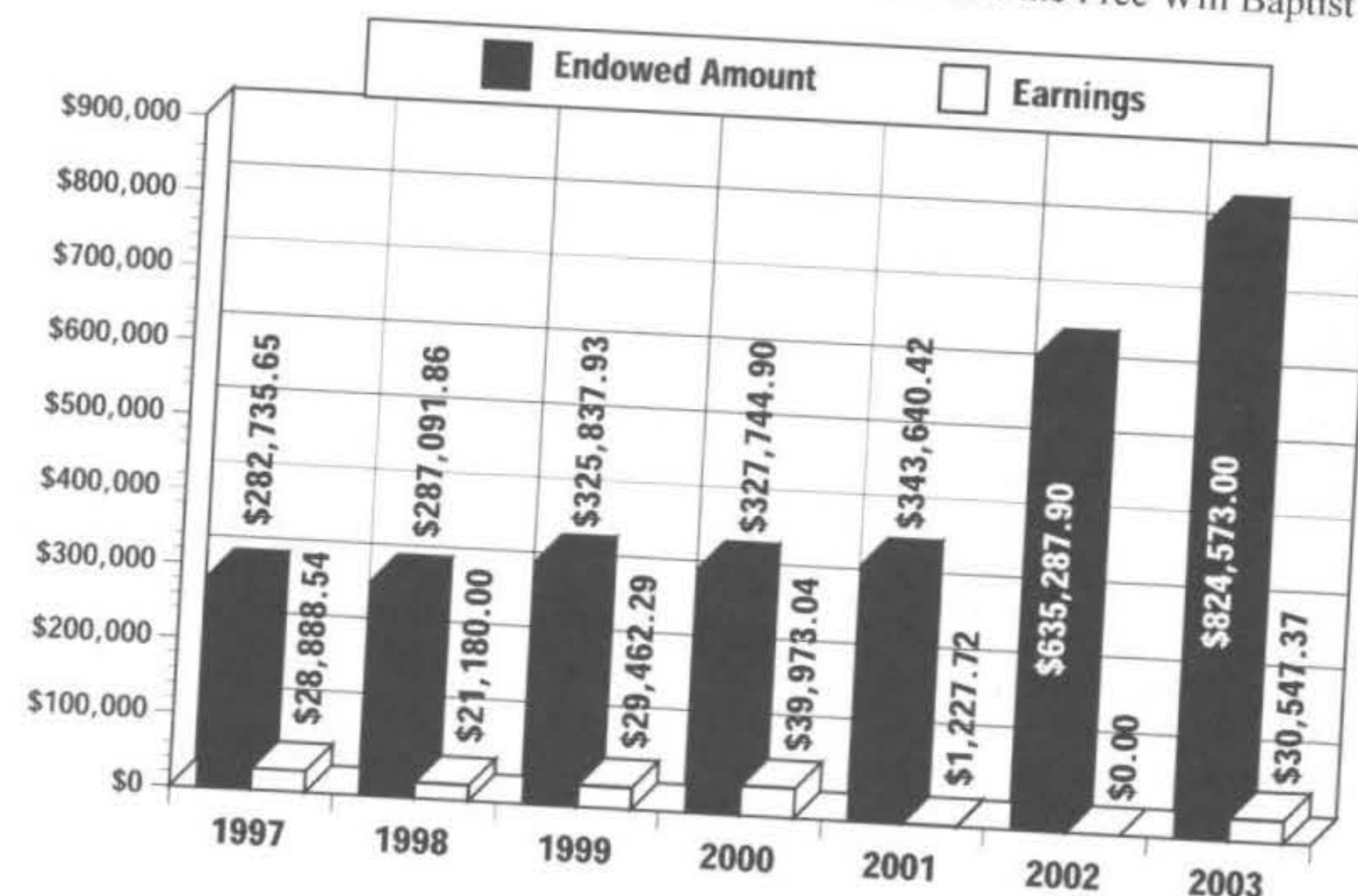
Churches giving over \$1,000 to the World Missions Offering

The World Missions Offering in April is the major fundraising effort for the support of denominational mobilization stateside. Our ability to continue a forward advance is directly proportionate to the growth in this offering. Each year a special thrust for this offering is made by Women Nationally Active for Christ. In 2003 they gave \$23,304.22. Once again, thank you ladies. Below is also a list of the churches which gave over \$1,000 for this offering. While 33 churches gave over \$1,000 in 2002, that number was increased to 38 in 2003.

Unity FWB Church	Greenville	NC	\$4,036.00
West Tulsa FWB Church	Tulsa	OK	3,950.00
First FWB Church	Poteau	OK	3,540.45
Sand Hill FWB Church	Coward	SC	3,000.00
Heritage FWB Church	Columbus	OH	2,569.43
Horse Branch FWB Church	Turbeville	SC	2,124.50
Piney Grove FWB Church	Guin	AL	2,000.00
Good Springs FWB Church	Pleasant View	TN	1,896.00
First FWB Church	Stanley	NC	1,788.00
Oakwood FWB Church	Woodlawn	TN	1,727.00
Wyandotte FWB Church	Mansfield	OH	1,700.00
Prospect FWB Church	Erwin	NC	1,536.91
First FWB Church	Russellville	AR	1,522.72
Double Branch FWB Church	Unadilla	GA	1,500.00
First FWB Church	Dickson	TN	1,452.00
Urbana FWB Church	Urbana	OH	1,350.00
Ina FWB Church	Ina	IL	1,330.00
Calvary FWB Church	Salem	IL	1,324.47
Vista FWB Church	Van Buren	AR	1,256.15
FWB Church of St. Croix	St. Croix	VI	1,200.00
New Hope FWB Church	Sumner	WA	1,140.20
Southwest FWB Church	Oklahoma City	OK	1,120.00
Cofer's Chapel FWB Church	Nashville	TN	1,072.75
Springfield FWB Church	Springfield	OH	1,036.55
Way of the Cross FWBC	Shelby	NC	1,026.00
Limestone FWB Church	Limestone	TN	1,025.00
Ryanwood Fellowship FWBC	Vero Beach	FL	1,004.00
East Nashville FWB Church	Nashville	TN	1,003.00
Ballew's Chapel FWB Church	Grubbs	AR	1,000.00
Inez FWB Church	Inez	KY	1,000.00
Ten Mile FWB Church	Madison Heights	MI	1,000.00
Bethel FWB Church	Kinston	NC	1,000.00
Rocky Pass FWB Church	Marion	NC	1,000.00
Community FWB Church	West Jefferson	OH	1,000.00
Northridge FWB Church	Guymon	OK	1,000.00

Bethlehem FWB Church	Ashland City	TN	1,000.00
Woodbine FWB Church	Nashville	TN	1,000.00
Thomaston Community FWB	Thomaston	TX	1,000.00

One of the mobilization targets of the Foreign Missions Department is to increase the financial underpinning of the Mission to provide a bold 21st century thrust. Potential in this area is incredible. Free Will Baptist men and women are increasingly interested in how they can be good stewards of the resources God has given them. Some have experienced unexpected financial blessings and want to make sure to use their resources in a way that will advance the Kingdom. Others want their assets to advance the cause of Christ long after their death. Estate planning promises to be a fertile field for financial planning. Free Will Baptist Foreign Missions is determined to continue our concerted effort toward this goal. The table below shows the continued growth of the endowment with the Free Will Baptist Foundation.



Tribute to our Missionaries and Staff

Our missionaries serve in many complicated situations throughout the world. Many throughout the world have negative feelings toward the United States. This has heightened the awareness of risk in the global evangelism enterprise. Unfortunately, terrorism will probably be a front-burner issue for years to come. In the midst of all the challenges, our missionaries serve the Lord with gladness. They are right where they want to be.

The home front team in Foreign Missions is made up of the most dedicated, hard-working and pleasant people with whom I have had the privilege to work. The past year has been very transitional. Three new employees have been hired: Doug Little began working on August 1, 2003 as the Director of Stateside Development. April Bybee was hired as his assistant. Tracy Jennette is the Administrative Assistant to the General Director. Each brings a unique and valuable contribution to our team.

Since the last National Association the three most senior members of our home front team in Antioch have retired. Shirley Lauthern (35 years), Don Robirds (32 years), and Carole Ragan (18 years) brought a priceless contribution to the task. We praise the Lord for their 85 combined years of selfless service.

Board Meetings and Actions

National Association Meeting – July 24, 2003

After the National Association the Mission had a mini-retreat with the missionaries on stateside assignment, retired missionaries, the board and staff. After the retreat the board met at the Hampton Inn in Tampa. Members present were: Milton Worthington (chairman), Randy Wilson (vice-chairman), Danny Williams (secretary), Bill Jones, Sherwood Lee, Jerry Norris, David Shores and Bill Van Winkle.

Final approval was given to Shane and Joy Davison to serve as career missionaries in Côte d'Ivoire.

The board approved the bylaws of the Hanna Project (NGO).

A one-year leave of absence was granted to Curt and Mary Holland. A three-month extension to their leave of absence was granted to Stan and Brenda Bunch. Dale and Sandra Bishop were reappointed to another term of service in Japan. Mike and Deleen Cousineau were reappointed to another term of service in Cote d'Ivoire. The status of Robert and Pam West and Kenneth and Rejane Eagleton was changed to career missionary.

The following designations were approved from the Anticipated Opportunities budget: \$7,500 was approved in the 2003 budget to be raised for visiting professors in Russia. An additional \$7,500 was approved in the 2004 budget to be raised for visiting professors in Russia. The earnings from the Foundation Endowment Trust #3-238 were designated to Support Services.

E-mail Ballot – September 23, 2003

The Board accepted the retirement of Drs. John and Esther Chang to be effective September 30, 2003. They will, however, continue to supervise Free Will Baptist ministries in Korea and the funds sent there through the budget.

Conference Call – October 8, 2003

The following board members participated in the conference call: Milton Worthington (Chairman), Danny Williams (Secretary), Bill Jones, Sherwood Lee, Jerry Norris, David Shores and Bill Van Winkle, and General Director James Forlines.

The board approved the composition of the Hanna Project board: Steve Lytle, chairman, Rob Conley, secretary-treasurer, and Eddie Payne. The recommendations from Frank Ingraham concerning the Hanna Project were tabled until after the December board meeting.

A VISION Project for the South India Bible Institute was approved. Permission was granted to raise \$60,000 through the Anticipated Opportunities budget.

A retirement bonus was approved for Carole Ragan.

Semi-Annual Meeting – December 8 and 10, 2003

Members present were: Milton Worthington (chairman), Randy Wilson (vice-chairman), Danny Williams (secretary), Bill Jones, Sherwood Lee, Jerry Norris, David Shores, Bill Van Winkle, and David Williford.

Approval was given to Shannon Little to serve as a career missionary in Japan.

The newly revised *Handbook* was adopted in its entirety. The newly revised *Home Office Employee Handbook* was also adopted in its entirety.

The Hanna Project By-laws were amended by substitution on Article IX which deals with amendments. The amended section reads:

- 9.1 The General Director of the Board of Foreign Missions, at any regular annual meeting or at a special meeting called for that purpose, shall present the Board of Trustees of the Board of Foreign Missions with the proposed amendment;
- 9.2 The Board of Trustees of the Board of Foreign Missions shall take the amendment under consideration, and shall not vote on the amendment until its next meeting subsequent to the annual session of the National Association of Free Will Baptists. Approval of the amendment requires a majority vote of the Board of Trustees of the Board of Foreign Missions.

The Board adopted the following resolution concerning the retirement of Don Robirds:

We the Board of Foreign Missions give a special commendation to Don Robirds on the occasion of his retirement on December 31, 2003. For eight years he and Carol served as missionaries to Brazil, and for thirty-two years he served as Director of

Communications, Publications, and Public Relations. The rising awareness of the needs of an unreached world among our denomination is due largely to Don and his sacrificial work.

The Board adopted the following resolution concerning the retirement of Shirley Lauthern:

We the Board of Foreign Missions give a special commendation to Shirley Lauthern on the occasion of her retirement on January 31, 2004. For thirty-five years she served as the Administrative Assistant to the General Director. Her selfless devotion to others has set the tone for the whole Mission. Though she has never visited a mission field, few have had such positive impact on each missionary who has served with the Mission during these years.

A retirement bonus was approved for Don Robirds and Shirley Lauthern.

The Medicare Supplemental Program was extended to all full-time employees. The length of employment required to benefit from the program was raised from 10 to 15 years.

The board endorsed the concept of the Global Outreach Church network. They also endorsed the creation of the Ambassador Corps for those formerly associated with the Mission.

The following Field Chairmen were approved:

Uruguay	-	Jaimie Lancaster
Japan	-	Don McDonald

The following missionaries were approved for another term of service:

Japan	-	Don and Ruth McDonald
Japan	-	Debbie Griffin
Japan	-	Ken and Judy Bailey
Russia	-	Mike and Cathy Corley

The firm of Warren, Denney, and Wallace CPA were approved to do the 2003 audit.

The following projects were approved granting permission to raise funds through the Anticipated Opportunities budget:

VISION Project	-	Uberlândia, Brazil	-	\$50,000
Special Project	-	M-Team vehicle	-	\$25,000
Special Project	-	Korea Ministries	-	\$ 7,800
Special Project	-	FWBBC Missions	-	\$ 1,000

A promissory note of \$150,000 was approved through the Free Will Baptist Foundation for the purchase of the Miharashidai church property in Japan.

The board approved the annual Missionary Retreat to be held July 16-17, 2004 prior to the National Association in Kansas City.

A two-year assignment to Brazil was approved for Kristen Wilson. Mobilization and Recruitment Director Eddie Payne was approved to work out the final details for an overseas internship for Patrick McDaniel. This is to complete the practicum with FWBBC to acquire the new missions major degree.

BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS

December 31, 2003 and 2002

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WARREN, DENNEY & WALLACE

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Board of Foreign Missions of the
National Association of Free Will Baptists
Antioch, Tennessee

We have audited the accompanying statements of financial position of the Board of Foreign Missions of the National Association of Free Will Baptists (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Foreign Missions of the National Association of Free Will Baptists as of December 31, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

March 29, 2004

**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statements of Financial Position
December 31, 2003 and 2002

ASSETS

	2003	2002
Cash and cash equivalents – Notes 1 & 2	\$ 1,650,765	\$ 1,290,854
Investments in trusts – Notes 1 & 2	1,432,711	1,249,501
Investments – Notes 2 & 10	19,739	16,344
Accounts receivable from employees and missionaries – Note 2	100,648	100,143
Property and equipment, at cost, net of accumulated depreciation – Notes 1 & 3	112,169	128,759
Prepaid expenses		392
Total assets	\$ 3,316,032	\$ 2,785,993

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 217,068	\$ 180,818
Supplemental retirement insurance payable	416,088	385,613
Accrued severance pay payable	150,623	151,957
Total liabilities	783,779	718,388
Commitments - Notes 7 & 8		
Net assets (deficit)	(329,778)	(365,996)
Unrestricted	2,835,790	2,407,360
Temporarily restricted – Note 4	26,241	26,241
Permanently restricted – Note 4		
Total	2,532,253	2,067,605
Total liabilities and net assets	\$ 3,316,032	\$ 2,785,993

See accountants' report and accompanying
notes to the financial statements.

**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statements of Activities
For the Years Ended December 31, 2003 and 2002

	2003	2002
Unrestricted		
Revenue:		
Contributions – Notes 1 & 5	\$ 1,124,037	\$ 1,040,774
Investment income	4,569	78,559
Gain (loss) on investments	106,097	(3,293)
Projector lease income	7,535	10,805
Gain (loss) on disposal of property & equipment	(3,028)	(10,518)
Net assets released from restrictions:		
Restrictions satisfied by payments	4,542,403	4,207,845
Total revenue	5,781,613	5,324,172
Expenses:		
Support services	1,202,992	1,167,319
Missionaries	4,404,136	4,087,272
VISION campaign	138,267	120,573
Total expenses	5,745,395	5,375,164
Increase (decrease) in unrestricted net assets	36,218	(50,992)
Temporarily restricted		
Revenue:		
Contributions – Notes 1, 4 & 5	4,970,833	4,565,003
Net assets released from restrictions:		
Restrictions satisfied by payments	(4,542,403)	(4,207,845)
Increase (decrease) in temporarily restricted net assets	428,430	357,158
Permanently restricted		
Revenue:		
Contributions – Notes 1 & 4		
Increase in permanently restricted net assets		
Total increase (decrease) in net assets	464,648	306,166
Net assets – beginning of year	2,067,605	1,761,439
Net assets – end of year	\$ 2,532,253	\$ 2,067,605

See accountants' report and accompanying notes to the financial statements.

**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

	2003	2002
Operating activities	\$ 464,648	\$ 306,166
Increase (decrease) in net assets		
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	54,774	58,784
Loss (gain) on investments	(106,097)	3,293
Loss (gain) on disposal of property and equipment	3,028	10,518
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(505)	(9,343)
Decrease (increase) in prepaid expenses and deposits	392	(392)
Increase (decrease) in accounts payable and accrued expenses	65,391	5,614
Net cash provided (used) by operating activities	481,631	374,640
Investing activities		
Purchases of equipment	(87,475)	(87,047)
Proceeds from sale of equipment	46,263	74,378
Purchases of investment	(80,508)	(112,096)
Net cash provided (used) by investing activities	(121,720)	(124,765)
Financing activities		
Net cash provided by financing activities	-0-	-0-
Increase (decrease) in cash and cash equivalents	359,911	249,875
Cash and cash equivalents at beginning of year	1,290,854	1,040,979
Cash and cash equivalents at end of year	\$ 1,650,765	\$ 1,290,854

See accountants' report and accompanying notes to the financial statements.

BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 - Organization and summary of significant accounting policies

The Board of Foreign Missions of the National Association of Free Will Baptists is a nonprofit organization affiliated with the National Association of Free Will Baptists, located in Antioch, Tennessee. The purpose of the Organization is to establish and support Free Will Baptist Mission Churches throughout the world. The Organization's support comes primarily from donor contributions.

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code under a group exemption of the National Association of Free Will Baptists. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of 509(a) of the Internal Revenue Code. There was no unrelated business income for 2003 and 2002.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of accounting

The Organization prepares its financial statements using the accrual basis of accounting, which involves the application of generally accepted accounting principles; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Financial Statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to the Financial Statements
December 31, 2003 and 2002

Note 1 -

Organization and summary of significant accounting policies (Continued)

Contributions (continued)

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Property and equipment and depreciation

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2000 and an estimated useful life of at least two years. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Automobiles	5 years
Office furniture and equipment	3 - 10 years

The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

Investments

Investments are composed of equity securities and are valued at quoted market price.

Investments in Trusts

Investments in Trusts are composed of six trusts established and maintained by the Free Will Baptist Foundation. The Foundation invests the two largest trusts in debt securities and preferred stock and values the trusts at market value. The remaining trusts are invested in government securities and valued at cost, which approximates market value.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Board considers all cash on deposit, money market funds and highly liquid debt instruments with maturity of three months or less when purchased to be cash equivalents.

**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Notes to the Financial Statements
December 31, 2003 and 2002

Note 2 -

Summary of significant concentrations of financial instruments

As of December 31, 2003 and 2002, the Board had deposits with a financial institution located in the United States and the Free Will Baptist Foundation, Inc., located in Antioch, Tennessee. Accounts at the financial institution are insured up to \$100,000 by the Federal Deposit Insurance Corporation. Accounts at the Free Will Baptist Foundation, Inc., are uninsured. The Board also has accounts receivable from employees and missionaries and other receivables which are uninsured. The following is a summary of those deposits, accounts receivable and the corresponding risk of accounting loss:

December 31, 2003			
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Interest bearing deposit accounts with financial institution	\$ 1,650,765	\$ 100,000	\$ 1,550,765
Total cash and cash equivalents	1,650,765	100,000	1,550,765
Interest bearing deposits on account with the Free Will Baptist Foundation, Inc.	1,432,711		1,432,711
Common stock	19,739		19,739
Total investments	1,452,450		1,452,450
Accounts receivable from employees and missionaries	100,648		100,648
Total	\$ 3,203,863	\$ 100,000	\$ 3,103,863

December 31, 2002			
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Interest bearing deposit accounts with financial institution	\$ 1,290,854	\$ 100,000	\$ 1,190,854
Total cash and cash equivalents	1,290,854	100,000	1,190,854
Interest bearing deposits on account with the Free Will Baptist Foundation, Inc.	1,249,501		1,249,501
Common stock	16,344		16,344
Total investments	1,265,845		1,265,845
Accounts receivable from employees and missionaries	100,143		100,143
Total	\$ 2,656,842	\$ 100,000	\$ 2,556,842

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**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Notes to the Financial Statements
December 31, 2003 and 2002

Note 3 -

Property and equipment

A summary of property and equipment is as follows:

	2003	2002
Office furniture and equipment	\$ 68,851	\$ 68,851
Cameras and projectors	111,733	111,732
Automobiles	93,654	76,022
Computer equipment	77,926	71,068
	352,164	327,673
Less: Accumulated depreciation	239,995	198,914
	\$ 112,169	\$ 128,759

Depreciation expense, computed utilizing the straight-line method amounted to \$54,774 (\$58,784 in 2002).

Note 4 -

Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2003	2002
Missionaries	\$ 2,775,418	\$ 2,348,098
VISION campaign	60,372	59,262
	\$ 2,835,790	\$ 2,407,360

These net assets are restricted due to donor restrictions. They are released when the donor restriction is satisfied.

Permanently restricted assets are restricted to:

Support Services Endowment	\$ 25,031	\$ 25,031
MK Scholarship Endowment	1,210	1,210
	\$ 26,241	\$ 26,241

Note 5 -

Support services allocation

The Board charges a fee against the foreign field accounts to reimburse the unrestricted net assets for support service expenses. These fees are presented as transfers from the temporarily restricted net assets to the unrestricted net assets.

Note 6 -

Pension plan

The Board participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The Board contributes 5% of gross salary for missionaries and administrative employees. Employees are allowed to contribute but are not required to contribute. Employees with two years of service may participate. Pension expenses amounted to \$92,723 (\$91,812 in 2002). The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase one of several types of annuity contracts.

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BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to the Financial Statements
December 31, 2003 and 2002

Note 7 - Lease

The Board entered into a new lease agreement on July 1, 2000. The term of the lease was July 1, 2000 to August 31, 2000, and then beginning September 1, 2000 the lease became a year-to-year lease. The rent expense for the year amounted to \$74,988 (\$74,988 for the year ended December 31, 2002).

Note 8 - Commitments

The Board provides health insurance for its 95 (82 in 2002) employees on a partially self-insured basis. The board has an insurance policy with International Medical Group for claims in excess of the deductible. The deductible is \$2,500 and the coinsurance is 80% of the next \$5,000. The deductible and coinsurance are paid out of Missionary funds. All claims are processed by International Medical Group. During the year the Board paid \$82,738 (\$89,052 in 2002) in benefit payments and \$208,278 (\$179,862 in 2002) in insurance premiums.

The Board has entered into an indemnity and Hold Harmless Agreement with AmSouth Bank. As part of the agreement, AmSouth Bank will guarantee to Citibank that it will honor checks written on the Board of Foreign Missions' AmSouth Bank account by the Board of Foreign Missions' Cote d'Ivoire Mission employees up to \$20,000 per check. In exchange, the Board of Foreign Missions will indemnify and hold harmless AmSouth Bank from any and all claims, liabilities, actions or causes of action that arise as a result of AmSouth Bank's agreement to guarantee checks to Citibank.

The Board entered into an agreement with the Free Will Baptist Foundation, Inc. to guarantee a loan that the Foundation made to the Japanese Field Council for the purchase of a building in Hokkaido Japan. The original amount of the loan was \$155,000.

Note 9 - Fair values of financial instruments

The following methods and assumptions were used by the Board in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, investments in trusts, receivables and payables: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair value of investments is based on quoted market price for those investments.

Note 10 - Investments

Investments are stated at fair value and consist of equity securities:

	December 31, 2003		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 79,520	\$ 19,739	(\$ 59,781)

Investment return is summarized as follows:

Net realized and unrealized income (loss) \$ 3,395

BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to the Financial Statements
December 31, 2003 and 2002

Note 10 - Investments (continued)

Investments are stated at fair value and consist of equity securities:

	December 31, 2002		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 79,520	\$ 16,344	(\$ 63,176)

Investment return is summarized as follows:

Net realized and unrealized income (loss) (\$ 3,293)

WARREN, DENNEY & WALLACE

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CERTIFIED PUBLIC ACCOUNTANTS
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors of the
Board of Foreign Missions of the
National Association of Free Will Baptists
Antioch, Tennessee

Our report on our audits of the basic financial statements of the Board of Foreign Missions of the National Association of Free Will Baptists for 2003 and 2002 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Warren, Denney & Wallace

March 29, 2004

BOARD OF FOREIGN MISSIONS OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS Schedule of Functional Expenses For the Years Ended December 31, 2003 and 2002

	2003	2002
Support services:		
Video and audio visual	\$ 25,298	\$ 46,103
Heartbeat	35,174	35,524
Other publications expense	1,926	3,378
Postage	36,464	40,538
Publicity	44,450	26,399
Telephone	10,350	13,826
Dues	210	179
Paper and supplies	2,088	4,427
Together Way Program	2,919	5,872
Retreat	5,322	3,759
Tracts and books	4,085	3,082
Seminar and training	5,927	4,555
Convention expense	7,640	5,297
Department auto	30,523	21,609
Board members	14,804	11,713
Administrative - overseas travel		742
Department insurance	4,548	4,068
Department travel	23,082	6,939
Travel insurance	333	642
Honorariums	771	1,050
Missions promotion	4,839	10,941
Recruiting and candidate expense	3,576	2,274
Salaries	479,651	485,359
Housing	85,800	72,100
Social Security	23,345	23,840
Employer payroll taxes	24,731	25,823
Retirement	27,750	25,736
Hospitalization	103,630	93,356
Office travel allowance	6,540	8,027
Legal and professional	7,811	7,220
Office rent	74,988	74,988
Off-site storage expense	1,680	1,680
Computer software expense	6,481	8,910
Office equipment	7,559	7,475
Maintenance of office equipment	856	900
Office supplies	17,612	8,223
Bank service charges	734	1,325
Office help		358
Staff recognition	2,493	201
COLA indexes	4,275	4,455
Benevolence	395	155
Staff retreat	683	27
Miscellaneous	1,995	2,390
Depreciation	54,774	58,784
Visitor meals, entertainment & lodging	1,574	3,060
Mobilization network	3,306	10
Total support services	\$1,202,992	\$1,167,319

See accountants' report on supplementary information.

**BOARD OF FOREIGN MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**
Schedule of Functional Expenses
For the Years Ended December 31, 2003 and 2002

	2003	2002
Missionary expenses:		
Ivory Coast	\$ 476,273	\$ 722,233
France	794,634	485,857
India	224,085	206,925
Brazil	604,933	548,202
Japan	710,300	624,643
Panama	222,732	197,271
Spain	489,349	456,620
Uruguay	269,861	252,453
Commonwealth of Independent States	136,897	112,528
Unreached people	27,544	19,620
Korea	56,001	64,876
Overseas Apprentices	263,038	252,651
Other projects	173,338	191,469
Missionary medical	(44,849)	(48,076)
Total missionary expenses	<u>4,404,136</u>	<u>4,087,272</u>
VISION campaign expenses:		
Project expenses	138,267	120,573
Total VISION campaign expenses	<u>138,267</u>	<u>120,573</u>
Total expenses	<u>\$5,745,395</u>	<u>\$5,375,164</u>

See accountants' report on supplementary information.

**Home Front Personnel
Compensation Detail**

	Budget 2004	Actual 2004	Proposed 2005
General Director	\$33,534	\$31,533	\$32,795
Salary	28,080	27,000	28,080
Housing and Utilities	9,936	9,439	9,817
Social Security	3,081	2,927	3,044
Retirement	14,025	13,250	13,250
Insurance	\$88,656	\$84,149	\$86,985
Total Cost of Employment			
Director of Field Operations	\$30,145	\$27,222	\$28,311
Salary	18,720	19,200	19,968
Housing and Utilities	7,880	7,486	7,785
Social Security	2,443	2,321	2,414
Retirement	14,025	13,250	9,400
Insurance	\$73,213	\$69,479	\$67,878
Total Cost of Employment			
Director of Stateside Development	\$30,145	\$27,222	\$28,311
Salary	18,720	19,200	19,968
Housing and Utilities	7,880	7,486	7,785
Social Security	2,443	2,321	2,414
Retirement	14,025	5,258	5,783
Insurance	\$73,213	\$61,487	\$64,262
Total Cost of Employment			
Director of Member Care	\$48,870	\$46,422	\$48,279
Salary	7,787	7,397	7,693
Social Security	2,444	2,321	2,414
Retirement	14,025	5,258	5,783
Insurance	\$73,125	\$61,398	\$64,169
Total Cost of Employment			
Director of Financial Operations	\$48,870	\$46,422	\$48,279
Salary	7,787	7,397	7,693
Social Security	2,444	2,321	2,414
Retirement	14,025	13,250	13,250
Insurance	\$73,125	\$69,390	\$71,636
Total Cost of Employment			
Director of Mobilization & Recruitment	\$32,235	\$28,422	\$29,559
Salary	16,630	18,000	18,720
Housing and Utilities	7,880	7,486	7,785
Social Security	2,443	2,321	2,414
Retirement	5,500	5,258	5,783
Insurance	\$64,688	\$61,487	\$64,262
Total Cost of Employment			
Director of Public Relations	36,073	-	-
Salary	12,792	-	-
Housing and Utilities	7,880	-	-
Social Security	2,443	-	-
Retirement	14,025	-	-
Insurance	\$73,213	-	-
Total Cost of Employment			

Vehicles provided for staff

Note: Medical insurance amount does not include portion paid personally

Free Will Baptist Foreign Missions

Consolidated 2005 Budget

Fields and Projects	Personal Allowances	Ministry Allowances	Home Office Allocation	Project Allowances	Total Field Budget
Ivory Coast.....	\$ 390,601.98	\$ 148,000.00	\$ 49,797.85	\$ 113,600.00	\$ 701,999.84
Brazil.....	520,966.02	73,505.00	67,597.14	139,151.44	801,219.60
France.....	864,183.62	101,400.00	99,595.71	165,616.87	1,230,796.20
India.....	69,959.60	49,800.00	8,299.64	116,200.00	244,259.24
Japan.....	615,690.57	268,040.00	61,797.85	104,520.00	1,050,048.42
Korea.....				154,000.00	154,000.00
Russia/C.I.S.....	57,514.96	9,500.00	8,299.64	103,600.00	178,914.60
Panama.....	204,910.93	19,650.00	24,898.93	73,550.00	323,009.85
Spain.....	533,519.73	49,550.00	45,098.21	556,250.00	1,184,417.95
Uruguay.....	178,462.33	24,900.00	24,898.93	61,900.00	290,161.25
Cuba.....				43,000.00	43,000.00
Other fields				757,500.00	770,100.00
Projected missionary appointments			12,600.00	300,000.00	349,797.85
Other anticipated opportunities			49,797.85	200,000.00	200,000.00
Total fields and projects	\$3,435,809.74	\$ 744,345.00	\$ 452,681.76	\$ 2,888,888.31	\$ 7,521,724.80
Home Front Budget					
Mobilization.....					407,908.26
Field Support.....					139,476.57
Administrative.....					946,945.70
Less: missionary/project allocations - 9%					(452,681.76)
Net Home Front Budget					\$ 1,041,648.77
Total Operational					\$ 8,563,373.57
VISION Projects					
Special Projects.....					\$ 5,479,770.00
Video & Film Division.....					1,266,000.00
Restricted Access NGO.....					250,000.00
					705,000.00
Grand Total Budget					\$16,264,143.57

Note: Budgets for foreign expenditures are subject to change where extreme fluctuations in the value of the dollar occur.



Free Will Baptist Bible College

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FREE WILL BAPTIST BIBLE COLLEGE

President's Report

Mission

For sixty-two years, Free Will Baptist Bible College has been fulfilling its mission, "to equip men and women, through Bible-based education, to serve Christ and His Church." We are building on our legacy to provide excellence in Christian higher education, helping students to find God's calling for their lives and preparing them to fulfill it.

Our desire is to teach our students to bring "into captivity every thought to the obedience of Christ" (2 Corinthians 10:5). Vocationally, we aim to provide our churches with pastors and other vocational Christian ministers; to equip church planters and cross-cultural missionaries to extend the ministry of our churches to the ends of the earth; and to supply our churches with strong lay leaders who will serve as salt and light in non-church-related careers.

Growth

Free Will Baptist Bible College is in a growth mode. Our enrollment has increased by 20% over the past two years, and our dormitory student enrollment has increased by 25% over that period.

We have experienced a substantial increase in net assets, equity, and cash reserves. This increase was made possible in large part by the purchase of a new building on West End Avenue for the iLearn Academy (early childhood center), as well as the sale of a tangential property on Central Avenue, a block away from our core campus.

This year we will experience a substantial surplus in our financial audit, owing to the sale of the Central Avenue property. Yet, even with that sale, a surplus would have been impossible were it not for painful budget cuts, including personnel cuts, and sacrificial efforts by the college family to decrease spending.

Renovations continue on campus. Codes issues forced the delay of the renovation of the iLearn building, which will be completed this summer. We have also begun renovations on Welch Library that will span the next three years. Though campus renovations have increased our debt, they have also greatly increased our assets and the beauty of our campus.

The Adult Degree Program had a good start and is experiencing gradual growth. This summer we will add a program in post-baccalaureate teacher licensure, which will complement the evening programs we have in Biblical studies (B.S., general Christian ministries track), Business and Leadership (B.S.), and Business Administration (A.S.).

Our fastest growing degree program is our Pastoral Ministry major. Under the creative leadership of Terry Forrest, student enrollment in this program has doubled. This corresponds with the college's renewed initiative to address the shortage of pastors among Free Will Baptists and to graduate more Pastoral Ministry majors than ever.

We have experienced tremendous growth in our B.S. program in business, and our new programs in history and early childhood have attracted great interest. Our Missions program is experiencing new life. Our new Missions program coordinator, Ronald Callaway, brings almost three decades of cross-cultural ministry experience to the classroom, and is aiding in our goal to make global mission a priority of every student at Free Will Baptist Bible College. We are eagerly anticipating the arrival of our 2004-05 missionary-in-residence, Donald McDonald, and his family, who are coming home from Japan to serve at the college for one year.

We are also pleased to announce two new faculty members. James Stevens has joined the college family as Chairman of the Department of Music, and alumnus Rachel Callaway will begin teaching English in the fall.

Thanks

I want to say thank you to hundreds of churches and thousands of alumni and friends who have steadfastly supported us. Thank you for sending us bright, service-oriented, and spiritually minded students. Thank you for your intercessory prayers for our faculty, our staff, our students and prospective students, and our future. Finally, thank you for your sacrificial giving to Free Will Baptist Bible College. We accept no government funds; so without the financial support of friends like you, we cannot continue to provide excellence in Christian higher education. Thank you.

Financial Aid Report 2003-2004

Type of Aid	Number of Recipients	Amount of Aid
Institutional Loans	67	\$ 102,154.17
Student worker earnings	80	160,327.56
FWBBC Scholarships	256	348,677.50
Tennessee Grant Programs	16	46,935.00
Federal SEOG	26	19,041.00
Federal Work Study Program	17	25,511.00
Federal Pell Grant	132	299,033.50
Federal Subsidized Stafford Loan Program	180	642,600.28
Federal Unsubsidized Stafford Loan Program	85	293,091.00
Federal PLUS Loan Program	46	287,677.55
Alternative Loans	18	130,373.78
External Scholarships	128	162,780.12
Total Financial Aid Administered, 2003-2004		\$2,518,202.46

Welch Library

Total books, bound volumes, microforms, sound recordings, video-cassettes, instructional materials etc.----- 154,820

ANNUAL REGISTRATION REPORT—2003-04

Enrollment -----365

Enrollment Breakdowns by:

State:

Alabama -----	16	Missouri -----	12
Arizona -----	1	North Carolina -----	29
Arkansas -----	28	Ohio -----	9
California -----	3	Oklahoma -----	1
Florida -----	11	Pennsylvania -----	2
Georgia -----	19	South Carolina -----	5
Illinois -----	23	Tennessee -----	113
Indiana -----	9	Texas -----	5
Kansas -----	3	Virginia -----	20
Kentucky -----	8	Wisconsin -----	1
Louisiana -----	1	West Virginia -----	4
Michigan -----	15	Foreign -----	18
Mississippi -----	9		

The student body represents 24 states and 8 foreign countries (Albania, Bahamas, Brazil, Canada, Japan, Russia, Spain, and Zimbabwe).

Classification:

Freshmen -----	149
Sophomores -----	74
Juniors -----	63
Seniors -----	67
Special -----	12

Other Categories:

New -----	94	Male -----	177	Dormitory -----	256
Returning -----	21	Female -----	188	Commuters -----	109
Continuing -----	204				
Transfer -----	36	Full-time -----	304	Single -----	307
Special -----	10	Part-time -----	61	Married -----	58

Free Will Baptist ---	328
Other -----	37

Vocational:

Pastoral -----	*45	Business -----	43	History -----	5	Exercise Science --	11
YM/CE -----	31	English -----	7	Music -----	20	Special -----	10
Missions -----	36	General Studies ----	2	Psychology -----	22	Teacher Education	83
Ministry Emphasis -	5						
Undeclared -----	45						

*There are some pastoral students listed in other majors.

Synopsis of Minutes December 10-11, 2003

The Board voted to grant the president's request to hire a contractor to begin work on the iLearn building as soon as possible. The Board voted to take \$150,000 from the sale of the 3611 Central Avenue property to apply to the iLearn property renovation.

The Board also voted to spread Welch Library renovations over three summers (or less), beginning as soon as possible.

Synopsis of Minutes May 10-12, 2004

President Matthew Pinson reported that the college has experienced an increase in net assets, a stronger equity, and more cash reserves due primarily to the sale of the 3611 Central Avenue property. Campus renovations are continuing. However, iLearn renovations are behind schedule due to delays in obtaining permits.

The Pastoral Training program leads the growth of several successful degree programs, with a substantial enrollment increase. The Board commended Rev. Ralph Hampton for his years of service and gave him the title *Professor Emeritus*.

The Board approved a 2004-05 budget of \$6,033,945.



Free Will Baptist
Bible College

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2003-04 Financial Report

HHA Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

The Board of Trustees
Free Will Baptist Bible College

761 Old Hickory Boulevard
Suite 206
Brentwood, TN 37027
TEL: 615/377-3485
FAX: 615/377-3488

We have audited the accompanying statements of financial position of Free Will Baptist Bible College as of May 31, 2004 and 2003, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Will Baptist Bible College as of May 31, 2004 and 2003, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

June 30, 2004

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Financial Position

May 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 688,364	291,157
Investments in marketable securities, at market value	12,531	11,104
Accounts receivable:		
Student accounts	112,866	41,812
Employee and other	86,425	63,498
Pledges receivable	99,529	49,580
Less allowance for doubtful accounts	(20,000)	(16,000)
Prepaid expenses and escrow deposits	37,611	63,640
Inventories	38,311	60,724
Total current assets	1,055,637	565,515
Non current assets:		
Cash:		
Restricted for endowments	317,930	296,683
Restricted for student loans	416,242	414,086
Investments in marketable securities, at market value:		
Restricted for endowments	503,641	469,797
Held under life income agreements	3,628	3,247
Campaign pledges	50,000	59,300
Loans to students, less allowance for doubtful loans of \$26,000 in 2004 and \$15,000 in 2003	135,954	163,059
Total non current assets	1,427,395	1,406,172
Property, plant and equipment:		
Investment in property, plant and equipment	8,535,447	7,480,361
Accumulated depreciation	3,340,046	3,139,523
Net property, plant and equipment	5,195,401	4,340,838
Total assets	\$ 7,678,433	6,312,525
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 153,567	95,040
Current portion of long-term debt	4,974	4,444
Notes payable	1,566,033	690,805
Student deposits and agency funds	162,193	116,008
Accrued salaries	127,586	110,141
Deferred revenues - summer school and other	47,230	18,333
Total current liabilities	2,061,583	1,034,771
Long-term debt	37,968	42,616
Total liabilities	2,099,551	1,077,387
Net assets:		
Unrestricted funds	3,883,638	3,589,964
Temporarily restricted funds	359,712	336,200
Permanently restricted funds	1,335,532	1,308,974
Total net assets	5,578,882	5,235,138
Total liabilities and net assets	\$ 7,678,433	6,312,525

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Activities and Changes in Net Assets

For the years ended May 31, 2004 and 2003

	2004				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2004	Total 2003
Revenues:					
Tuition and fees	\$ 2,212,972	-	-	2,212,972	1,914,212
Federal grants and contracts	-	41,628	-	41,628	43,030
Private gifts	1,289,536	209,983	19,144	1,518,663	1,517,777
Endowment income	2,117	1,717	-	3,834	4,730
Investment income	12,548	2,322	2,780	17,650	9,360
Gain (loss) on investment transactions	(169)	847	34,351	35,029	(35,340)
Gain on sale of College property	258,662	-	-	258,662	-
Sales and services of auxiliary enterprise	1,196,724	-	-	1,196,724	1,050,326
Other sources	21,625	-	(29,717)	(8,092)	(1,451)
	4,994,015	256,497	26,558	5,277,070	4,502,644
Net assets released from restrictions	232,985	(232,985)	-	-	-
Total revenues	5,227,000	23,512	26,558	5,277,070	4,502,644
Expenditures:					
Educational and general:					
Instruction	1,447,788	-	-	1,447,788	1,308,010
Academic support	385,988	-	-	385,988	371,518
Student services	589,186	-	-	589,186	548,957
Institutional support	1,423,615	-	-	1,423,615	1,307,651
Total educational and general expenditures	3,846,577	-	-	3,846,577	3,536,136
Auxiliary enterprises:					
Dormitories	448,775	-	-	448,775	411,879
Dining hall	506,425	-	-	506,425	469,480
Bookstore	118,407	-	-	118,407	93,992
Snackshop	13,142	-	-	13,142	14,861
Total auxiliary enterprises expenditures	1,086,749	-	-	1,086,749	990,212
Total expenditures	4,933,326	-	-	4,933,326	4,526,348
Increase (decrease) in net assets	293,674	23,512	26,558	343,744	(23,704)
Net assets at beginning of year	3,589,964	336,200	1,308,974	5,235,138	5,258,842
Net assets at end of year	\$ 3,883,638	359,712	1,335,532	5,578,882	5,235,138

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Cash Flows

For the years ended May 31, 2004 and 2003

	2004				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2004	Total 2003
Cash flows from operating activities					
Cash collected from students	\$ 3,413,724	-	-	3,413,724	3,011,058
Federal grants	-	21,302	-	21,302	46,838
Federal Pell grants considered to be agency fund transactions	309,478	-	-	309,478	261,713
Private gifts and grants	1,273,706	159,298	-	1,433,004	1,299,397
Endowment income	2,117	1,717	-	3,834	4,730
Investment income	12,548	1,941	-	14,489	7,002
Other revenues	18,887	-	-	18,887	(21,649)
Cash paid for scholarships, to vendors and for payroll	(4,359,546)	(232,985)	-	(4,592,531)	(4,409,998)
Cash paid for Federal Pell grants	(309,478)	-	-	(309,478)	(261,713)
Net operating activities cash flows	361,436	(48,727)	-	312,709	(62,622)
Cash flows from investing activities					
Marketable securities purchased	(1,593)	-	(391,537)	(393,130)	(245,873)
Proceeds from sale of plant assets	306,382	-	-	306,382	-
Proceeds from sale of marketable securities	-	-	392,891	392,891	228,103
Expended for plant assets	(1,114,530)	-	-	(1,114,530)	(476,708)
Student notes receivable, net change	-	-	16,105	16,105	(1,333)
Net investing activities cash flows	(809,741)	-	17,459	(792,282)	(495,811)
Cash flows from capital activities					
Campaign pledges receivable collected	-	9,300	-	9,300	35,900
Gifts received for:					
Endowments and student loans	-	-	19,144	19,144	135,040
Proposed new campus	-	16,566	-	16,566	84,460
Other student loan transactions:					
Interest income on student loans	-	-	5,746	5,746	8,042
Investment income	-	-	2,780	2,780	2,358
Collection costs and other transactions	-	-	(24,463)	(24,463)	(15,707)
Net capital activities cash flows	-	25,866	3,207	29,073	250,093
Cash flows from financing activities					
Proceeds from notes payable advances	879,191	-	-	879,191	298,601
Repayment of long-term debt	(4,118)	-	-	(4,118)	(3,611)
Interfund activities	(25,598)	22,861	2,737	-	-
Notes payable for student loans, net	(3,963)	-	-	(3,963)	(20,000)
Net financing activities cash flows	845,512	22,861	2,737	871,110	274,990
Net increase (decrease) in cash and cash equivalents	397,207	-	23,403	420,610	(33,350)
Cash and cash equivalents at beginning of year	291,157	-	710,769	1,001,926	1,035,276
Cash and cash equivalents at end of year	\$ 688,364	-	734,172	1,422,536	1,001,926

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Cash Flows, continued

For the years ended May 31, 2004 and 2003

	2004				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2004	Total 2003
Cash and cash equivalents consist of the following:					
Current assets	\$ 688,364	-	-	688,364	291,157
Non current assets:					
Cash restricted for endowments	-	-	317,930	317,930	296,683
Cash restricted for student loans	-	-	416,242	416,242	414,086
Total cash and cash equivalents	\$ 688,364	-	734,172	1,422,536	1,001,926
Reconciliation of increase (decrease) in net assets to net operating activities cash flows					
Increase (decrease) in net assets	\$ 293,674	23,512	26,558	343,744	(23,704)
Transactions considered to be capital additions:					
Gifts for endowments and student loans	-	-	(19,144)	(19,144)	(135,040)
Proposed new campus	-	(16,566)	-	(16,566)	(84,460)
Campaign pledges receivable collected	-	(9,300)	-	(9,300)	(35,900)
Change in campaign pledges receivable	-	9,300	-	9,300	49,500
Net other transactions from student loan funds	-	-	26,937	26,937	9,785
Depreciation	212,381	-	-	212,381	192,132
(Gain) loss on investment transactions	169	(847)	(34,351)	(35,029)	35,340
(Gain) on sale of College property	(258,662)	-	-	(258,662)	-
(Increase) decrease in current assets:					
Accounts receivable:					
Student accounts	(71,191)	-	-	(71,191)	(5,398)
Employee and other	(2,601)	(20,707)	-	(23,308)	(12,480)
Pledges receivable	(15,830)	(34,119)	-	(49,949)	(28,209)
Less allowance for doubtful accounts	4,000	-	-	(9,300)	-
Inventories	22,413	-	-	22,413	491
Prepaid expenses	26,029	-	-	26,029	(58,144)
Increase (decrease) in current liabilities:					
Accounts payable and accrued expenses	58,527	-	-	58,527	(22,782)
Student deposits and agency funds	46,185	-	-	46,185	45,908
Accrued salaries	17,445	-	-	17,445	4,329
Deferred revenues	28,897	-	-	28,897	6,010
Net operating activities cash flows	\$ 361,436	(48,727)	-	299,409	(62,622)

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements

For the years ended May 31, 2004 and 2003

The Free Will Baptist Bible College operates under the auspices of the National Association of Free Will Baptists, Inc. and is governed by a Board of Trustees.

(1) Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives as specified by donors, in accordance with regulations, restrictions, or limitations imposed by sources outside the institution, or in accordance with directions issued by the governing board.

These financial statements, however, have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made" and No. 117 "Financial Statements of Not-for-Profit Organizations". This has been accomplished by classifying fund transactions into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that expire in the future, and permanently restricted net assets which have donor imposed restrictions which do not expire.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Pledges Receivable

These amounts, less an appropriate reserve, are recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows.

Property, Plant and Equipment

Plant assets, consisting of land, buildings, other land improvements, equipment and furnishings, library books, and costs related to proposed new campus are stated at cost or estimated fair value at date of gift. Expenditures for acquisition of assets in excess of \$250 are capitalized as investment in plant.

Depreciable assets are depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 50 years. The current provision for depreciation is reported as an expenditure of the College.

Inventories

Inventories, consisting of books and supply items, are valued at cost, with cost being determined on the first-in, first-out method.

Investments

Investments are reported at market value to comply with Financial Accounting Standards No. 124, "Accounting for Certain Investments of Not for Profit Organizations."

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all cash on hand, deposits in financial institutions and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Compensated Absences

Employees of the College are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The College's policy is to recognize the cost of compensated absences when actually paid to employees.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying values of liabilities are not materially different from the estimated fair values of these instruments.

Contributed Services

In kind contributions, when made, are recorded as contribution revenue and an offsetting expense if the contribution meets the requirements prescribed by accounting principles generally accepted in the United States of America. Volunteers make significant contributions in the form of time donated for service to the College. The value of such contributions are not reflected in these statements because they do not meet the stated requirements.

Scholarship Allowances / Tuition and Fees

Colleges and universities are required to report all tuition and fee revenue net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charge of goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student.

Operation and Maintenance of Plant

Expenditures for operation and maintenance of plant are allocated among functional expenditure categories based on actual usage of buildings as determined based on square footage.

Financial Statement Presentation

Certain reclassifications may have been made to the amounts as reported in the prior year to conform to current year presentation. These reclassifications had no effect on reported net assets.

(2) Concentration of Credit Risk

The College is the institution of higher education of the National Association of Free Will Baptists, Inc. and offers Bible based educational services to members of the denomination. The College extends credit in certain instances to students for educational costs and makes loans to students from the Loan Funds. The College also maintains certain accounts for sponsored groups, staff purchases, student telephone charges, etc. The College also has pledges receivable which are dispersed among numerous supporters of the College. These accounts are not collateralized and are subject to accounting risk of loss amounting to the outstanding balance at any point in time.

Further, the College has cash funds invested at several financial institutions and has risk of accounting loss for funds amounting to approximately \$1,100,000 since the balance at certain financial institutions is greater than the FDIC insurable limit. The College also owns marketable securities which are subject to accounting risk of loss amounting to the recorded balance.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(3) Investments - Marketable Securities

Investment securities are stated at market value. The following table summarizes by type the relationship between carrying value and market value of the investment assets.

	Cost or Basis	Market Value	Excess of Market Over (Under) Cost	Unrealized Cumulative Gains	Unrealized Cumulative Losses
Balance May 31, 2004					
Permanently Restricted Funds:					
Common stock	\$ 260,973	297,815	36,842	36,842	-
Bonds	89,994	88,644	(1,350)	(1,350)	-
Variable annuity contracts	157,297	117,183	(40,114)	-	(40,114)
Temporarily Restricted Funds:					
Variable annuity contracts	8,121	6,995	(1,126)	-	(1,126)
Unrestricted Funds:					
Common stock	4,900	3,112	(1,788)	-	(1,788)
Variable annuity contracts	6,362	6,051	(311)	-	(311)
	<u>\$ 527,656</u>	<u>519,800</u>	<u>(7,847)</u>	<u>35,492</u>	<u>(43,339)</u>
Balance May 31, 2003	<u>\$ 498,309</u>	<u>484,148</u>	<u>(14,161)</u>	<u>46,235</u>	<u>(60,396)</u>

As reported on the Statement of Financial Position:

	2004	2003
Current assets	\$ 12,531	11,104
Non current assets:		
Restricted for endowments	503,641	469,797
Held under life income agreements	3,628	3,247
	<u>\$ 519,800</u>	<u>484,148</u>

Reconciliation of gain on investment transactions:

Realized gain on sale of securities	\$ 28,715
Unrealized gain due to change in the cumulative change in market value pools	6,314
	<u>\$ 35,029</u>
Gain on investment transactions	

The Free Will Baptist Foundation holds funds amounting to \$234,594 from certain donors in which the College is the income beneficiary. Further, the Foundation also holds funds from donors which will pass to the College at a future time amounting to \$434,257.

(4) Net Assets Released From Restrictions

Donor imposed restrictions expired on temporarily restricted net assets as follows:

Expenditures made for donor imposed restrictions:	\$ 60,258
Private scholarships	21,217
Federal Supplemental Educational Opportunity Grant	20,411
Federal Work Study Program	55,984
Other instructional and institutional	69,593
Renovation expenditures	5,522
Proposed new campus land maintenance and expense	<u>232,985</u>
Net assets released from restrictions	

Federal Pell grants to students amounting to \$309,478 and \$261,713 for 2004 and 2003, respectively, are not included in expenditures or net assets released from restrictions. Federal Pell grants are considered to be agency transactions in that the student payments are entitlements and the funds are not under the control of the College.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(5) Remaining Net Assets of Temporarily Restricted Funds

Net assets of temporarily restricted funds are available for the following purposes:

	2004	2003
Proposed new campus	\$ 186,278	174,767
Scholarships	119,115	109,295
Life income funds	3,353	2,972
Other instructional and institutional	50,966	49,166
	<u>\$ 359,712</u>	<u>336,200</u>

(6) Net Assets

Net assets of the College consist of the following as of May 31, 2004 and 2003:

	2004			2003
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operations	\$ 3,883,638	-	-	3,883,638
Life income funds	-	3,353	-	3,353
Unexpended funds restricted for:				
Operating purposes	-	170,081	-	170,081
Plant facilities	-	186,278	-	186,278
Student loan funds	-	-	560,269	560,269
True endowment funds	-	-	131,184	131,184
Scholarship endowment funds	-	-	644,079	644,079
Total net assets	<u>\$ 3,883,638</u>	<u>359,712</u>	<u>1,335,532</u>	<u>5,578,882</u>

(7) Property, Plant and Equipment

Components of property, plant and equipment are as follows:

	2004	2003
Land	\$ 514,871	296,519
Proposed new campus, land and costs incurred to date	1,007,740	1,007,740
Renovation in progress (current campus) **	163,416	239,549
Buildings	4,512,580	3,748,445
Equipment	1,713,032	1,608,248
Library books	623,808	579,860
	<u>8,535,447</u>	<u>7,480,361</u>
Accumulated depreciation and amortization	3,340,046	3,139,523
Net investment in plant	<u>\$ 5,195,401</u>	<u>4,340,838</u>
Depreciation and amortization charged to expenditures	<u>\$ 212,381</u>	<u>192,132</u>

** The College continued renovation projects for certain buildings on the existing campus. The College expects to expend approximately \$475,000 in future periods.

(8) Relocation Campaign

The College began its Relocation Campaign, to last five years, in March 1998, with the purpose to raise funds to enable the College to relocate. It was anticipated that the Campaign would raise approximately \$12,000,000, including \$6,000,000 to provide an additional subsidy for operation of the College. The remaining funds to construct the new campus were to be provided by the sale of the existing campus and long-term borrowing.

In December 2001, the College's Board of Trustees approved a plan to place the relocation project on hold. This postponement was necessary since the Campaign had not raised the funds necessary, nor was the College successful in obtaining a suitable purchaser for the existing campus, to enable the College to proceed with the relocation at this time.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(8) Relocation Campaign, continued

The following explanation was made by President Pinson in his subsequent annual report to the denomination:

"Because of the downward trend in enrollment and the resulting financial difficulties the College is facing, as well as the withdrawal of . . . (the) offer to purchase the current campus, the Board of Trustees has voted to postpone relocation until some of these problems can be addressed. Money given for the relocation has been well invested. The progress and work that has occurred up to this point will enable us, when the time is right, to proceed with the relocation. Funds received for relocation will continue to be wisely invested. We are poised for growth, and relocation is still a part of our long-range plan."

(9) Pledges Receivable

Pledges receivable are recorded at estimated realizable value after an allowance for potential uncollectible pledges. Further, pledges receivable expected to be collected in years after the next fiscal year are discounted to their present values of future cash flows using an 8% interest factor. The following summarizes pledges receivable:

	2004	2003
<u>Operations (all considered fully collectible):</u>		
Post dated check books and bank draft agreements	\$ 69,529	49,580
Unrestricted contribution	5,000	-
Contribution restricted for scholarships	25,000	-
	<u>\$ 99,529</u>	<u>49,580</u>
<u>Relocation Campaign and Renovation of Existing Campus:</u>		
Uncollected pledges	\$ 158,000	167,100
Less allowance for potential uncollectible pledges	(108,000)	(105,400)
Less present value of future cash flows discounted at 8%	-	(2,400)
	<u>\$ 50,000</u>	<u>61,700</u>
	<u>2004</u>	<u>2003</u>

(10) Notes Payable and Long-Term Debt

Notes payable:

Permanently Restricted Funds - Student Loan Funds

5% unsecured demand notes payable to individuals

\$ 107,842 111,805

Unrestricted Funds - Notes Payable:

Non-interest bearing, unsecured demand notes to individual

100,000 100,000

Unsecured demand note, for the purpose of purchase of property or renovation of certain facilities on the existing campus, in the maximum amount of \$1,500,000, bearing interest at 1.25% above the LIBOR rate. The loan shall expire March 2005, if not demanded sooner.

1,358,191 479,000

Unsecured revolving line of credit, for the purpose of operational cash needs, in the maximum amount of \$500,000, bearing interest at 1.25% above the LIBOR rate. The loan shall expire March 2005, if not demanded sooner. No amount is outstanding on this line of credit.

\$ 1,566,033 690,805

Total notes payable

Unrestricted Funds - Long-Term Debt

10.99% installment obligation, with monthly payments of \$787, including interest and principal, maturing September 2010, secured by a grand piano.

\$ 42,942 47,060

Less current portion of long-term debt

4,974 4,444

Long-term debt

\$ 37,968 42,616

Principal maturities of long-term debt are as follows: 2005 - \$4,974; 2006 - \$5,541; 2007 - \$6,182; 2008 - \$6,823; 2009 - \$7,697; 2010 - \$8,583 and 2011 - \$3,142.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(11) Pension Plan

The College has a defined benefit pension plan which covers all regular employees, except full-time students, hired prior to attaining age 61 following completion of one year of service and attainment of age 21. Service for benefit and vesting purposes shall be the number of plan years in which the participant completes at least 1,000 hours. The benefits on retirement are determined based on average compensation during the three consecutive years during the last ten years prior to the participant's normal retirement date which produces the highest average. Employees are not required to contribute toward the cost of the plan. The College's funding policy is to fund pension costs accrued. The plan assets consist of investments held and managed by SunTrust, Inc., the plan administrator.

The following table sets forth the plan's funded status and amounts recognized in the College's statement of financial position:

	2004	2003
Reconciliation of benefit obligations:		
Benefit obligation at beginning of year	\$ 2,629,163	2,457,523
Service cost	82,380	84,565
Interest cost	200,609	187,944
Participant contributions	-	-
Plan amendments	-	-
Gain due to actuarial experience	(21,451)	(39,611)
Gain due to changes in actuarial assumptions	-	-
Benefits paid to plan participants	(81,111)	(61,258)
Benefit obligation at end of year	\$ 2,809,590	2,629,163
Reconciliation of asset value:		
Plan assets at beginning of year	\$ 2,044,056	2,072,988
Actual return of plan assets	131,270	(105,714)
Employer contributions	107,033	138,040
Benefits paid to plan participants	(81,111)	(61,258)
Plan assets at end of year	\$ 2,201,248	2,044,056
Reconciliation of funded status:		
Funded status at end of year (liability)	\$ (608,342)	(585,107)
Unrecognized net transition obligation asset	-	(24,915)
Unrecognized prior service cost	-	-
Unrecognized net loss	627,615	635,963
Amount included in prepaid expense	\$ 19,273	25,941
Accumulated benefit obligation at end of year	\$ 2,537,240	2,358,108
Vested benefit obligation at end of year	\$ 2,499,427	2,313,409
Reconciliation of unrecognized net loss:		
Unrecognized loss at beginning of year	\$ 635,963	408,567
Amount of loss recognized during the year	(30,378)	(13,004)
Loss due to actuarial experience	(21,451)	(39,611)
Gain due to changes in actuarial assumptions	-	-
Gain due to assets	43,481	280,011
Unrecognized loss at end of year	\$ 627,615	635,963

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(11) Pension Plan, continued

	2004	2003
Net periodic benefit cost:		
Service cost at end of year	\$ 82,380	84,565
Interest cost on projected benefit obligation	200,609	187,944
Expected return on plan assets	(174,751)	(174,297)
Amortization of transition obligation	(24,915)	(24,911)
Amortization of prior service costs	-	21,628
Amortization of net loss	30,378	13,004
Net periodic benefit cost	\$ 113,701	107,933
Assumptions used for determination of net pension cost:		
Assumed discount rate	7.75%	7.75%
Rate of compensation increase	4.00%	4.00%
Expected long-term rate of return	8.50%	8.50%
Actuarial valuation method	Projected Unit Credit	Projected Unit Credit
Assumptions used for determination of end of year obligations:		
Assumed discount rate	7.75%	7.75%
Rate of compensation increase	4.00%	4.00%
Expected long-term rate of return	N/A	N/A
Actuarial valuation method	Projected Unit Credit	Projected Unit Credit

(12) Group Health Benefits

The College provides group health benefits coverage for participating employees through its membership in the TICUA Benefit Consortium. The Consortium is a partially self-insured health benefit plan consisting of sixteen private colleges and universities in Tennessee, and is exempt under Section 501(c)(9) of the Internal Revenue Code. Funding for the plan has been based upon actuarial calculations using historical experience of claims paid and estimates of claims outstanding. Claims to date have exceeded contributions. Management now believes that additional costs will be incurred to satisfy future financial obligations of TICUA Benefit Consortium, accordingly management has provided a reserve against these potential future costs amounting to \$35,000 in the current year's financial statements.

(13) Future Sale of Property

The College has contracted to sell a house and lot for the sum of \$309,500, which is recorded in the financial statements net of depreciation in the amount of \$33,207. This sale is expected to be completed by Summer 2004. This sale will result in net revenues of approximately \$260,000, which will be reported in the financial statements for the period ended May 31, 2005.

SUMMARY OF FINANCIAL INFORMATION

This summary is provided to help the denomination better understand the overall financial condition of Free Will Baptist Bible College.

Unrestricted Funds Revenues and Expenditures

Total Unrestricted Funds Revenues for the year ending May 31, 2004, amounted to \$5,227,000. Total Unrestricted Funds Expenditures were \$4,933,326, providing a \$293,674 increase in net assets at the end of the fiscal year. It should be noted that \$258,662 of the increase was due to a gain on sale of College property.

Cash Flow Statement

The combined cash flow of the College's operating, investing, capital and financial activities reported an increase in cash and cash equivalents of \$420,610. This increase consists of \$397,207 in Unrestricted Funds and \$23,403 in Permanently Restricted Funds.

Unrestricted Giving

Private gifts provided \$1,289,536 in Unrestricted Funds Revenues. Of that amount, \$1,083,972 was provided from General Fund gifts, \$205,164 from Estate gifts, and \$400 from Special gifts.

The college is deeply indebted to our many supporters, for gifts continue to represent a sizable portion of FWBBC's revenue stream.

General Fund Giving Keeps Tuition Costs Down

Because of above-mentioned General Fund gifts, tuition paid by FWBBC students was subsidized \$125 for every semester hour taken in 2003-2004. Or, unrestricted General Fund gifts kept the cost of tuition per semester hour at \$269, instead of \$394. This gift subsidy saved each student taking 30 semester hours (15 hours per semester) a total of \$3,750 this past academic year. Without gifts, many of our students would be unable to attend FWBBC.

Financial Obligations

The College's notes payable and long-term debt has increased. Notes Payable to Individuals amounts to (A) \$207,842, (consisting of a \$100,000 interest-free note for unrestricted use, and \$107,842 in interest-bearing notes permanently restricted for student loans). FWBBC has also drawn (B) \$1,358,191 on a bank note designed to fund the acquisition of property and the renovation of various buildings on campus. Lastly, the College has a (C) \$37,968 balance for a grand piano, making the total notes payable and long-term debt \$1,604,001 as of May 31, 2004.

(A) The College has sufficient cash and savings to liquidate the Notes payable to Individuals, but chooses to keep the \$100,000 available for unrestricted use, and the \$107,842 as part of its student financial aid program.

(B) As a result of the renovation projects and related \$1,358,191 debt incurred, campus property values have increased in excess of the amount invested. Renovation debt will be subsidized through income earned on some of the affected properties.

(C) The \$37,968 grand piano note balance is scheduled for maturity by September 2010.

THIS INFORMATION IS NOT PART OF THE AUDITOR'S REPORT

SUMMARY OF FINANCIAL INFORMATION (continued)

Investments

FWBBC's investments in marketable securities gained \$35,029 due to favorable market conditions. Of that amount, \$28,715 was a realized gain, while \$6,314 was an unrealized gain.

Assets to Debt Ratio

Total assets amount to \$7,678,433. Our long-term liabilities (listed in "Financial Obligations" above) come to \$1,604,001, giving a 4.79 to 1 assets to debt ratio. Adding all other liabilities brings the total to \$2,064,551, and gives a 3.72 to 1 assets to debt ratio.

Statements of Financial Position (Balance Sheet) Remains Strong

Total net assets grew \$343,744 to \$5,578,882, after deducting total liabilities of \$2,064,551 from total assets of \$7,678,433.

Cash and Cash Equivalents Trend Upward

Total cash on hand increased 42%. Last year's total was \$1,001,926 against this year's \$1,422,536, broken down by \$688,364 in unrestricted current assets, \$317,930 in restricted endowments, and \$416,242 in student loan funds.

Relocation Campaign Update

In March, 1998, the college entered into a five-year, \$12 million capital campaign for the purpose of providing \$6 million in operating (General Fund/Unrestricted Fund) revenues and \$6 million for relocating and constructing a new campus. The Board of Trustees has voted to postpone relocation efforts until timing and finances are more favorable. (Refer to the auditor's report, Note (7), page 9).

THIS INFORMATION IS NOT PART OF THE AUDITOR'S REPORT

FREE WILL BAPTIST BIBLE COLLEGE

Budget for the year ending May 31, 2005

Unaudited - Not Part of Audit

	As Budgeted	Allocation of Operation and Maintenance of Plant	Allocation of General Institutional Expenses	Budget After Allocations
Revenues:				
Tuition and fees	\$ 2,960,945	-	-	2,960,945
Private Gifts:				
Together Way/Unrestricted General Fund	1,300,000	-	-	1,300,000
Estates and miscellaneous	296,500	-	-	296,500
Grants and foundations	75,000	-	-	75,000
Endowment income	2,000	-	-	2,000
Investment income	20,000	-	-	20,000
Sales and services of auxiliary enterprises	1,299,500	-	-	1,299,500
Other sources:				
Net assets released from restrictions	80,000	-	-	80,000
Total revenues:	\$ 6,033,945	-	-	6,033,945
Expenditures:				
Educational and general:				
Instruction	\$ 1,755,073	240,320	-	1,995,393
Academic support	468,118	53,305	-	521,423
Student services	643,524	35,683	-	679,207
Operation and maintenance of plant	841,075	(841,075)	-	-
Institutional support	1,473,155	192,408	(73,658)	1,591,905
Total educational and general expenditures	5,180,945	(319,359)	(73,658)	4,787,928
Auxiliary enterprises:				
Expenditures	853,000	319,359	73,658	1,246,017
Total expenditures	\$ 6,033,945	-	-	6,033,945

Free Will Baptist Bible College Salary Breakdown

	2002-03	2003-04	2004-05
President*			
Salary	\$60,000	60,000	61,800
Social Security	4,590	4,590	4,728
Retirement	0 **	5,400	5,562
Medical Insurance	6,960	9,048	10,860
Life Insurance	240	240	240
	\$71,790	79,278	83,190
Academic Dean			
Salary	\$48,684	48,684	50,145
Social Security	3,724	3,724	3,836
Retirement	2,434	4,382	4,513
Medical Insurance	2,940	3,840	4,608
Life Insurance	240	240	240
	\$58,022	60,870	63,342
Advancement Director			
Salary	\$42,148	42,148	43,412
Social Security	3,224	3,224	3,321
Retirement	0 **	3,793	3,907
Medical Insurance	6,960	5,952	7,128
Life Insurance	240	240	240
	\$52,572	55,357	58,008
Treasurer			
Salary	\$47,161	47,161	48,576
Social Security	3,608	3,608	3,716
Retirement	2,358	4,244	4,372
Medical Insurance	2,940	3,840	4,608
Life Insurance	240	240	240
	\$56,307	59,093	61,512

*Campus housing provided (with Social Security variation). Vehicle provided.

**Qualifies for pension benefits after one year of service.

Note: Some administrators have chosen a voluntary reduction from listed salaries.

2004-05 State Gift Goals

State	Totals
Alabama	90,000
Arizona	1,250
Arkansas	90,000
California	9,000
Delaware	2,000
Florida	48,000
Georgia	135,000
Illinois	41,000
Indiana	9,500
Kansas	250
Kentucky	24,000
Louisiana	1,000
Maryland	500
Michigan	40,500
Mississippi	37,000
Missouri	65,000
Nebraska	100
New Mexico	300
North Carolina	201,000
Ohio	35,000
Oklahoma	35,500
South Carolina	95,000
Tennessee	250,000
Texas	15,000
Virgin Islands	1,000
Virginia	33,000
Washington	3,000
West Virginia	9,500
WNAC	8,500
Canada	600
Matching Gifts	18,000
Other	500
Grand Total	\$1,300,000



Randall House Publications
 Sunday School and Church Training Department
 114 Bush Rd.
 Nashville, TN 37217

The Mission statement of Randall House Publications is as follows:

*The Mission of Randall House Publications
 is to promote the cause of Christ
 and serve the Church
 through the development and distribution
 of excellent, economical, effective,
 and evangelistic Bible-based
 curriculum and products.*

Everything we do is based on the above statement, and promoting the cause of Christ is the essence of our big picture mentality. I am convinced that only Heaven will truly reveal the effect of what we accomplish on this side of eternity. However, there are tangible barometers through which we measure our successes.

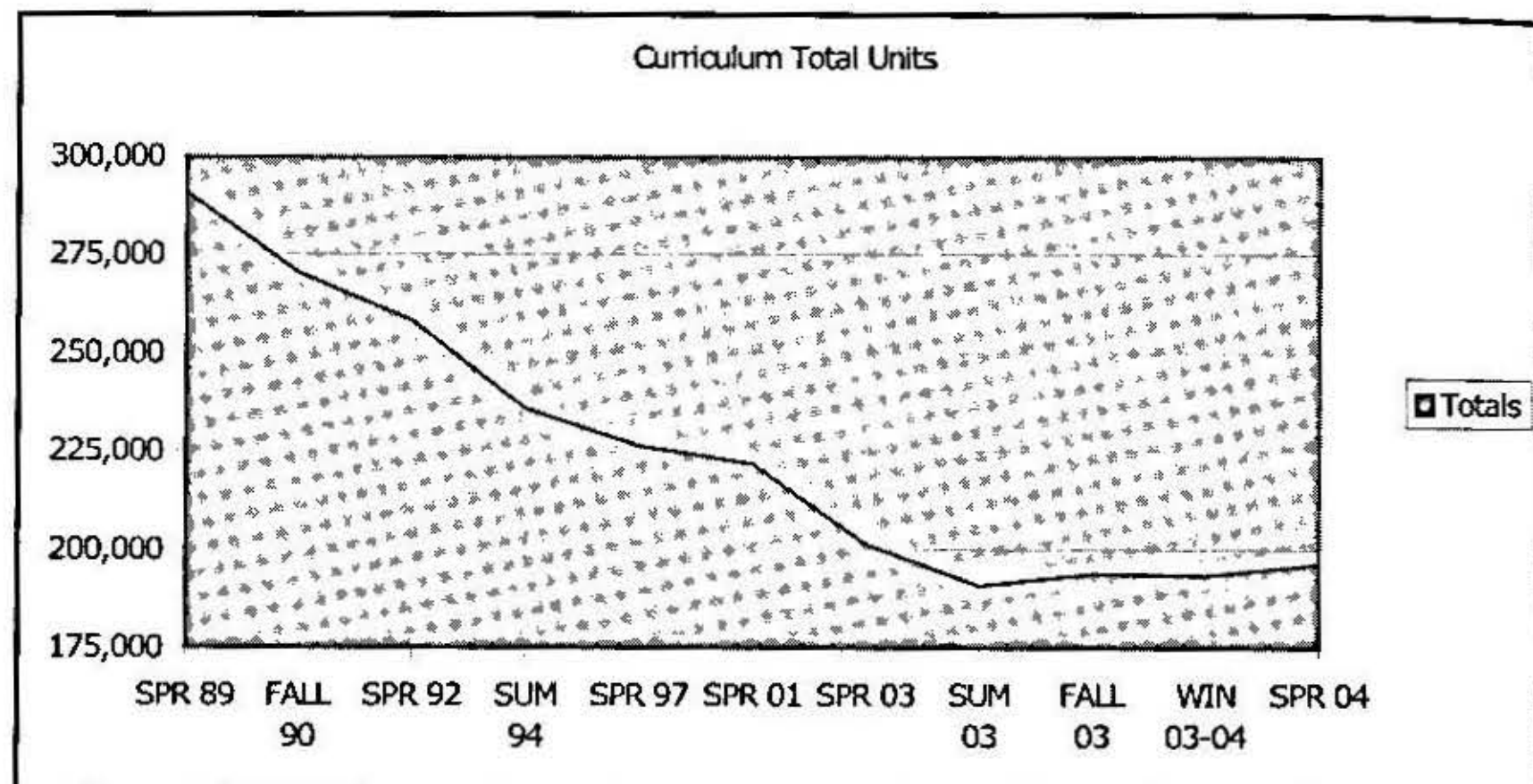
Last Year

The end of first quarter showed us at a \$77,000.00 deficit. We came up with a plan to correct the bleeding of the red ink. In April of last year, we presented the plan to the board and with their approval began the organization phase of Randall House Publications. With a controlled implementation, these changes took the 2nd and 3rd quarters to transition. By this time, we had quite a mountain to move in relatively a short period of time. The reasons for such a reorganization was due to being very management heavy, continuous decline in units sold, marginal price increases in previous years causing an even income, unbelievable rise in health care costs, and the under utilization of employee hours.

We have been operating in the black since implementing the plan. This is the result of very hard work by all of our employees. They show their care and concern for their denomination everyday. That is now four straight quarters of black ink. We are producing an incredible amount of work with emphasis on quality and excellence.

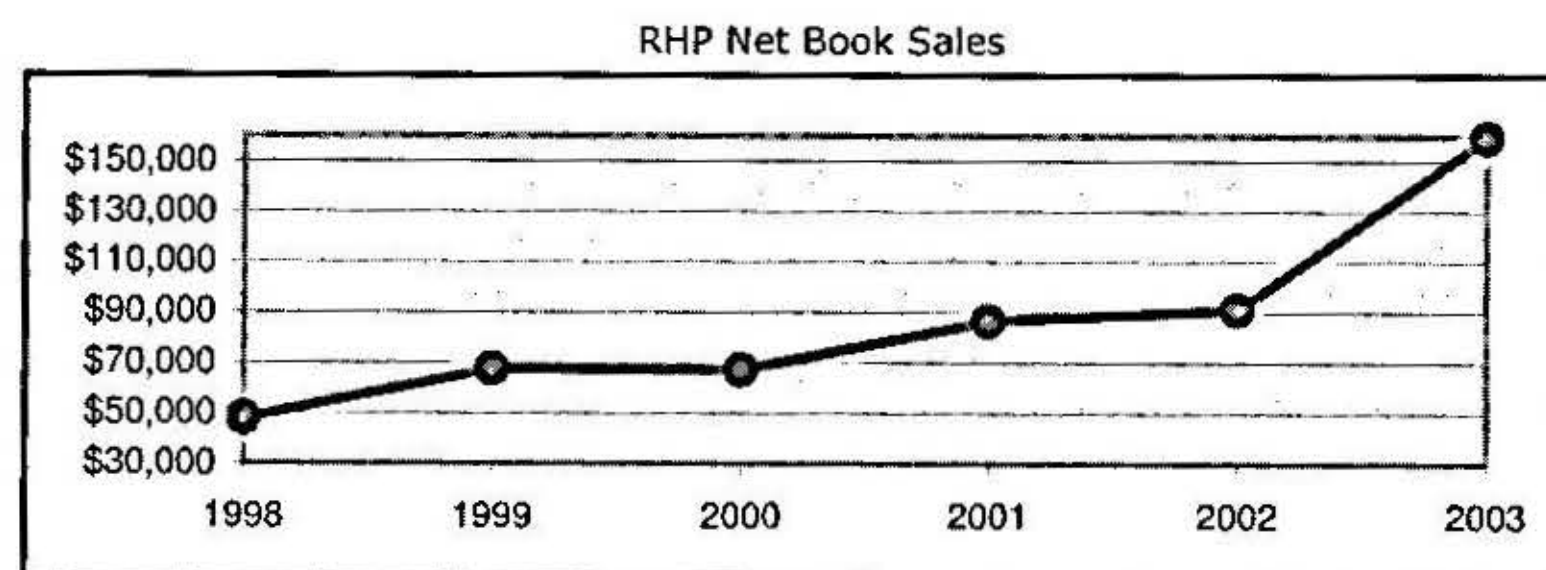
Curriculum Sales Climbing

For about fifteen to twenty years curriculum has been on a slow decline. If you will notice the chart below, you will see classes are on the rise and total units scales have started upward even if only slightly. We anticipate must larger gains increased units by this time next year.



Book Publishing

We have several of our titles now in all Lifeway stores across America. This includes *Quest for Truth*, *Grace Faith Free Will*, *Randall House Minister's Manual*, our *letters books*, and our *Minister's Manual New Testament*. We are reporting a growth of 250% since the year 2000 in our Randall House Publication titles.



We are looking forward to growing our publishing ministry in order to provide you with broader categories of books. We would like to offer more titles for families, women, men and children. You can expect some great developments in this area in the very near future.

CLEAR IS HERE



While our publishing division is growing at all time new heights, it is for our curriculum that we exist. This is the year that CLEAR curriculum becomes available to our churches. You can begin ordering now for the fall Quarter (Sept, Oct, Nov) 2004.

We have our product specialists here at the convention for the unveiling of the lines of CLEAR. They will help you get acquainted with the features that make CLEAR the exceptional choice. CLEAR curriculum is the answer to what you our teachers and churches have been asking us to produce. Let me highlight some key features here.

- Conservative Bible-based
- Christ centered
- Application driven
- Easy to teach
- Family focus
- High impact
- Mission and evangelism emphasis

CLEAR is going to help us teach our classes in a way that changes how they live not just what they know.

Imagining Great Things,

Ron Hunter, Jr.
General Director/CEO

SUNDAY SCHOOL AND CHURCH
TRAINING BOARD AND
RANDALL HOUSE PUBLICATIONS, INC.

Financial Statements

December 31, 2003 and 2002
(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

The Board of Directors

**Sunday School and Church Training Board
And Randall House Publications:**

761 Old Hickory Boulevard
Suite 206
Brentwood, TN 37027
TEL: 615/377-3485
FAX: 615/377-3488

We have audited the accompanying statements of financial position of Sunday School and Church Training Board and Randall House Publications as of December 31, 2003 and 2002, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunday School and Church Training Board and Randall House Publications as of December 31, 2003 and 2002, and changes in net assets and cashflows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

April 6, 2004

SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS

Balance Sheets

December 31, 2003 and 2002

<u>Assets</u>	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents:	\$ 65,139	109,680
Cash and interest bearing deposits	384,838	393,649
Cash invested with the Free Will Baptist Foundation	50,000	50,000
Certificates of deposit	129,750	64,225
Accounts receivable:	952	6,103
Trade, net of allowance for doubtful accounts of \$7,000		
Employees and other	130,702	70,328
Total receivables	328,461	416,758
Inventory	12,735	7,700
Deferred charges and prepaid expenses	971,875	1,048,115
Total current assets		
Property, plant and equipment, at cost:	110,341	110,341
Land	824,325	736,603
Building	994,891	597,953
Printing service equipment	635,286	617,773
Office and administrative equipment	82,593	80,093
Automobiles and trucks	2,647,436	2,142,763
	1,748,604	1,642,057
Less accumulated depreciation and amortization	898,832	500,706
Net property, plant and equipment	\$ 1,870,707	1,548,821
<u>Liabilities and Net Assets</u>		
Current liabilities:	\$ 90,522	95,990
Accounts payable	49,267	-
Current portion of long term debt	47,200	47,955
Accrued expenses	6,383	7,229
Due to affiliated organization	193,372	151,174
Total current liabilities	342,761	-
Long term debt	536,133	151,174
Total liabilities	1,334,574	1,397,647
Unrestricted net assets	\$ 1,870,707	1,548,821
Commitments		
See accompanying notes to financial statements.		

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS**

Statements of Activity and Changes in Net Assets

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Net sales:		
Curriculum	\$ 2,007,743	1,979,410
Randall House books	159,313	91,099
Merchandise	27,847	28,995
Vacation Bible School	22,137	22,646
Bookstore	316,013	326,717
Printing	142,279	128,519
Other sales	37,843	37,135
Net sales	<u>2,713,175</u>	<u>2,614,521</u>
Freight and handling	119,748	121,604
Other income	62,030	68,748
Interest income	16,538	19,157
Gain on sale of assets	290	105
Commission income on hymnal sales	39,680	37,644
Total revenues	<u>2,951,461</u>	<u>2,861,779</u>
Expenses:		
Cost of sales:		
Inventory at beginning of year	393,621	431,358
Merchandise purchases	298,089	304,377
Depreciation	47,746	47,119
Editorial	389,946	365,514
Printing production	714,981	728,489
Spanish department	-	29,762
Less inventory at end of year	<u>1,844,383</u>	<u>1,906,619</u>
Total cost of sales	<u>305,324</u>	<u>416,758</u>
Selling, general and administrative:	<u>1,539,059</u>	<u>1,489,861</u>
Administrative	248,182	232,670
Bookkeeping	170,104	135,829
Building	265,150	229,829
Sales and promotion	146,917	143,743
Shipping	162,164	167,118
General	231,283	240,227
Depreciation	86,946	126,853
Interest expense, including finance charges	58,801	57,776
Total selling, general and administrative expenses	<u>3,563</u>	<u>-</u>
Total expenses	<u>1,373,110</u>	<u>1,334,045</u>
Increase in net assets from operations	<u>2,912,169</u>	<u>2,823,906</u>
Other expenses:	<u>39,292</u>	<u>37,873</u>
Printing contributed to the denomination	21,890	32,635
Denominational ministries	12,880	11,234
Youth department	67,595	78,718
Total other expenses	<u>102,365</u>	<u>122,587</u>
Decrease in net assets	<u>(63,073)</u>	<u>(84,714)</u>
Net assets, beginning of year	<u>1,397,647</u>	<u>1,482,361</u>
Net assets, end of year	<u>\$ 1,334,574</u>	<u>1,397,647</u>

See accompanying notes to financial statements.

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS**

Statements of Cash Flows

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (63,073)	(84,714)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	106,547	104,895
(Increase) decrease in:		
Receivables	(60,374)	11,475
Inventories	88,297	14,600
Deferred charges and prepaid expenses	(5,035)	1,562
Increase (decrease) in:		
Accounts payable	(5,468)	21,812
Accrued expenses	(755)	7,189
Due to affiliated organization	(846)	6,142
Net operating activities	<u>59,293</u>	<u>82,961</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(504,673)	(100,602)
Net investing activities	<u>(504,673)</u>	<u>(100,602)</u>
Cash Flows from Financing Activities		
Proceeds from long term debt	400,000	-
Repayments of long term debt	(7,972)	-
Net financing activities	<u>392,028</u>	<u>-</u>
Decrease in cash and cash equivalents	<u>(53,352)</u>	<u>(17,641)</u>
Cash at beginning of year	<u>503,329</u>	<u>520,970</u>
Cash at end of year	<u>\$ 449,977</u>	<u>503,329</u>
Cash and cash equivalents, as reported on the balance sheet, as follows:		
Cash and interest bearing deposits	65,139	109,680
Cash invested with the Free Will Baptist Foundation	384,838	393,649
	<u>\$ 449,977</u>	<u>503,329</u>
Supplemental disclosures:		
Interest, including finance charges paid	<u>\$ 3,563</u>	<u>-</u>

See accompanying notes to financial statements.

SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS
Notes to Financial Statements
December 31, 2003 and 2002

(1) **Summary of Significant Accounting Policies**

Organization

The Board operates under the auspices of the National Association of Free Will Baptists and is governed by a Board of Directors.

Basis of Presentation

The financial statements of the Board have been prepared on the accrual basis of accounting.

The Board adheres to the provisions of Statement of Financial Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Board is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets, if any. In addition, the Board is required to present a statement of cash flows.

Inventories

Inventories are stated at the lower of cost of market, with cost being determined by use of the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs, renewals, and betterments that do not significantly extend the useful lives of assets are expensed as incurred. Depreciation is provided using the straight-line method.

Income Taxes

The Board is exempt from federal and state income taxes; accordingly, no provision for income taxes is made in the accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all cash on hand, deposits with financial institutions, and debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS
Notes to Financial Statements, continued

(1) **Summary of Significant Accounting Policies, continued**

Fair Value of Financial Statements

The carrying value of cash, accounts receivable, inventory, accounts payable and accrued expenses approximate fair value because of the short maturity of the instruments. The carrying values of liabilities are not materially different from the estimated fair value of these instruments.

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation.

(2) **Concentration of Credit Risk**

The Board is a distributor of Bible based Sunday school and church training curriculum, and other denominational publications. The Board extends credit to its customers which consist primarily of Free Will Baptist churches and religious bookstores. These accounts are not collateralized and are subject to accounting risk of loss amounting to the outstanding balance at any point in time. Further, funds invested with the Free Will Baptist Foundation in the amount of \$308,372 are subject to risk of accounting loss. Cash and certificates of deposit deposited in a local bank are insured by the F.D.I.C. Up to a maximum of \$100,000.

(3) **Agreement with Affiliated Organization to Distribute Hymnals**

The Board warehouses and distributes The Free Will Baptist Hymn Book for the Executive Office of the National Association of Free Will Baptists. The Board invoices the customer, collects funds and remits \$6.32 to the Executive Board. As of December 31, 2003 and 2002, respectively, the Board was warehousing approximately 11,500 and 17,500 hymnals with an estimated replacement value of \$46,600 and \$71,000.

	2003	Since Inception
Beginning amount due to Executive Office	\$ 7,229	-
Total sales of hymnals	77,277	779,078
Less total fees earned	(39,680)	(394,987)
Less remittances to the Executive Office	(38,443)	(377,708)
Amount due to Executive Office	<u>\$ 6,383</u>	<u>6,383</u>

(4) **Inventory**

Inventories consist of the following:

	2003	2002
Finished curriculum	\$ 24,113	30,023
Work in progress	54,087	52,277
Bookstore	68,030	132,280
Printing raw materials	23,137	23,137
Warehoused other books and merchandise	159,094	179,041
Total inventory	<u>\$ 328,461</u>	<u>416,758</u>

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD
AND RANDALL HOUSE PUBLICATIONS**
Notes to Financial Statements, continued

(5) Pension

The Board participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The plan is contributory and is matched up to a maximum of 5% of compensation. Employees with two years of service may participate. Pension expense amounted to \$39,604 and \$42,275 for the years ended December 31, 2003 and 2002, respectively. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase of several types of annuity contracts.

(6) Long-Term Debt

The Board has a 5.06% installment obligation, repayable monthly at \$5,666 including principal and interest, with final payment due October 2010. The outstanding balance as of December 31, 2003 amounted to \$392,028. This obligation is secured by a printing press with a cost of \$394,438.

The installment obligation matures as follows: \$49,267 in 2004; \$51,821 in 2005; \$54,507 in 2006; \$57,333 in 2007; \$60,305 in 2008; and \$118,795 in years thereafter.

(7) Youth Department

The purpose of the Youth Department is to provide ministries and services to youth and youth workers of Association. The following is a summary of the department's activities:

	2003	2002
Revenue from conferences and related services	\$ 182,490	205,654
Expenditures for conferences and related services	139,268	160,449
General and administrative expenses	110,817	123,923
Total expenditures	250,085	284,372
Excess of expenses over revenues	\$ (67,595)	(78,718)

(8) Contributed Services to Denominational Ministries

During the years ended December 31, 2003 and 2002, the Board contributed printing costs to the Denomination as follows:

	2003	2002
Church Directory	\$ 10,641	14,550
Outreach Magazine	9,709	18,085
Together Way	1,540	-
Total contributed services	\$ 21,890	32,635

Description of Account	2005
Revenues:	
Sales - RHP	\$3,412,869
Sales - Bookstore	\$326,450
Freight & Handling	\$120,311
Disposal of Assets	\$0
Other Income	\$256,810
Discounts Given	-\$515,450
Total Revenues	\$3,600,990
Expenses:	
Cost of Outside Purchases	\$409,569
Creative Services	\$534,657
Cost of Printing Production	\$623,839
Spanish	\$0
Depreciation	\$76,000
Total Cost of Sales	\$1,644,066
General Expenses:	
Marketing Dept	\$195,223
Bookstore	\$181,195
Administrative	\$242,398
Sales/Customer Service	\$362,997
Shipping	\$236,164
Building	\$162,959
General	\$324,842
Total General Expenses	\$1,705,779
Total Expenses	\$3,349,845
Increase/(Decrease) in Assets	\$251,145
Other Expenses	
Denominational Ministries	-\$53,000
Youth Department	-\$68,959
Total Other Expenses	-\$121,959
Increase/(Decrease) in Assets	\$129,186

Description of Account	2005
General Expenses	
Supplies	\$3,000
Equipment Maintenance	\$8,000
Equipment Rental	\$5,000
Honorariums	\$500
Board Travel & Expense	\$15,000
Legal & Auditing	\$10,000
Automobile Expense	\$2,500
Bad Debt	\$1,000
Recreation Fund Expense	\$4,000
Taxes	\$12,742
Payroll Services	\$4,000
Miscellaneous	\$10,000
Research and Development	\$150,000
Depreciation	\$62,000
Interest Expense	\$24,000
Service Charge	\$13,100
Total General Expenses	\$324,842
Printing Production	
Salaries & Wages	\$169,359
Travel Expense	\$1,000
Supplies	\$1,000
Entertainment	\$100
Outside Printing	\$120,000
Outside Bindery	\$20,000
FICA	\$12,956
Retirement	\$5,523
Insurance	\$26,901
Pressroom Supplies	\$18,000
Pressroom Maintenance	\$10,000
Pressroom Parts	\$5,000
Pressroom Stock	\$160,000
Pressroom Ink	\$14,000
Bindery Supplies	\$6,000
Bindery Maintenance	\$2,500
Bindery Parts	\$2,500
Camera Film - Negatives	\$20,000
Stripping Supplies	\$500
Stripping Plates	\$28,000
Miscellaneous	\$500
Total Printing Production	\$623,839

Description of Account	2005	Description of Account	2005
Administrative		Marketing	
Salaries & Wages	\$124,480	Salaries & Wages	\$36,571
Housing Allowance	\$30,778	Housing Allowance	\$581
Travel Expense	\$25,000	Travel Expense	\$10,000
Supplies	\$5,000	Supplies	\$8,000
Equipment Maintenance	\$2,000	Equipment Maintenance	\$500
Equipment Rental	\$1,000	Conventions & Seminars	\$6,500
Conventions & Seminars	\$3,000	Dues & Subscriptions	\$500
Dues & Subscriptions	\$500	National Expense	\$12,000
Entertainment	\$3,000	Entertainment	\$2,500
Postage	\$3,000	Postage	\$18,000
Telephone	\$2,500	FICA	\$4,632
FICA	\$11,616	Retirement	\$1,789
Retirement	\$14,404	Insurance	\$18,151
Insurance	\$13,121	Advertising	\$60,000
Automobile Expense	\$2,500	Promotion	\$15,000
Miscellaneous	\$500	Miscellaneous	\$500
Total Administrative	\$242,398	Total Marketing	\$195,223
Creative Services		Sales/Customer Service	
Salaries & Wages	\$257,623	Salaries & Wages	\$226,978
Housing	\$47,128	Travel Expense	\$1,000
Travel	\$5,000	Supplies	\$8,000
Supplies	\$12,000	Equipment Maintenance	\$10,000
Equipment Maintenance	\$4,500	Equipment Rental	\$500
Conventions & Seminars	\$2,500	Royalties	\$8,000
Software Supply	\$2,500	Conventions & Seminars	\$5,000
Dues & Subscriptions	\$300	Dues & Subscriptions	\$1,000
Art Services	\$7,500	Postage	\$5,000
National Expense	\$2,500	Telephone	\$20,000
Entertainment	\$1,000	FICA	\$17,364
Postage	\$500	Retirement	\$2,000
FICA	\$14,374	Insurance	\$42,855
Retirement	\$8,740	Promotions	\$15,000
Insurance	\$41,592	Miscellaneous	\$300
Curriculum Development	\$25,000	Total Sales/Customer Service	\$362,997
Writer's Fees	\$100,000		
Register of Copyrights	\$1,000		
Miscellaneous	\$900		
Total Creative Services	\$534,657		

Building		Bookstore	
Salaries & Wages	\$21,745	Salaries	\$105,977
Supplies	\$8,000	Travel Expense	\$10,000
Equipment Maintenance	\$5,000	Supplies	\$1,000
Equipment Rental	\$1,000	Equipment Maintenance	\$500
Telephone	\$1,500	Software Fees & Services	\$3,000
FICA	\$1,664	Convention & Seminars	\$1,500
Insurance	\$4,750	Dues & Subscriptions	\$500
Building Maintenance	\$35,000	Promotion	\$5,000
Utilities	\$50,000	Postage	\$3,500
Building Insurance	\$34,000	FICA	\$8,107
Miscellaneous	\$300	Retirement	\$3,587
Total Building	\$162,959	Insurance	\$22,224
		Advertising	\$15,000
		Workshops Expense	\$1,000
		Miscellaneous	\$300
		Total Bookstore	\$181,195
Denominational Ministries		SCM Expense	
Team Church Travel	\$3,000	Salaries & Wages	\$53,659
Team Church Supplies	\$1,000	Housing Allowance	\$15,277
Team Church Promotion	\$2,000	Travel Expense	\$2,460
TEAM Church Expense	\$19,500	Supplies	\$2,737
Together Way Printing	\$2,000	Fundraising Expense	\$154
Outreach Magazine/Outword	\$40,000	Conventions & Seminars	\$228
Church Directory - Yearbook	\$5,000	Dues & Subscriptions	\$350
Stewardship Lessons	\$2,000	Entertainment	\$82
Scholarships	\$3,000	Postage	\$1,977
Total Denom. Ministries	\$77,500	Telephone	\$2,259
		FICA	\$5,274
DM Revenues	\$24,500	Retirement	\$2,878
DM Expense	-\$77,500	Insurance	\$27,145
DM Profit/(Loss)	-\$53,000	NYC Expense	\$41,059
		Truth & Peace Expense	\$54,805
		NYET Expense	\$3,789
		NYW Retreat Expense	\$22,490
		SpringBoard	\$19,076
		Convention Workers'	
		Salaries	\$6,405
		Miscellaneous	\$294
		Total SCM Expense	\$262,398
SCM Revenues		SCM Revenues	
NYC Fees & Collections	\$80,556	SCM Expense	-\$262,398
Truth & Peace Collections	\$63,468		
YET Collections	\$6,658		
NYW Retreat Collections	\$25,786		
Youth Collections	\$3,249		
SpringBoard	\$13,723		
Total SCM Revenues	\$193,439	SCM (Revenue/Expense)	-\$68,959

	2004	2005 PROJECTED PACKAGE	
GENERAL DIRECTOR			
RONALD HUNTER, JR			
SALARY	\$36,085	\$36,432	
HOUSING ALLOWANCE	\$27,778	\$30,778	
CHRISTMAS BONUS	<u>\$1,228</u>	<u>\$1,293</u>	
COMPENSATION TOTAL	\$65,091		
INSURANCE	\$13,452	\$14,400	\$68,503
SOCIAL SECURITY			
RETIREMENT	\$3,193	\$3,361	
BENEFITS TOTAL	<u>\$16,645</u>		<u>\$17,761</u>
TOTAL PAY PACKAGE	<u>\$81,736</u>		<u>\$86,263</u>
ASSISTANT DIRECTOR			
CLARENCE LEWIS			
SALARY	\$57,553	\$59,280	
HOUSING ALLOWANCE	\$0	\$0	
CHRISTMAS BONUS	<u>\$863</u>	<u>\$889</u>	
COMPENSATION TOTAL	\$58,416		
INSURANCE	\$5,503	\$5,400	\$60,169
SOCIAL SECURITY	\$4,469	\$4,603	
RETIREMENT	<u>\$2,878</u>	<u>\$2,964</u>	
BENEFITS TOTAL	<u>\$12,850</u>		<u>\$12,967</u>
TOTAL PAY PACKAGE	<u>\$71,266</u>		<u>\$73,136</u>
EDITOR IN CHIEF			
KEITH FLETCHER			
SALARY	\$32,648	\$34,135	
HOUSING ALLOWANCE	\$16,912	\$16,912	
CHRISTMAS BONUS	<u>\$743</u>	<u>\$766</u>	
COMPENSATION TOTAL	\$50,303		
INSURANCE	\$15,181	\$14,400	\$51,813
SOCIAL SECURITY	\$3,848	\$3,964	
RETIREMENT	<u>\$2,478</u>	<u>\$2,552</u>	
BENEFITS TOTAL	<u>\$21,507</u>		<u>\$20,916</u>
TOTAL PAY PACKAGE	<u>\$71,810</u>		<u>\$72,729</u>
SCM DIRECTOR			
DEAN JONES			
SALARY	\$23,060	\$24,210	
HOUSING ALLOWANCE	\$15,277	\$15,277	
CHRISTMAS BONUS	<u>\$575</u>	<u>\$592</u>	
COMPENSATION TOTAL	\$38,912		
INSURANCE	\$15,150	\$14,400	\$40,079
SOCIAL SECURITY	\$2,977	\$3,066	
RETIREMENT	<u>\$1,917</u>	<u>\$1,974</u>	
BENEFITS TOTAL	<u>\$20,044</u>		<u>\$19,440</u>
TOTAL PAY PACKAGE	<u>\$58,956</u>		<u>\$59,519</u>
***SCM DIRECTOR LISTED AT 85% (COMPENSATION)			

Summary of the Minutes for the Sunday School and Church Training Board 2003-2004

The Board had three meetings in the past year. The first meeting was held at the National Association in Tampa, Florida. At that meeting, we received a presentation of the new CLEAR Learning System, approved seven writers, approved a special meeting with the Bookstores in 2004 to discuss contract issues, elected officers and determined committees.

The second meeting was held at Randall House in December after the Leadership Conference. At that meeting, we approved one writer and approved the speakers for the Youth Worship Services for NYC '04.

The Bookstore Committee met with the Bookstores at Randall House Publishing on March 16-17, 2004 to discuss contract issues.

The third meeting was held April 26-27, 2004 at Randall House. At that meeting, we reviewed the 2003 audit and approved the 2005 budget. We accepted the 2005 NYC theme, decided to continue to publish both Free Will Baptist and non-Free Will Baptist authors who will edify Free Will Baptists and help fulfill the mission statement of Randall House Publications, established guidelines for non-Free Will Baptist authors, approved three new writers, three new books, and we voted to grant the General Director a 5% increase.

Commission for Theological Integrity Report

The purpose of this commission is: (1) To alert our people to theological trends that could threaten our theological integrity as a denomination, (2) To prepare materials that will contribute to the continued preservation of the theological integrity of the denomination, and (3) As need and opportunities arise, to conduct seminars on subjects which are pertinent to the purpose of the commission.

On November 3-4, 2003 we sponsored our eighth annual Theological Symposium. It met at Hillsdale Free Will Baptist College in Moore, Oklahoma. Papers were read on a variety of subjects. The interest was good. We continue to be encouraged by the quality of the papers that are read in our Symposiums. The Theological Symposium for 2004 will be conducted at Free Will Baptist Bible College in Nashville, Tennessee. It will begin Monday evening, October 25 and go through Tuesday evening, October 26.

At the National Association in 2000, we introduced the first issue of *Integrity: A Journal of Christian Thought*. The publication of the *Journal* is a joint venture of the Commission for Theological Integrity, Free Will Baptist Bible College, Hillsdale Free Will Baptist College and Randall House Publications.

The second issue of *Integrity: A Journal of Christian Thought* was mailed to our pastors and denominational leaders in the summer of 2003. For this issue, Dr. Paul Harrison served as Editor-in-Chief. Dr. Robert Picirilli served as Associate Editor. They are to be commended for the excellent job that they have done. Dr. Harrison and Dr. Picirilli are now working on the third issue of the *Journal*. The third issue of the *Journal* will be out in the Summer or the Fall of 2005.

For several years we have been sponsoring a seminar at our National Association on areas of concern. In the light of recent events on the world scene, we have felt an urgent need for us to increase our understanding of Islam. To achieve that need, we have asked Clint Morgan to conduct our seminar. The title of his paper is "Islam 101: The Foundation of the Islamic Faith." Brother Morgan has had considerable experience in working in areas where there is a strong Muslim presence. This seminar is scheduled Tuesday afternoon 3:00-4:30 in the Convention Center in Room 2210.

We thank you for the privilege of serving you.

In His Service,

Leroy Forlines, Chairman
Paul Harrison, Secretary
Daryl Ellis
Jeff Manning
Matt Pinson

Commission for Theological Integrity January - December 31, 2003 Financial Report

Bank Balance - January 1, 2003	\$8,938.81
INCOME	
Commission Income:	
The Together Way	\$2,957.05
Interest on Bank Account	7.83
Rest of The Family Offering	219.15
Theological Symposium Papers	<u>530.00</u>
Total Commission Income	3,714.03
Journal Income:	
Journal Sales	121.00
FWBBC Gift	<u>1,500.00</u>
Total Journal Income	1,621.00
Total Income	5,335.03
EXPENSES	
Commission Expenses:	
Bookkeeping	250.00
Convention Speaker/Digest of Reports	597.92
Annual Meeting and Symposium Expenses	3,258.96
Miscellaneous Office Expenses	<u>8.42</u>
Total Commission Expenses	4,115.30
Journal Expenses	4,482.16
Total Expenses	8,597.46
Bank Balance - December 31, 2003	<u>\$5,676.38</u>

**2005
Commission for Theological Integrity
Budget**

INCOME

Journal Gifts	\$1,500.00
Theological Symposium Papers	800.00
Together Way Plan	4,000.00
Interest Income	<u>50.00</u>

Total Income \$6,350.00

EXPENSES

Annual Meeting	\$2,000.00
Bookkeeping	400.00
Journal Expenses	2,225.00
National Convention	600.00
Office	125.00
Theological Symposium Printing	<u>1,000.00</u>

Total Expenses \$6,350.00

2004 Historical Commission Report

The Commission completed work on the first in a series of historical pamphlets. The series is titled, *The Free Will Baptist Heritage Series: Foundations of Faith and Practice*. The first pamphlet, "The Washing of the Saints' Feet," was written by Dr. William F. Davidson and Dr. Robert E. Picirilli.

To order copies of the feet washing pamphlet, contact Randall House Publications, P.O. Box 17306, Nashville, TN 37217.

Dr. Robert Picirilli will write the second historical pamphlet on the possibility of apostasy. This pamphlet will be available in time for the 2005 convention in Louisville, Kentucky.

The Commission authorized installation of built-in bookcases for the History Room in Welch Library at Free Will Baptist Bible College which houses the Free Will Baptist Historical Collection.

Three members of the Commission (Robert Picirilli, Darrell Holley and Jack Williams) will serve as a committee to prepare a written *Collection Development Policy* for the Historical Collection.

The Commission suspended work on the *Historical Guidebook* project and will revisit it at a later time.

Financial Report, 2003

Balance on hand, December 31, 2002.	\$ 10,236.89
2003 Deposits/Earnings	
Together Way (designated and undesignated)	3,007.19
Interest (AmSouth Bank)	33.68
Total	3,040.87
2003 Expenditures	
Paul Kennedy (travel)	486.50
Joe McKnight (travel)	609.99
2002 Digest Fee	44.92
2003 Digest Fee	48.96
Total	(\$ 1,190.37)
Balance in bank, December 31, 2003	\$ 12,087.39
Trust Fund at FWB Foundation, December 31, 2003.....	21,558.65
Total on hand, December 31, 2003.....	\$ 33,646.04

2005 Budget

Income	
Gifts (The Together Way)	\$ 2,400.00
Interest (AmSouth Bank)	400.00
Total	\$ 2,800.00
Expenses	
Books, materials, labor	\$ 1,000.00
Pamphlet Project	500.00
Research Grant	1,000.00
Travel	1,100.00
2004 Digest fee	50.00
Total	\$ 2,800.00



FREE WILL BAPTIST MEDIA COMMISSION

The Free Will Baptist Media Commission stands at a crossroads in its ministry. Our vision to help Free Will Baptists present Christ and our denomination to the world in the very best way has not dimmed. We believe Free Will Baptists still have the best doctrine and the best people in the world and we long to assist this great denomination to reach more people in more ways than ever before.

Our presently offered products include radio and TV advertisements, video brochures about the heritage and ministry of Free Will Baptists for local churches to use in their outreach ministry, and a musical collection on cassette, CD, and video of some of the best Free Will Baptists musical talent. We are presently in the process of converting all of these materials to digital format for long term preservation and ease of distribution. This project has caused some delay in the prompt response to product requests but we believe we will be able to respond with a better version of our products in a much more timely manner in the future.

We are very happy to report that the Media Commission began 2004 DEBT FREE. Sadly, our income from designated gifts, our portion of the Cooperative Program, and from sale of products has not been enough to allow us to launch into any recent major projects but we continue to look at ways to use our available resources in the best possible way to help carry out our mission.

The Media Commission looks back at what has been accomplished with great rejoicing. We look ahead at what needs to be achieved with great anticipation. We stand at a cross roads of opportunity and challenge as we look for ways to assist our churches and the denomination in their use of modern methods and means to proclaim the old time gospel message. Your prayers and input are appreciated.

Mike Jones, Chairman (SC)
Doug Kite, Secretary-Treasurer (NC)
Kevin Norris (MI)
Monte McKenzie (GA)
Sandy Goodfellow (TN)

Media Commission 2005 Budget

Income:
Together Way \$2000.00
Designated Gifts \$1500.00
Services/Sales \$1500.00
Total \$5000.00

Expense:
Commission Expense \$2000.00
Product Production \$2000.00
Convention Expense \$1000.00
Total \$5000.00

NAFWB Media Commission 2003 Financial Report

Income		
Alabama	\$63.54	
Arkansas	568.11	
California	339.69	
Florida	37.41	
Georgia	263.00	
Illinois	88.36	
Indiana	6.30	
Kentucky	41.88	
Michigan	82.54	
Missouri	537.04	
Mississippi	189.73	
North Carolina	772.26	
Ohio	128.92	
Oklahoma	360.28	
South Carolina	554.49	
Tennessee	428.59	
Texas	39.88	
West Virginia	4.38	
Others	33.35	
Total Gifts:	\$4,539.75	
Interest	14.88	
Sales	1111.64	
Projects	1201.45	
	<u>\$6,867.72</u>	
Expenditures		
Loan Payment	\$2,936.00	
Project Expense	375.00	
Convention	779.40	
Postage	34.56	
Commission Expenses	412.08	
Merchant account fees	351.70	
Advertising	250.00	
	<u>\$5,138.74</u>	

FWB Music Commission
National Association of Free Will Baptists
July 18-22, 2004

The Music Commission has been active in planning the music for the 2004 National Convention in Kansas City, Missouri. The commission held its annual meeting at First Free Will Baptist Church in Gastonia, North Carolina, on January 8-9, 2004. The agenda at this meeting, presented by Dr. Randy Sawyer, was as follows:

1. Evaluate and discuss the 2003 National Convention music.
2. Plan the entire music program for the 2004 National Convention.
3. Discuss plans for a new hymnal.
4. Discuss future projects and vision for the commission.

I. Evaluate and discuss the 2003 National Association Convention music.

- A. Met with Keith Burden for first time as Executive Secretary.
- B. Thanked Scott Bullman for years of service.
- C. Dr. Sawyer recommended that Chris Truett be the new Convention Music Coordinator, and the commission approved.

II. Plan the entire music program for the 2004 National Association Convention.

- ☐ Selected Worship Leaders for 2004 convention.
- ☐ Selected choir songs for 2004 convention.
- ☐ Selected special music (others to be selected as suggestions were submitted).

III. Discuss plans for a new hymnal.

- ☐ Current hymnal stock at Randall House: approximately 11,000 copies FWB version.
- ☐ Based upon a discussion with Secretary Burden, the conclusion was drawn that there is no money available for a hymnal survey at this time. (This survey was a part of the Music Commission's 2003 proposals.)
- ☐ It may be possible and much more cost-effective to reprint the current hymnal.

IV. Discuss future projects and vision for the commission.

This year's Music Commission project is another compilation of ideas from various ministers of music. The booklet is entitled *Fun & Functional Music Ministry*. In the 60-page guide one will find practical and helpful ideas to assist in the organization of a music ministry in the local church. The guide gives administrative insight to areas such as:

- ☐ Resources for Music Ministry
- ☐ Adult Choir Concepts
- ☐ Youth/Children's Choirs
- ☐ The Pastor & Worship Leader Relationship
- ☐ General Music Ministry Ideas

- ☐ Audio/Video Ministry Tips
- ☐ Other Resources
- ☐ Choir Rehearsal Anecdotes

The commission has a heart for helping our local churches in developing their music and worship ministries. Some of the commission members are actively involved in helping other churches by presenting workshops for churches in the area of music and worship. These types of compilations are an effort to place practical ideas and resources into the hands of our churches which will provide Christ-centered, passionate, and organized music and worship for our local churches.

V. Conclusion

We would like to thank all those who have contributed to the 2004 National Convention music. It is a joy to see and hear God's people praising Him in song. God does not need our worship; He desires it. A man once asked the question, "Will God embrace your worship or will He have to endure it?" Let's pray that God will embrace our worship each time we come before Him.

There are numerous opportunities to participate in the convention music every year. The commission would like to encourage more people to participate in the convention music. An advance schedule is printed each year in the convention edition of *Contact*, as well as in the National Convention brochure. Please make plans to be involved next year and encourage others to use their talents for the Kingdom.

Respectfully submitted,
The Free Will Baptist Music Commission

Dr. Randy Sawyer, Chairman
Donnie Burke
Jerry Carraway
Doug Little
Chris Truett

Music Commission Financial Statement
January – December 2003

Beginning Balance		\$ 3,361.39
Income		
Together Way		
Rest of the Family Offering	\$ 2,143.22	
Music Sales	231.39	
States and Churches	1,193.50	
Alabama	\$ 51.05	
Texas	16.72	
Donelson Church, TN	237.37	
Roaring Creek Church, NC	7.24	
Unity Church, NC	160.00	
	472.38	
Total Income		\$ 7,401.88
Expenses		
National Convention	917.28	
Music Commission Meeting	1,118.34	
Pre-Convention Rehearsal	1,099.77	
FWB Foundation – Loan Payment	3,099.03	
Office Expense	22.26	
Total Expenses		(6,256.68)
Ending Balance		1,145.20

Proposed Budget for 2005		
Income		
Co-op	\$ 2,000.00	
Music Sales	1,000.00	
States and Churches	500.00	
Total Income		\$ 3,500.00
Expenses		
National Convention	1,500.00	
Board Meetings	1,500.00	
Office Expenses	500.00	
Total Expenses		3,500.00

Statistical Report Reporting Period 2003

	Associations	Number Reporting	Churches	Number Reporting	City	Rural	Full-Time Pastors	Bi-Vocational Pastors	Baptisms	Reported 2002 Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2003 Membership	Reported 2003 Membership	Combined Income of All Churches
Alabama	14	14	153	143	76	85	85	60	249	17,603	698	320	378	17,981	15,048	2,426,349
Arizona	1	1	6	6	4	2	4		41	166	61	19	42	208	248	426,761
Arkansas †	15	15	213	196	93	115	88	85	620	19,144	1,065	604	461	19,605	18,695	10,980,176
Assn. of Mexico	5	5	28	28	14	14	0	28	20		28		28	28	1,068	
California	7	7	54	54	47	7	42	12	214	2,890	163	132	31	2,921	2,738	2,080,911
Canada	1	1	10	10	3	7	5	5	27	286	2	5	(3)	283	299	754,244
Colorado §	1	1	8	5	8		8		21		20	18	2	2	205	305,273
Florida	9	9	70	66	32	38	38	29	281	5,735	396	207	189	5,924	5,818	2,226,400
Georgia •	10	10	117	115	42	75	78	37	290	8,791	540	243	297	9,088	9,301	5,959,503
Hawaii			1	1	1		1		19	45	26	19	7	52	39	100,000
Idaho*	2		8							262			0	262		
Illinois	7	7	43	43	27	16	23	12	150	3,774	199	99	100	3,874	3,706	2,624,142
Indiana	3	2	25	21	16	5	14	7	85	1,120	75	17	58	1,178	1,169	
Kansas	2	2	9	9	9		3	4	66	385	69	17	52	437	370	239,464
Kentucky	10	10	146	144	44	102	40	85	750	16,134	807	522	285	16,419	15,793	
Mid-Atlantic ‡	1	1	7	4	2	5	5	2					0	0		
Mexico Assn. *	3		16										0	0		
Michigan	6	5	43	30					215		193	110	83	83	2,144	1,276,565
Mississippi	3	3	50	50	15	36	33	15	163	2,249	253	90	163	2,412	4,104	2,501,405
Missouri	18	18	185	183	90	94	101	76	488	14,961	670	457	213	15,174	14,563	9,051,840
Montana*			2							21			0	21		
New Jersey	1	1	2	1		2	1			64		4	(4)	60	60	
New Mexico	1	1	4	4	3	1	2		1	56	3	5	(2)	54	50	
North Carolina	8	8	187	187	86	89	153	22	1,190	15,497	1,537	890	647	16,144	22,063	34,903,049
Northeast †	1	1	4	4	1	3	4		16	249	52	8	44	293	250	
Northwest §	1	1	6	6	6	0	4	2	32	270	27	10	17	287	239	221,764
Ohio	19	19	152	147	74	78	65	79	573	9,953	626	368	258	10,211	9,551	6,245,504
Oklahoma	24	23	241	205	151	70	143	70	860	24,128	1,262	552	710	24,838	22,563	14,686,101
Puerto Rico			1	1	1		1		5				0	0	25	
South Carolina	6	6	122	122	34	88	80	42	522	5,051	599	282	317	5,368	6,505	4,277,699
South Dakota			1	1				1	4				0	0		18,000
Tennessee	8	8	213	213	66	56	78	32	627	33,100	754	351	403	33,503	19,622	2,047,641
Texas	6	6	52	50	31	19	32	16	106	1,799	342	46	296	2,095	2,798	2,252,926
Virgin Islands	1	1	1	1	1		1		15	192	1	3	(2)	190	197	91,291
Virginia	8	8	92	92	32	60	38	49	209	6,348	405	96	309	6,657	6,622	1,156,921
West Virginia	21	21	187	187	45	142	87	100	544	8,491	181		181	8,672	8,672	2,783,349
Wisconsin			2	2	2		2		4	31	30		30	29	58	43,992
TOTALS	223	215	2,461	2,331	1,056	1,209	1,259	870	8,407	198,795	11,084	5,494	5,590	204,353	194,583	109,681,270

‡ Includes 5 Louisiana churches
§ Includes 1 Wyoming church
• Includes 1 Alaska church

‡ Delaware, Maryland, New Jersey, Pennsylvania
† Maine, New Hampshire, Rhode Island
§ Oregon, Washington

*Did not report

Statistical Report Reporting Period 2003

	Number of Churches with Budgets	Parsonages	Value of Church and Parsonage Property	Sunday School Enrollment	CTS Enrollment	WNAC Enrollment	Master's Men Enrollment	Ordained Ministers	Licensed Ministers	Deacons	Day Cares	Kindergartens	Christian Day Schools	Bible Institutes	Colleges	Value of Associational Property
Alabama	12	39	17,889,952	6,743	911	495	88	227	48	345	6	5	4			
Arizona	6	1	2,097,500	156	92	29	24	8		2						
Arkansas ‡	45	63	47,827,197	10,483	1,941	1,019	231	312	61	465	4	6	5			1,153,811
Assn. of Mexico				560		280	200	14	14	20						175,000
California	23	16	22,986,100	3,362	40	168	71	79	10	73	1	4	8	2	1	694,656
Canada	3	3	1,356,512	332	16	65	0	7	1							
Colorado £	3	1	2,481,736	65		27	8	5	1	1						
Florida	26	37	16,279,933	2,829	441	435	225	95	16	127	4	2	1			
Georgia •	34	56	31,101,238	4,643	1,104	690	178	134	27	401	2	2	2			790,000
Hawaii	1	1		45			2	1			1					
Idaho*																
Illinois	24	18	14,860,000	1,771	491	193	45	71	13	1,110		1	1			750,000
Indiana																
Kansas	2		1,422,110	284	45	31	55	12	2	4						
Kentucky		4		7,892	1,051	660	158	408	27	388	2	1	2			
Mid-Atlantic ‡		2	3,000,000					10		17						
Mexico Assn.*																
Michigan			6,890,000		110	214	24	55	5	41						
Mississippi	35	27	10,717,700	3,011	612	283	205	59	3	128		2	2	1		
Missouri	60	46	50,311,300	8,084	916	682	253	301	47	343	3	1	3	3		450,000
Montana*																
New Jersey			275,000	28				2		1						
New Mexico		2						4	2	4						
North Carolina	109	65	78,205,598	14,518	1,073	1,471	346	330	91	602	4	6	5	1	1	
Northeast †	3	1		180				4		6						
Northwest §	3		2,800,000	274		30	23	6		3		1	1			
Ohio	38	24	41,839,791	8,239	240	503	249	318	26	232		1	1			
Oklahoma	57	55	66,459,478	22,338	2,497	1,104	286	373	56	514	5	4	5		1	15,350,000
Puerto Rico				25				1		1						
South Carolina	38	38	118,700,321	4,400	770	672	324	183	4	117	5	5	4	3		1,725,000
South Dakota			162,000	30				1								
Tennessee	35	44	40,073,500	7,043	1,236	638	137	364	49	424	4	1	3	1	1	
Texas	16	14	8,529,711	1,481	94	215	134	61	11	51	1					
Virgin Islands	1	1	2,350,000	100	75	10		4		2	1	1	1			
Virginia	23	9	22,445,462	3,673	489	597	75	172	21	238	1	3	4	1	1	
West Virginia	44	12	54,089,360	8,075	462	475	71	412	26	322	1	2				
Wisconsin	1		486,000	27				2								
TOTALS	642	579	665,637,500	120,691	14,706	10,986	3,412	4,035	561	5,982	45	48	52	12	5	21,088,467

‡ Includes 5 Louisiana churches

£ Includes 1 Wyoming church

• Includes 1 Alaska church

‡ Delaware, Maryland, New Jersey, Pennsylvania

† Maine, New Hampshire, Rhode Island

§ Oregon, Washington

*Did not report