

# 2006

## Free Will Baptist Yearbook



© 2006  
The Executive Office  
National Association of Free Will Baptists, Inc.  
P. O. Box 5002, Antioch, Tennessee 37011-5002  
5233 Mt. View Road, Antioch, Tennessee 37013-2306  
Telephone: 615/731-6812 FAX: 615/731-0771

Printed by Randall House Publications

2006

# Minutes

of the

## Sixty-Ninth Annual Session

of the

## National Association

of

## Free Will Baptists, Inc.

when convened in

## Louisville, Kentucky

## July 17-20, 2005

2010

### Future Sessions

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	Tampa, Florida	July 21-24
2014	Fort Worth, Texas	July 27-30
2015	Grand Rapids, Michigan	July 19-22

## 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

<b>2006</b>	<b>2007</b>	<b>2008</b>
North Carolina: Jim Marcum	Alabama: Rick Cash	Indiana: Chris Clay
Northeast Dist.: Jim Nason	Arizona: Charles Marshall	Kansas: Zane Brooks
Northwest Dist.: A. Darrell Smith	Arkansas: Tim Campbell	Kentucky: James Patton
Ohio: Mike Stokes	Assn. of Mexico:	Mexico Assn.: Bud Bivens
Oklahoma: Ernest Harrison, Jr.	Luis Felipe Tijerina	Michigan: Gene Norris
South Carolina: Mike Jones	Atl. Canada: Fred Hanson	Mid-Atlantic: Wayne Hale
Tennessee: Charles Thigpen	California: Millard Sasser	Mississippi: J.L. Gore
Texas: Keith Woody	Colorado: Mark Thomas	Missouri: Nathan Ruble
Virginia: Glen Johnson	Florida: Paul Smith	New Jersey: William Brown
West Virginia: Carl Vallance	Georgia: Len Blanchard	New Mexico: Mark Shores
	Idaho: Earl Jenkins	
	Illinois: David Shores	

### Executive Committee

**Moderator:** Tim York, P.O. Box 5002, Antioch, TN 37011  
**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

<b>2006</b>	<b>2007</b>	<b>2008</b>
Ernest Harrison, Jr. (OK)	Tim Campbell (AR)	J.L. Gore (MS)
Glen Johnson (VA)	Rick Cash (AL)	Gene Norris (MI)
Keith Woody (TX)	Fred Hanson (Atl. Canada)	Nathan Ruble (MO)

### Board of Trustees of Free Will Baptist Bible College

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

<b>2006</b>	<b>2008</b>	<b>2010</b>
A.C. Allen (SC)	Greg Kettelman (TN)	Steve Ashby (OK)
Richard Barnes (VA)	Gene Outland (IL)	Billy Hanna (GA)
Gary Fry (MO)	Archie Ratliff (NC)	Terry Pierce (MS)

## Board of International Missions

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

<b>2006</b>	<b>2008</b>	<b>2010</b>
Jerry Norris (MO)	Jeff Manning (NC)	Sherwood Lee (SC)
Randy Wilson (OK)	Bill Van Winkle (TX)	Tom McCullough (MI)
Milton Worthington (NC)	David Williford (TN)	Danny Williams (AL)

## Board of Home Missions

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

<b>2007</b>	<b>2009</b>	<b>2011</b>
Matt Upton (CA)	Ron Parker (LA)	Harold Blankenship (TN)
Jerry Atwell (MS)	Loyd Locklear (MI)	Robert Thebeau (MO)
Bobby Shepherd (AR)	James Puckett (OK)	Randy Wright (AL)

## Board of Retirement and Insurance

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

<b>2007</b>	<b>2009</b>	<b>2011</b>
Bobby Bowers (SC)	William Ferguson (MI)	Ron Barber (OK)
Craig Cook (TN)	Jack Daniel (GA)	Tim Hall (KY)
Jack Ward (NC)	James Lowe (OH)	Milburn Wilson (TX)

## Board of Master's Men

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

<b>2007</b>	<b>2009</b>	<b>2011</b>
Roy Copeland (OK)	Cliff Donoho (TN)	B.J. Morgan (MO)
Jason Vinson (AL)	Rick Stone (KY)	Mike Mounts (OH)
Rudy Taylor (MI)	Johnny Fowlkes (AR)	Ernie Taylor (IL)

## Board of Trustees of the Free Will Baptist Foundation

**Chairman:**

<b>2007</b>	<b>2009</b>	<b>2011</b>
Brian Hurst (MO)	Rick Locklear (MI)	Waymon Fields (AL)
Donnie Miles (SC)	Barry Simpson (TN)	Roy Harris (TN)
Wendell Walley (CA)	Phil Whiteaker (AR)	Melvin Worthington (NC)

**Foundation Board also includes directors of national agencies:**

James Forlines (IM)	Matt Pinson (FWBBC)
Larry Powell (HM)	Marjorie Workman (WNAC)
Kenneth Akers (MM)	Ron Hunter (SS & CT)
Ray Lewis (R&I)	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

2006 Paul Harrison (TN)	2009 Steve Ashby (OK)
2007 Leroy Forlines (TN)	2010 Craig Shaw (OK)
2008 Matt Pinson (TN)	

### Historical Commission

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

2006 Joe McKnight (SC)	2009 Robert Picirilli (TN)
2007 Jack Williams (TN)	2010 Darrell Holley (TN)
2008 David Crowe (TN)	

### Media Commission

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

2006 Monte McKenzie (GA)	2009 Mike Jones (SC)
2007 Kevin Norris (MI)	2010 Doug Kite (NC)
2008 Sandy Goodfellow (TN)	

### Music Commission

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

2006 Donnie Burke (GA)	2009 Randy Sawyer (NC)
2007 Doug Little (TN)	2010 Chris Truett (NC)
2008 James Stevens (TN)	

## Proceedings

The 69th annual session of the National Association of Free Will Baptists met July 17-20, 2005, at the Kentucky International Convention Center in Louisville, Kentucky. "Pleasing God" was the theme for the meeting. Dean Jones served as convention manager and Chris Truett as music coordinator.

### Sunday School—July 17, 2005

Sunday School began at 10:00 a.m. with Richard Davis leading the congregation in singing "Blessed Assurance" and "Great Is Thy Faithfulness." Frank Wiley welcomed the assembly and introduced the Sunday School teacher. "4 the King" provided music. Jonathan Yandell, Teen Editor at Randall House Publications, taught the lesson from Acts 9:1-31.

### Sunday Morning—July 17, 2005

Morning worship began at 11:00 a.m. with Richard Davis praying and leading the congregation in singing "All Hail The Power," "Glorify Thy Name," and "Majesty." Frank Wiley welcomed the assembly and called for the offering. The offering was received while "4 the King" sang "I'm Amazed." The congregation sang "Praise Him, Praise Him," "I Sing Praises," and "Because He Lives."

Frank Wiley introduced the speaker and "4 the King" sang "I Rest My Case At The Cross." Mike Wade, pastor of Calvary Free Will Baptist Church, Norman, Oklahoma, preached from Hebrews 11:5-6 on "Pleasing God Through Our Living." Frank Wiley prayed the benediction.

### Sunday Evening—July 17, 2005

Evening worship began at 7:00 p.m. with the Convention Choir singing "Jesus, You're Worthy Of Praise." Chris Truett led the congregation in singing "No Other Name," "All Hail The Power Of Jesus' Name," and "Crown Him King Of Kings." Kent Nelson gave a welcome and led in prayer. The offering was received as John Gibbs sang "Follow Me." The congregation sang "Hallelujah To The Lamb" and "Hallelujah, What A Savior!"

Kent Nelson introduced Dr. Jeff Manning, pastor of Unity Free Will Baptist Church, Greenville, North Carolina, as speaker for the evening. The Mann Family sang "His Life For Mine" and "The Cross." Jeff Manning spoke on "Preaching That Pleases God" with 1 Timothy 4:11-16 as his text. The invitation hymn was "I Surrender All." Kent Nelson prayed the benediction.

## Monday Evening—July 18, 2005

Evening worship began at 7:00 p.m. with the congregation singing, "Joyful, Joyful We Adore Thee," "And Can It Be," and "The Wonderful Cross" led by Donnie Burke. The Men's Chorale sang "Sinner Saved By Grace," led by Daron Dwyer. Clerk Randy Bryant called the 69th annual session to order and introduced Moderator Tim York, who announced the following committees:

Credentials Committee: Jim Marcum, Chairman (NC)  
Nathan Ruble (MO) Glen Johnson (VA)  
Mike Stokes (OH) Charles Marshall (AZ)

Nominating Committee: Rick Cash, Chairman (AL)  
Ron Helms (MI) Kenny Simpson (MO)  
Ernest Harrison (OK) Paul Smith (FL)  
Mike Jones (SC) Tim Hall (KY)

Resolutions Committee: Roy Harris, Chairman (TN)  
Tim Campbell (AR) Keith Woody (TX)  
Billy Hanna (GA) Jeff Crabtree (Atlantic Canada)

Obituary Committee: David Shores, Chairman (IL)  
Carl Vallance (WV) Charles Thigpen (TN)  
Chris Clay (IN) Gene Norris (MI)

Tim Hall, moderator of the Kentucky State Association of Free Will Baptists, welcomed the convention to Louisville and to the state of Kentucky. He presented personalized Louisville Slugger baseball bats to Executive Secretary Keith Burden and Moderator Tim York.

Nathan Ruble led in prayer and the offering was received. Dr. James Stevens played a piano solo for the offertory. The Convention Choir, led by Donnie Burke, sang "Who Can Satisfy?" The congregation sang "Jesus Your Name," "Praise The Name Of Jesus," and "You Are My King."

Millard Sasser, pastor of Sherwood Forest Free Will Baptist Church, El Sobrante, California, was introduced as the speaker by Nathan Ruble. The Ladies Trio from Cookeville, Tennessee, sang "Wonderful, Merciful Savior." Millard Sasser preached on "Pleasing God Through Our Giving" from Hebrews 13:15-16. The invitation hymn was "I Surrender All." Nathan Ruble prayed the benediction.

## Tuesday Afternoon—July 19, 2005

Moderator Tim York called the business meeting to order at 1:30 p.m. and welcomed delegates. The moderator brought a devotion from Luke 5:3 on "Thy Word" and concluded with prayer.

The clerk read the Credentials Committee report. Motion carried to amend the report to read:

"We recommend that we seat the Mid-Atlantic District Association upon their statement that their letter and fees had been sent."

Motion carried to accept the Credentials Committee report as amended.

The clerk read a partial report of the General Board. Motion carried to receive Item #1 of 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 reports and adopt the budget.

Keith Burden and Eric Thomsen gave the ONE Magazine report. Dr. Jack Williams was honored with a PowerPoint presentation by Eric Thomsen for 27 years of service to the Executive Office. Keith Burden presented Dr. Williams with a book of letters written in tribute to him.

Motion carried to accept the ONE Magazine report and adopt the budget.

Director Ron Hunter gave the Sunday School and Church Training Department report. Clarence Lewis gave the financial report. Motion carried to receive the report and adopt the budget.

President Matt Pinson gave the Free Will Baptist Bible College report. Tom Sass gave the financial report.

Chancellor Tom Malone was honored for his years of service to Free Will Baptist Bible College. Gary Fry, chairman of the Board of Trustees of Free Will Baptist Bible College, expressed the board's appreciation and Matt Pinson presented Dr. Malone with a plaque.

Motion carried to accept the report and adopt the budget.

The clerk read Item #3 from the General Board report. Motion carried to table the addition to By-Laws, Section 4. The addition is to read:

"Listing in the membership directory of the National Association of Free Will Baptists, Inc., (*Free Will Baptist Yearbook*) is based on payment of the annual representation fee."

The clerk read the Nominating Committee report for General Board members. Motion carried to receive the report and elect nominees for terms ending in 2008.

The clerk read the Nominating Committee report for Executive Committee members with terms expiring in 2008. J.L. Gore (MS), Gene Norris (MI), and Nathan Ruble (MO) were elected.

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.

Jeff Manning was elected to the International Missions Board to fill the unexpired term (2008) of Bill Jones who resigned.

### **Tuesday Evening—July 19, 2005**

The service began with the Speck Trio and Convention Choir singing, "Glorious City Of God" led by Chris Truett. The congregation sang "When The Roll Is Called Up Yonder" and "When We All Get To Heaven" led by Kevin Justice. James Patton welcomed the assembly and prayed the offertory prayer. Offertory music was provided by the Speck Trio with the Convention Choir singing "I Still Cling To The Old Rugged Cross," "I Wish I Could Have Been There," and "By The Way Of The Cross." The congregation joined Mike Speck in singing "Spirit Of The Living God." The Speck Trio sang "I Know What It's Like."

James Patton introduced James Kelly Caudill, pastor of Tom's Creek Free Will Baptist Church, Pikeville, Kentucky, as speaker for the service. Bro. Caudill brought a message on "Pleasing The Lord In Your Service" from I Corinthians 12:18. "Spirit of the Living God" was sung for the invitation. James Patton prayed the benediction.

### **Wednesday Morning—July 20, 2005**

The moderator called the session to order. Assistant Moderator William Smith read from I Peter 1:3-5 and led in prayer.

Director Ken Akers gave the Master's Men Department report. Motion carried to receive the report and adopt the budget. Presentations were made to Clarence Lewis and Don Neal for their service on the Master's Men Board. Mike Mounts (OH), Ernie Taylor (IL), and B.J. Morgan (MO) were elected to the board for terms to expire in 2011. Jason Vinson (AL) was elected to fill the unexpired term (2007) of Charles Walden (deceased).

Director Bill Evans gave the Board of Retirement and Insurance report. Ray Lewis gave the financial report. Motion carried to receive the report and adopt the budget. Board chairman Ron Barber presented a plaque to Bill Evans upon his retirement for 15 years as director of the department. Ron Barber (OK), Tim Hall (KY), and Milburn Wilson (TX) were elected for 2011 terms to the board.

Director Bill Evans gave the Free Will Baptist Foundation report. David Brown gave the financial report. Motion carried to receive the report and adopt the budget. The following were elected to the new board for the Foundation:

2007—Wendell Walley (CA), Brian Hurst (MO), Donnie Miles (SC)

2009—Phil Whiteaker (AR), Barry Simpson (TN), Rick Locklear (MI)  
2011—Waymon Fields (AL), Melvin Worthington (NC), Roy Harris (TN)

Director Larry Powell gave the Home Missions Department report. Chaplain David Trogdon gave greetings on behalf of the Free Will Baptist chaplains. Fred Hanson presented the need for churches in Canada. The following were presented plaques recognizing the achievement of self-supporting status: Ken and Bonnie Doggett, Carlie and Margaret Lloyd, Bill and Kay Phillips, Rick and Stephanie Morris, Cliff and Kathy Donoho, Vladimir Lopuga and Russell and Cathy Wright.

Lynn Wood was presented a plaque for his service on the board. Motion carried to receive the report and adopt the budget. Harold Blankenship (TN), Robert Thebeau (MO), and Randy Wright (AL) were elected to the board for terms to expire in 2011.

Leroy Forlines gave the Commission for Theological Integrity report. Motion carried to receive the report and adopt the budget. Craig Shaw (OK) was elected to the 2010 term and Steve Ashby (OK) was elected to the 2009 term on the commission.

Motion carried to adopt Item #2 from the General Board report.

Motion carried to adopt Item #4 from the General Board report.

Motion carried to remove Item #3 of the General Board report from the table. Item #3 was adopted.

Jack Williams gave the Historical Commission report. Motion carried to receive the report and adopt the budget. Darrell Holley (TN) was elected to the 2010 term on the commission.

Mike Jones gave the Media Commission report. Motion carried to accept report and adopt the budget. Doug Kite (NC) was elected to the 2010 term on the commission.

Chris Truett gave the Music Commission report. Motion carried to accept the report and adopt the budget. Chris Truett (NC) was elected to the 2010 term on the commission and James Stevens (TN) was elected to the 2008 term.

### **Wednesday Afternoon—July 20, 2005**

The afternoon session opened at 1:30 p.m. with Assistant Clerk Ernie Lewis reading Hebrews 12:1-3 and leading in prayer.

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.

The clerk read the Registration Report. Motion carried to receive the report.

Keith Burden gave the Budget Committee report. Motion carried to receive the report and adopt the budget.

The clerk read the Obituary Committee report. Motion carried to receive the report. Delegates stood in silence for those listed and David Shores offered a prayer of remembrance.

The clerk read the Resolutions Committee report. Motion carried to receive the report.

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

Moderator – Tim York (KY)

Assistant Moderator – William Smith (GA)

Clerk – Randy Bryant (FL)

Assistant Clerk – Ernie Lewis (IL)

Motion carried to adjourn. Home Missions Board chairman Jim Puckett and International Missions Board chairman Milton Worthington dismissed in prayer.

### Wednesday Evening—July 20, 2005

The service began with the Convention Choir singing "Jesus Saves" led by Chris Truett. Daryl Crain led in prayer and Jeff Crabtree gave a welcome. Randy Riggs led the congregation in singing "Song For The Nations" and "Take The Name Of Jesus With You."

Home and international missionaries were introduced and James Forlines and Larry Powell led in a commissioning service for new missionaries. Moderator Tim York prayed the commissioning prayer while the general officers and department directors laid hands on the new missionaries.

A video presentation was shown concerning the missions offering. Jeff Crabtree led in prayer. "Go Forth" was sung for the offertory by the Convention Choir with soloist Staci Warren.

Jeff Crabtree introduced Fred Hanson, pastor of Plaster Rock Free Will Baptist Church, New Brunswick, Canada, as speaker for the evening.

Fred Hanson preached from Galatians 1:15-16 on "Pleasing God Through Our Going." "Where He Leads Me I Will Follow" was sung as the invitation hymn. The Convention Choir, led by Donnie Burke, sang "There Is A Fountain." Jeff Crabtree closed the service in 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, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

2. From the following district associations which are entitled to be represented by three delegates: Arizona, Association of Mexico, Canada, Colorado, Mexican Association, New Jersey, New Mexico, and the Northwest. By the following local churches entitled to be represented by one delegate: Hawaii, Puerto Rico, South Dakota, Virgin Islands and Wisconsin.

We received no letters or representation fees from churches in Montana or from the District Associations of the Mid-Atlantic and Northeast.

We recommend that the delegates from the state associations, district associations and local churches listed in items 1 and 2 be seated for this session, along with their other delegates who are properly registered.

We also recommend that the local churches of Montana and the delegates from the Associations of the Mid-Atlantic and Northeast be seated when the required representation fees have been paid.

AMENDED:

Motion carried to amend the report that Mid-Atlantic District be seated based on their statement that a letter and fees had been sent.

Jim Marcum (NC), Chairman

Charles Marshall (AZ)

Mike Stokes (OH)

Nathan Ruble (MO)

Glen Johnson (VA)

## GENERAL BOARD REPORT

The General Board of the National Association of Free Will Baptists met Monday, July 18, 2005, in Room 100 at the Kentucky International Convention Center in Louisville, Kentucky. As a result of this meeting, we offer the following recommendations:

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

2. We recommend that effective 2006 all national agencies use the same format to present proposed annual budgets to national convention delegates. This format will include, in a line by line comparison, the previous year's income and expense (restricted and unrestricted) operational budget as adopted by this body,

the previous year's actual income and expense figures, the present year's income and expense operational budget as adopted by this body, and the proposed income and expense budget for the coming year.

3. We recommend the following addition to our By-Laws, Section 4: "Listing in the membership directory of the National Association of Free Will Baptists, Inc., (*Free Will Baptist Yearbook*) is based on payment of the annual representation fee."

4. We recommend Tampa, Florida, for the July 21-24, 2013, convention and Grand Rapids, Michigan, for the July 19-22, 2015, convention.

## NOMINATING COMMITTEE REPORT

### Board of Retirement

2011 Replacing Ron Barber (OK) . . . . . Ron Barber  
 Replacing Henry Van Kluyve (TN) . . . . . Tim Hall (KY)  
 Replacing Milburn Wilson (TX) . . . . . Milburn Wilson

### Board of FWB Foundation

2007 Wendell Walley (CA)  
 Brian Hurst (MO)  
 Donnie Miles (SC)

2009 Phil Whiteaker (AR)  
 Barry Simpson (TN)  
 Rick Locklear (MI)

2011 Waymon Fields (AL)  
 Melvin Worthington (NC)  
 Roy Harris (TN)

### Home Missions Board

2011 Replacing Harold Blankenship (TN) . . . . . Harold Blankenship  
 Replacing Robert Thebeau (MO) . . . . . Robert Thebeau  
 Replacing Lynn Wood (OK) . . . . . Randy Wright (AL)

### International Missions Board

2008 Replacing Bill Jones (OK) . . . . . Jeff Manning (NC)

### Master's Men Board

2007 Replacing Charles Walden (MS) . . . . . Jason Vinson (AL)  
 2011 Replacing Mike Mounts (OH) . . . . . Mike Mounts  
 Replacing Don Neal (IN) . . . . . B.J. Morgan (MO)  
 Replacing Ernie Taylor (IL) . . . . . Ernie Taylor

### Commission for Theological Integrity

2009 Replacing Jeff Manning (NC) . . . . . Steve Ashby (OK)  
 2010 Replacing Daryl Ellis (IL) . . . . . Craig Shaw (OK)

### Historical Commission

2010 Replacing Darrell Holley (TN) . . . . . Darrell Holley

### Media Commission

2010 Replacing Doug Kite (NC) . . . . . Doug Kite

### Music Commission

2008 Replacing Jerry Carraway (TN) . . . . . James Stevens (TN)  
 2010 Replacing Chris Truett (NC) . . . . . Chris Truett

### General Board

2008 Indiana (replacing Chris Clay) . . . . . Chris Clay  
 Kansas (replacing Zane Brooks) . . . . . Zane Brooks  
 Kentucky (replacing James Patton) . . . . . James Patton  
 Mexico Assn. (replacing Bud Bivens) . . . . . Bud Bivens  
 Michigan (replacing Gene Norris) . . . . . Gene Norris  
 Mid-Atlantic (replacing Jay Baines) . . . . . Wayne Hale  
 Mississippi (replacing J.L. Gore) . . . . . J.L. Gore  
 Missouri (replacing Nathan Ruble) . . . . . Nathan Ruble  
 New Jersey (replacing William Brown) . . . . . William Brown  
 New Mexico (replacing Mark Shores) . . . . . Mark Shores

### Executive Committee

2008 Replacing J.L. Gore (MS) . . . . . J.L. Gore  
 Replacing Gene Norris (MI) . . . . . Gene Norris  
 Replacing Nathan Ruble (MO) . . . . . Nathan Ruble

### 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:

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

## 2005 NATIONAL YOUTH CONFERENCE REPORT

The 2005 National Youth Conference met for its 38th annual conference in Louisville, Kentucky, July 17-20. The theme for the conference was "Yes, Your Majesty!" NYC registration totaled 3,659 as of noon Wednesday.

A total of 806 competitive entries were conducted during the four-day conference, with a total of 1,697 young people participating in the competitive activities. A complete list of NYC winners will



be available on the internet.

Worship services were conducted for Preschool (ages 3-5), with an average of 100 attending and for Children and Tweeners (1st-6th grade) with an average of 375 attending. Worship services for Youth (7th-12th grade) had an average of 1500 attending the Sunday morning and Sunday through Tuesday night with Gowdy Cannon, Mitchell Cooper, Brian Tippett, Curt Gwartney, and Mrs. Lorene Miley speaking. Many decisions for Christ were made throughout the week, including several who answered the call to full time Christian service.

Over 700 students and adults, representing 97 FWB churches working over 3000 hours in the Louisville community, participated in Reach That Guy, our area service project program. Most of the projects were held in conjunction with the Louisville area Salvation Army. They have reported that the work of Reach That Guy has saved them over \$70,000. At the Salvation Army's homeless shelter, Center of Hope, several projects were funded and completed, including masonry, painting, roofing, and construction. Many organizations were quoted as saying, "We're running out of work!" and "These are the hardest workers we have ever had." Projects included the Salvation Army, the Boys and Girls Clubs in Newburg, Albany, Cane Run, and Parkland, and a blood drive with the Red Cross Blood Services (in which 35 units of blood were collected so far).

Reach That Guy and WNAC partnered to provide thousands of Christmas stockings for the children of Louisville.

Our participants have been challenged to acknowledge the Lord as their King and to have a greater understanding of the adoration He deserves. Our prayer for the coming year is that our students will return to their local churches more equipped and in touch with their Lord.

We leave Louisville a different city. 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 39th annual National Youth Conference is scheduled for Birmingham, Alabama, in July, 2006, where our theme will be "One Life" from Ecclesiastes 12:13.

**Minutes**  
of the  
**Seventieth Annual Session**

of the  
**Women Nationally  
Active for Christ  
Convention**

of the  
**National Association of  
Free Will Baptists**

when convened in  
**Louisville, Kentucky**  
**July 18-19, 2005**

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

#### Executive Committee

##### President

Debe Taylor  
103 Chisholm Trail  
Hot Springs, AR 71913  
501-760-4824  
taylorgolf@juno.com

##### Vice-President

Rebecca Pugh  
298 Andy Drive  
Atoka, TN 38004  
901-840-2100

##### Secretary

Phyllis York  
12708 Copley Road  
Ashland, KY 41102  
606-928-5136  
timbyork@aol.com

##### Executive Secretary-Treasurer

Marjorie Workman  
1408 Revenna Court North  
Antioch, TN 37013  
615-366-0573  
marjorie@nafwb.org

**Theme:** Let Us Pursue

**Scripture:** Hosea 6:3

**Music Coordinator/Worship Leader:** Melissa Cook

**Pianist:** Glenna Callihan

**Organist:** Carol Reid

#### Proceedings

##### WNAC Seminar

Monday, July 18

"Romancing Your Husband" was the title of the one-hour seminar for women on Monday afternoon. Presenter Debra White Smith captured the attention of the women with tips from her book on how to keep the romance in your marriage. Marjorie Workman served as presider for the seminar.

"Are We There Yet?" was the title of the second one-hour seminar. Presenter Sandy Atwood connected with the women as she discussed

different areas in our lives that leave us wondering—are we there yet? Carolyn Hendrix served as presider for the seminar.

#### Business Session

Tuesday, July 19

Women Nationally Active for Christ met Tuesday morning, July 19, 2005, at 8:30 a.m. in the Convention Center, Hall 2C, Louisville, Kentucky. President Debe Taylor presided over the meeting. The session opened with congregational singing. Kentucky WAC State President Jonda Patton welcomed the convention to the state of Kentucky. The convention enjoyed a special sign language presentation by "Heart to Heart Ministries" from First Free Will Baptist Church, Owensboro, Kentucky.

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

#### ART

First: I am the true vine (John 15:1) - Kay Brown, Charleston, AR  
Second: A New Life - Kay Brown, Charleston, AR  
Third: In the Midst of Tsunami (Psalms) - Judy L. Pierce, Cecil, AR

#### ARTICLES

First: Riding in the Back Seat - Ruth Bivens, Monett, MO  
Second: A Gift of Great Joy - Kathi Mooney, Ashland, KY  
Third: Surviving Life's Storms - Catherine Hill, Ashland City, TN

#### DEVOTIONALS

First: How Do You Smell? - Holly Helber, Beaver, OH  
Second: How Do I P.A.C.E. Myself? - Dana Copeland, Amory, MS  
Third: When Your Row is Hard to Hoe - Beulah Morlan, Monett, MO

#### PLAYS/SKITS

First: JC the Snow White Lamb - Vicki Turner, Cartersville, MO  
Second: The Mary of Christmas - Cheryl Akers, Jacksonville, FL  
Third: His Name Shall Be Called Jesus - Donna Brewer, Topeka, KS

#### PHOTOGRAPHY

First: All Things New - Kay Brown, Charleston, AR  
Second: Maybe Today - Ruth Bivens, Monett, MO  
Third: Shouting Time - Kay Brown, Charleston, AR

#### POETRY

First: Overwhelming Gratitude - Catherine Hill, Ashland City, TN  
Second: Faith - Vicki Turner, Cartersville, MO  
Third: Dear Daughter - Teri Pritchard, Greenville, NC

## PROGRAMS

First: Going Farther in Worship - Ruth Bivens, Monett, MO  
Second: LIVINGFORJESUS.COM - Sue Winchester, St. Louis, MO  
Third: Be Ye Transformed - Judy DeLong, Hager Hill, KY

The Credentials Committee (Chairman Phyllis York, KY; Judith Ruble, MO; Diane Conn, FL) 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, West Virginia.

The following two districts with no state conventions submitted reports and paid dues: First Arizona and New Mexico.

The following four local groups with no district or state conventions submitted reports and paid dues: First Topeka, Kansas; St. Croix, Virgin Islands; Tri-Cities, Washington; Cheyenne, Wyoming.

In addition, there were 38 delegates from local groups in good standing with their representing higher body (district or state) that paid their \$5 representation fees.

Motion carried to accept the report and seat the delegates.

Marjorie Workman gave the Executive Secretary-Treasurer's Report. She reported on the success of Monday afternoon's seminars with Debra White Smith and Sandy Atwood. She also encouraged the women to attend the Marriage Enrichment Conference in October sponsored by WNAC and Master's Men.

The *Colaborer* magazine is the only FWB magazine designed for women by women. Mrs. Workman reported that we did not choose to become part of ONE Magazine because we could not justly serve our women with one page. She also gave a book review of available books through WNAC. The 2006 Program and Plan books are available.

The next item reported on was the scholarships. Scholarships were given to students in Cote d'Ivoire; five students in South India and to students at the Cuban Cedars of Lebanon Seminary.

Mrs. Workman reported that over 600 women from 20 states and five countries gathered for the 2005 National Retreat in Branson, Missouri, to pursue God's heart for the world.

She then reported on the Women's Prayer Fellowship for Revival for the Nations of Central Asia. The conference took place April 19-21 in Almaty, Kazakhstan. More than 550 women from eight countries attended the conference. Our women gave over \$20,000

toward the cost for these women to attend the conference. In addition, they gave \$13,366 to the WNAC General Fund through the 50/50 project. WNAC presented a power-point presentation on the Central Asian Conference entitled Sweet Smelling Saviour.

The budget was presented. Motion carried to adopt the budget.

Motion carried to accept Mrs. Workman's Executive Secretary-Treasurer Report as information.

Janie Campbell, Chairman, presented the Appreciation Committee Report.

We, the Appreciation Committee, realize that it has taken an entire year and many people to coordinate a meeting such as this. We specifically want to recognize the executive committee, WNAC staff, musicians, and speakers for their commitment to help make this meeting a success. We also want to recognize our hostesses, the Kentucky Women Active for Christ, for their efforts in making us welcome and for all the preparations in making this year's WNAC convention successful. We recommend that we give all these women a rising vote of thanks.

Those serving on this committee were Janie Campbell, AR, chairman; Laurie Horne, NC; Susie Mounts, GA; Patsy Hyman, SC.

Motion carried to adopt the Appreciation Committee's report.

Hope Van Winkle, 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 scholarship for Robert and Philippe in Cote d'Ivoire, for a total of \$1,250.

b. To continue the scholarship for the Cuban Cedars of Lebanon Seminary for a total of \$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 \$950.

d. To add a scholarship for a student at the Seminary of the Cross in Reynosa, Mexico, for a total of \$800.

Motion carried to adopt Item # 1.

Item #2: We recommend the By-Laws, Article V, Fees and Reports, be changed from:

"Active members shall pay dues yearly as required by WNAC for membership fee" and "The dues and the annual reports must be in the national office before the WNAC convention in order for delegates to be seated at the WNAC convention."

To read: "Active members shall pay membership fees yearly as

required by WNAC. The membership fees and the annual reports must be in the national office before the WNAC convention in order for delegates to be seated at the WNAC convention."

Motion carried to adopt Item #2.

Item #3: We recommend increasing dues (membership fees) from \$10 to \$15 effective immediately.

Motion carried to adopt Item #3.

Item #4: We recommend increasing the local delegate fee from \$5 to \$10.

Motion carried to adopt Item #4.

Item #5: Whereas it was through the ruling of un-elected liberal judges that prayer was removed from our schools and abortion was declared legal, and whereas now our nation is in danger of having civil unions in government buildings and government property, and the pledge of allegiance disallowed, be it resolved that we write or telephone our senators to stop judicial tyranny by demanding an up or down vote for the judges, who are conservative in their values, appointed by our President.

Motion carried to Adopt Item #5.

Item #6: Be it resolved that we the women of WNAC always keep the WAC before our women and encourage all women of our denomination to become involved.

Motion carried to Adopt Item #6.

Those serving on this committee were Hope VanWinkle, TX, Chairman; Geri Baker, OH; Katy Taylor, MI; Pat Shores, IL; Linda Bigger, OK.

The Registration Committee chairman, Linda Harvey, gave a partial report as follows:

Number of persons registered:

WNAC National Officers (Standing Delegates) .....	5
State Presidents (Standing Delegates) .....	13
State Field Workers (Standing Delegates) .....	9
State Delegates (Elected Delegates) .....	135
Local WNAC Delegates (paying \$5 representation fee) ..	38
Total Delegates .....	200
Non-Voting Attendees:	
Visitors .....	744
Missionaries (Home and International) .....	28
Grand Total Registered .....	972

Those serving on this committee were Linda Harvey, AZ, Chairman; Wanda Powell, TN; Rhonda Whitney, MS.

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

Chairman Peggy Outland, IL, submitted the following Nominating Committee report:

President - Debe Taylor, AR; Vice-President - Rebecca Pugh, TN; Secretary - Phyllis York, KY; Members at Large - Carolyn Hendrix, AL; Shirley Jackson, MO; Linda Harvey, AZ.

Motion carried to accept the report and consider each position separately.

President Debe Taylor proceeded with election of officers. The floor yielded to Phyllis York, secretary, to conduct the election of the office of president. Debe Taylor's name was placed into nomination. Motion carried to elect Debe Taylor as president.

President Taylor resumed the chair and continued with the election of the other officers. Rebecca Pugh, TN, nominated for vice president. Motion carried to elect Rebecca Pugh. Phyllis York, KY, nominated for secretary. Motion carried to elect Phyllis York. Carolyn Hendrix, AL; Shirley Jackson, MO; Linda Harvey, AZ, were all nominated for members at large. Motion carried to elect Carolyn Hendrix, Shirley Jackson, and Linda Harvey.

### 10:30 A.M. Missionary Service

Missy Patton, WNAC worship leader called the assembly to worship with congregational singing. Debe Taylor gave a welcome and challenged the attendees to please God with an offering and not rob Him. Shirley Jackson led in the offertory prayer. Salvation Rain provided special Blue Grass music during the offering. Missionary speakers Anthony and Lea Edgmon were introduced and addressed the attendees with thoughts centered around the convention theme "Let Us Pursue" (Hosea 6:3). The couple shared that God actively pursues us and wants us to pursue Him.

A special project was presented to the WNAC body concerning Rev. George and Kathy Lemelin, missionary church planters in Ogema, MN. The road back into their home near the White Earth Reservation where they minister was almost inaccessible and needed to be graded and graveled. The body was challenged to give \$1,500 in a special offering received as they left the service to meet this goal. Rev. Larry Powell, Director of Home Missions, prayed the benediction.

## Fellowship Luncheon

Tuesday, July 19  
12:00-2:00

The fellowship luncheon was held in the Convention Center, Cascade Ballroom. The guest speaker was Teri Peacock, also known as Viney Mae. Viney Mae kept the audience in stitches as she poked fun at guests, sang songs, and told stories. Her "heart-hitting" story drove home the concept of how much God loves us as she related the story of how a little boy did not forget one person on Valentine's Day. The same is true with God—He never forgets one person with His Love as displayed on Calvary's cross.

## State Presidents and Field Workers Reception

A reception for state presidents and field workers was hosted by the WNAC staff in the Hyatt Regency, Keeneland Suite, following the Tuesday evening service of the National Association.

## Synopsis of the Minutes of WNAC Executive Committee Meeting

Sunday, July 17, 2005

The Executive Committee of WNAC met in the Overlook Suite of the Kentucky International Convention Center in Louisville, Kentucky. Members present were Carolyn Hendrix, Linda Harvey, Shirley Jackson, Debe Taylor, Marjorie Workman and Phyllis York. Joanne King was absent.

Plans were finalized for the 2005 Annual Session of Women Nationally Active for Christ.

The Committee recommended the following items of business for approval of the convention: (1) scholarships to be given from the Cleo Pursell Foreign Student Scholarship Fund; (2) To change dues to membership support; (3) To increase dues to \$15.00; (4) To increase local delegate fees from \$5.00 to \$10.00.

The Committee also approved Lynette Morgan as the speaker for the 2006 Ridgecrest Retreat.

## 2005 WOMEN NATIONALLY ACTIVE FOR CHRIST REPORT

### LET US PURSUE (HOSEA 6:3)

*This year's theme has led us in the pursuit of peace, joy, excellence, godliness, happiness, purity, and the practice of His presence. We are also challenged to have a heart for the world as we pursue the perishing.*

### Pursuing His Heart for the World

WNAC was actively involved in sending support for our Central Asian sisters to attend the Women's Prayer Fellowship for Revival for the Nations of Central Asia. Our goal adopted at the National Convention in Kansas City, Missouri, last year was to underwrite the cost for 500 women. The conference took place April 19-21 in Almaty, Kazakhstan. More than 550 women from eight countries attended the conference. Our women gave over \$20,000 toward the cost for these women to attend the conference. In addition, they gave \$13,366 to the WNAC General Fund through the 50/50 project. In addition to this project,

1. We have sent scholarships totaling \$3,000 to Paul, Robert and Philippe in Cote d'Ivoire; to the five students at the Volena Wilson Bible Institute in Conoor, Tamil Nadu, South India and to the students at the Cuban Cedars of Lebanon Seminary.
2. Our letters, emails, and phone calls to our congressman (in opposition to same-sex marriage) and to the broadcasting networks (in support of the Decency Act) are paying off. We have made a difference.

Over 600 women from 20 states and five countries gathered for the 2005 National Retreat in Branson, Missouri, to pursue God's heart for the world. Speakers Debbie Griffin, Lynette Morgan, Angela Emerick, Vicki Sturgill and Fern Phillips challenged us to pursue intimacy with God through prayer and ministry.

### Pursuing Opportunities for Fellowship & Service

Here in Louisville, Kentucky, we are meeting for our 70<sup>th</sup> annual WNAC Convention. Our program will feature Heart to Heart Youth Ministry sign language choir from Owensboro, Kentucky. Two seminars led by Sandy Atwood and Debra White Smith will offer practical help for living the Christian life and encouragement for successful marriages. Spain missionaries Anthony and Lea Edgmon will tell their story during Tuesday's missionary service. By popular request, dramatist Teri Peacock returns to present "Viney Mae," at the Fellowship Luncheon.

Our women have been invited by Reach That Guy (part of our NYC program) to send or bring various children's items to the convention. These items will be stuffed into Christmas stockings for Louisville's Salvation Army Angel Tree Program—anyone can volunteer to help with this project. We will also participate in the annual blood drive sponsored by NYC.

### Pursuing Growth

A total of **19 states** and **three districts** (with no state organization) **plus three local groups** (with no district or state organization) reported a total of 6350 members last year. Since January we have had **10 new groups** interested in organizing. We invite those women's ministries who are not currently affiliated with WNAC, to join us.

We desire that every Free Will Baptist woman receive *CoLaborer* magazine. It is the only FWB magazine designed for women by women. We did not choose to become part of *ONE Magazine* simply because we could not justly serve our women with one page. Neither did we have any finances to roll over into the production of the new magazine. We encourage pastors and church leaders to consider adding *CoLaborer* to the church's literature budget. Every woman can benefit from the articles, programs, and information found in *CoLaborer*.

**WARREN, DENNEY & WALLACE**

CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG.  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

Members  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
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, 2004 and 2003, 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, 2004 and 2003 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*

February 4, 2005

**WOMEN NATIONALLY ACTIVE FOR CHRIST**  
(An Auxiliary of the National Association of Free Will Baptists)  
Statements of Financial Position  
December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$238,339	\$227,092
Accounts receivable - Note 1	11,483	9,066
Inventory - Note 1	5,904	12,089
Notes receivable, net of allowance for doubtful accounts of \$1,357 (\$2,427 in 2003)	1,870	1,997
Accrued interest receivable	1,770	2,105
Property and equipment at cost, less accumulated depreciation of \$37,390 (\$35,743 in 2003) - Notes 1 & 2	<u>5,832</u>	<u>6,925</u>
Total assets	<u>\$265,198</u>	<u>\$259,274</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 39,469	\$ 32,730
Deferred revenue - Note 7	<u>41,563</u>	<u>46,074</u>
Total liabilities	<u>81,032</u>	<u>78,804</u>
<u>Commitments</u> - Note 4		
<u>Net assets</u>		
Unrestricted - (deficit)	( 839)	( 15,633)
Temporarily restricted	167,147	178,917
Permanently restricted	<u>17,858</u>	<u>17,186</u>
	<u>184,166</u>	<u>180,470</u>
Total liabilities and net assets	<u>\$265,198</u>	<u>\$259,274</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 Activities**  
 For the Years Ended December 31, 2004 and 2003

<u>Unrestricted</u>	<u>2004</u>	<u>2003</u>
Revenue and other support:		
Dues and fees		
Designated contributions	\$ 66,065	\$ 64,603
Magazine and literature sales	345,465	322,786
Convention and retreat income	107,422	109,707
Gifts and offerings	20,504	29,461
Interest income	86,971	67,038
Gain (loss) on value of investment	415	506
Net assets released from restrictions:	1,988	2,620
Satisfaction of program restrictions		
	<u>22,875</u>	<u>1,959</u>
Total revenue and other support	<u>651,705</u>	<u>598,680</u>
Expenses:		
Salaries and wages	119,818	113,673
Payroll taxes and employee benefits	30,634	34,764
Cost of magazine and literature printing	44,387	43,937
Travel and promotion	2,800	2,738
Conventions and retreats	22,498	36,326
Office expense	13,568	15,556
Postage	3,807	4,035
Rent expense	24,600	24,600
Professional fees	3,510	4,167
Administrative expense	304	403
Depreciation	1,648	1,800
Bad debts	( 328)	( 31)
Insurance expense	974	768
Dues and subscriptions	16	51
Special projects	23,196	1,676
Continuing education		2,090
Designated contributions	<u>345,479</u>	<u>323,074</u>
	<u>636,911</u>	<u>609,627</u>
Increase (decrease) in unrestricted net assets	<u>\$ 14,794</u>	<u>(\$ 10,947)</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 Activities**  
 For the Years Ended December 31, 2004 and 2003  
 (Continued)

	<u>2004</u>	<u>2003</u>
<u>Temporarily restricted</u>		
Gifts and offerings	\$ 3,980	\$ 21,090
Interest income	7,125	6,787
Net assets released from restrictions:		
Satisfaction of program restrictions	( 22,875)	( 1,959)
Increase (decrease) in temporarily restricted net assets	<u>( 11,770)</u>	<u>25,918</u>
<u>Permanently restricted</u>		
Gifts and offerings	672	609
Increase in permanently restricted net assets	<u>672</u>	<u>609</u>
Total increase in net assets	3,696	15,580
Net assets - beginning of year	<u>180,470</u>	<u>164,890</u>
Net assets - end of year	<u>\$ 184,166</u>	<u>\$ 180,470</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating activities</u>		
Increase in net assets	\$ 3,696	\$ 15,580
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,648	1,800
Bad debts	( 328)	( 31)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	( 2,417)	( 456)
(Increase) decrease in inventory	6,185	( 2,426)
(Increase) decrease in accrued interest receivable	335	( 227)
Increase (decrease) in accounts payable	6,739	( 1,615)
Increase (decrease) in deferred revenue	( 4,511)	99
Net cash provided by operating activities	<u>11,347</u>	<u>12,724</u>
<u>Investing activities</u>		
Collection of loans receivable	455	1,282
Purchases of property and equipment	( 555)	—
Net cash used by investing activities	<u>( 100)</u>	<u>1,282</u>
Increase in cash and cash equivalents	11,247	14,006
Cash and cash equivalents at beginning of years	<u>227,092</u>	<u>213,086</u>
Cash and cash equivalents at end of years	<u>\$ 238,339</u>	<u>\$ 227,092</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, 2004 and 2003

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 2004 and 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 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, 2004 and 2003

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 \$1,357 (\$2,427 in 2003).

**WOMEN NATIONALLY ACTIVE FOR CHRIST**  
 (An Auxiliary of the National Association of Free Will Baptists)  
 Notes to the Financial Statements  
 December 31, 2004 and 2003

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>2004</u>	<u>2003</u>
Equipment	\$ 43,223	\$ 42,668
Less: Accumulated depreciation	( 37,391)	( 35,743)
	<u>\$ 5,832</u>	<u>\$ 6,925</u>

Note 3 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2004</u>	<u>2003</u>
Student Loan	\$149,100	\$141,489
Foreign scholarship	5,381	6,618
Free Will Baptist College Organ Fund		18,072
Free Will Baptist Bible College Mission House	<u>12,666</u>	<u>12,738</u>
	<u>\$167,147</u>	<u>\$178,917</u>

Permanently restricted assets are restricted to:

Endowment Trust	<u>\$ 17,858</u>	<u>\$ 17,186</u>
-----------------	------------------	------------------

Note 4 - Lease

The Organization entered into a year-to-year lease agreement with the National Association of Free Will Baptists, Inc. for office and storage space. The rent expense for the year amounted to \$24,600 (\$24,600 for the year ended December 31, 2003).

**WOMEN NATIONALLY ACTIVE FOR CHRIST**  
 (An Auxiliary of the National Association of Free Will Baptists)  
 Notes to the Financial Statements  
 December 31, 2004 and 2003

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 \$5,252 (\$5,050 in 2003). 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, 2004 and 2003, the cash deposits were fully insured.

The Organization also has \$185,077 (\$192,538 in 2003) on deposit with the Free Will Baptist Foundation. These funds are uninsured.

Note 7 - Deferred revenue

Deferred revenue resulted from magazine subscriptions received for 2005 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 and payables: 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, 2004 and 2003.

**GIFTS TO MISSIONS/MISSIONARY OBJECTIVES**  
 January 1, 2004 to December 31, 2004

<b>Cash Gifts</b>		\$207,559.28
Foreign Missions Total	159,212.18	
Sent Through WNAC	48,347.10	
Sent Direct		\$125,620.19
Home Missions Total	106,703.23	
Sent Through WNAC	18,916.96	
Sent Direct		\$ 45,875.58
State Projects		\$ 10,754.76
Bible Colleges		\$ 1,396.61
Dr. Wisheart Student Loan Fund		\$ 27,408.46
Other		
Gifts		
Foreign Student Scholarship Fund	1,762.78	
Mission Objectives	25,645.68	
		\$ 9,694.24
Provision Closet		\$119,804.86
WNAC Operating Gifts		
Gen Fund Offering	41,124.05	
Emphasis Offering	9,750.79	
Endowment Fund	672.00	
Rest of Family Offering	1,962.24	
Dues	65,530.00	
Together Way (Designated)	765.78	
Non Cash Gifts		\$ 32,350.75
Provision Closet		-----
		\$580,464.73
	Total Cash and Non-Cash Gifts	

**2004 TOP TEN CONTRIBUTORS TO WNAC**

General Fund		Emphasis Offering		Per Capita Giving	
Tennessee	\$9,651.34	Tennessee	\$1,863.74	Tennessee	\$ 25.59
Missouri	\$5,200.17	North Carolina	\$1,650.43	Indiana	\$ 23.21
Arkansas	\$4,762.58	Arkansas	\$1,114.80	Virginia	\$ 13.73
Alabama	\$3,491.70	South Carolina	\$1,061.19	Missouri	\$ 12.43
Georgia	\$2,727.95	Missouri	\$1,027.58	Alabama	\$ 10.15
Oklahoma	\$2,661.33	Kentucky	\$ 631.20	Arkansas	\$ 7.34
North Carolina	\$2,468.11	Oklahoma	\$ 594.00	North Carolina	\$ 6.92
Virginia	\$1,576.16	Alabama	\$ 587.65	Georgia	\$ 6.89
Ohio	\$1,238.12	Georgia	\$ 405.00	Ohio	\$ 6.62
Illinois	\$ 880.00	Virginia	\$ 250.00	Kansas	\$ 6.16

2006 WNAC SALARY BREAKDOWN

	2004		2005		2006	
<b>Executive Secretary-Treasurer</b>						
Salary		\$ 38,690.00		\$ 39,890.00		\$ 41,485.00
Social Security/Medicare		\$ 3,016.70		\$ 3,052.00		\$ 3,234.63
Retirement		\$ 1,934.50		\$ 1,995.00		\$ 2,114.14
Insurance		\$ 5,913.00		\$ 6,255.00		\$ 6,305.00
Travel/Life	\$225.00		\$225.00			
Hospital	\$5,416.00		\$5,730.00		\$ 225.00	
Dental	\$272.00		\$300.00		\$ 5,730.00	
Christmas Bonus					\$ 350.00	
<b>Total Salary and Benefits</b>		\$ 744.04		\$ 767.00		\$ 797.80
		\$ 50,298.24		\$ 51,959.00		\$ 53,936.57
<b>Executive Assistant</b>						
Salary		\$ 28,672.00		\$ 29,872.00		\$ 31,067.00
Social Security/Medicare		\$ 2,235.59		\$ 2,285.00		\$ 2,422.33
Retirement		\$ 1,433.60		\$ 1,494.00		\$ 1,583.22
Insurance		\$ 5,863.00		\$ 6,205.00		\$ 6,255.00
Life	\$ 175.00		\$ 175.00		\$ 175.00	
Hospital	\$ 5,416.00		\$ 5,730.00		\$ 5,730.00	
Dental	\$ 272.00		\$ 300.00		\$ 350.00	
Christmas Bonus					\$ 350.00	
<b>Total Salary and Benefits</b>		\$ 551.38		\$ 574.00		\$ 597.44
		\$ 38,755.57		\$ 40,430.00		\$ 41,924.99
<b>Editor</b>						
Salary		\$ 24,902.00		\$ 26,102.00		\$ 27,146.00
Social Security/Medicare		\$ 1,941.64		\$ 1,997.00		\$ 2,116.61
Retirement		\$ 747.06		\$ 783.00		\$ 830.04
Insurance		\$ 5,863.00		\$ 6,205.00		\$ 6,255.00
Life	\$ 175.00		\$ 175.00		\$ 175.00	
Hospital	\$ 5,416.00		\$ 5,730.00		\$ 5,730.00	
Dental	\$ 272.00		\$ 300.00		\$ 350.00	
Christmas Bonus					\$ 350.00	
<b>Total Salary and Benefits</b>		\$ 478.88		\$ 502.00		\$ 522.04
		\$ 33,932.58		\$ 35,589.00		\$ 36,869.69
<b>Bookkeeper</b>						
Salary		\$ 22,742.00		\$ 10,400.00		\$ 10,400.00
Social Security/Medicare		\$ 1,773.22				
Retirement		\$ 1,137.10				
Insurance		\$ 5,863.00				
Life	\$ 175.00					
Hospital	\$ 5,416.00					
Dental	\$ 272.00					
Christmas Bonus						
<b>Total Salary and Benefits</b>		\$ 437.35		\$ 200.00		\$ 200.00
		\$ 31,952.67		\$ 10,600.00		\$ 10,600.00
<b>Grand Total of Salary and Benefits</b>		\$ 154,939.06		\$ 138,578.00		\$ 143,331.25
(Editor's hospital insurance [\$5,730.]) is presently not a WNAC incurred expense.)						

WNAC RECEIPTS FOR JANUARY-DECEMBER 2004

STATES	State Programs	Colleges	General Fund	Dues	Emphasis Offering	Endowm. Trust	Together Way	Rest of Family	Foreign Student Scholar.	Provision Closet	Foreign Missions	World Missions	Home Missions	Missions Objectives	Missions Loan	Student Mission House	TOTALS
Alabama	15,560.90	260.00	3,491.70	3,790.00	587.65	175.00	0.00	44.59	119.00	50.00	600.00	1,128.50	2,747.80	1,199.71	215.00	0.00	29,969.85
Arizona	0.00	0.00	103.50	320.00	0.00	0.00	0.00	2.69	0.00	75.00	125.00	500.00	280.00	0.00	0.00	0.00	1,406.19
Arkansas	18,765.98	311.09	4,762.58	7,950.00	1,114.80	0.00	0.00	6.82	65.00	605.00	5,453.37	3,743.70	15,358.85	3,408.97	160.00	0.00	61,706.16
California	0.00	80.36	513.67	220.00	160.00	0.00	0.00	0.00	0.00	0.00	1,555.30	39.00	1,569.03	687.00	0.00	0.00	4,824.36
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.52
Florida	4,000.00	0.00	658.00	1,320.00	185.00	0.00	0.00	0.00	0.00	251.00	810.00	890.00	97.00	792.35	0.00	0.00	9,003.35
Georgia	7,473.70	1,176.00	2,727.95	4,790.00	405.00	0.00	0.00	162.89	231.75	338.75	8,216.30	1,989.37	3,571.64	804.50	100.00	0.00	31,987.85
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	880.00	1,940.00	55.00	0.00	0.00	57.09	0.00	110.68	330.00	107.75	319.40	65.00	15.00	100.00	3,979.92
Indiana	0.00	100.00	600.00	650.00	50.00	0.00	0.00	0.00	0.00	50.00	470.00	0.00	130.00	25.00	0.00	0.00	2,510.78
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	116.56	190.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	356.56
Kentucky	0.00	520.00	790.00	2,650.00	631.20	0.00	0.00	0.00	0.00	570.00	18,310.38	470.00	11,825.21	5,082.50	0.00	0.00	40,849.29
Michigan	0.00	0.00	860.00	2,790.00	0.00	0.00	0.00	0.00	0.00	0.00	883.00	0.00	3,193.05	325.00	0.00	0.00	8,051.05
Mississippi	0.00	0.00	197.00	1,010.00	0.00	0.00	0.00	0.00	0.00	0.00	565.00	140.00	2,595.00	1,490.00	0.00	0.00	5,997.00
Missouri	0.00	0.00	5,200.17	4,420.00	1,027.58	50.00	0.00	76.37	54.07	1,131.81	3,841.30	2,512.16	7,110.13	1,606.56	220.11	0.00	27,530.76
New Mexico	0.00	0.00	51.70	130.00	0.00	0.00	0.00	0.00	0.00	50.00	494.78	78.00	244.50	0.00	0.00	0.00	1,048.98
N. Carolina	0.00	5,880.46	2,468.11	6,700.00	1,650.43	17.00	0.00	561.94	188.00	505.50	21,429.99	2,450.90	10,725.87	1,930.00	209.00	584.60	55,301.80
NW/Wash.	0.00	0.00	0.00	60.00	22.00	0.00	0.00	183.60	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	315.60
Ohio	0.00	0.00	1,238.12	1,900.00	0.00	0.00	0.00	161.43	0.00	450.00	9,593.26	501.00	4,152.93	150.00	0.00	0.00	18,196.74
Oklahoma	0.00	50.00	2,661.33	8,710.00	594.00	180.00	0.00	102.90	329.00	1,738.00	3,928.10	2,456.45	3,129.14	1,451.27	65.00	0.00	25,395.19
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	707.00	180.00	5,100.00	1,061.19	250.00	0.00	69.00	19.00	2,806.50	26,683.85	1,200.44	21,592.52	2,027.50	280.00	0.00	61,977.00
Tennessee	75.00	1,329.35	9,651.34	6,320.00	1,863.74	0.00	280.00	163.82	596.96	382.00	9,993.02	1,156.12	7,725.39	3,133.34	132.50	0.00	42,802.56
Texas	0.00	0.00	544.50	1,560.00	80.00	0.00	0.00	333.15	0.00	222.00	2,859.20	177.12	1,555.00	160.00	0.00	0.00	7,489.97
Virgin Islands	0.00	0.00	0.00	100.00	0.00	0.00	0.00	4.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104.43
Virginia	0.00	0.00	1,576.16	1,520.00	250.00	0.00	0.00	21.21	160.00	358.00	4,555.00	1,258.02	7,860.77	1,031.98	0.00	0.00	18,651.14
West Virginia	0.00	0.00	170.00	1,280.00	2.20	0.00	0.00	12,608.13	0.00	0.00	12,608.13	1,428.00	220.00	275.00	0.00	0.00	15,983.33
Wyoming	0.00	0.00	0.00	110.00	11.00	0.00	0.00	1.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.79
RETREAT	0.00	0.00	1,681.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,631.67	0.00	650.00	0.00	0.00	0.00	5,963.33
<hr/>																	
45,875.58 10,754.76 41,124.05 65,530.00 9,750.79 672.00 765.78 1,962.24 1,762.78 9,694.24 136,985.65 22,226.53 106,703.23 25,645.68 1,396.61 684.60 481,534.52																	

**WOMEN NATIONALLY ACTIVE FOR CHRIST  
2006 PROPOSED BUDGET**

**Estimated Income:**

General Fund Offering	\$	50,000.00
Convention Offering	\$	3,500.00
Convention Expense Gift	\$	12,000.00
Delegate Fees	\$	300.00
Dues	\$	70,000.00
Interest Income	\$	3,000.00
Literature Sales	\$	22,000.00
Magazine Subscriptions	\$	90,000.00
Miscellaneous	\$	5,500.00
Rest of the Family Offering	\$	3,000.00
Emphasis Offering	\$	14,000.00
<b>Total Income</b>	\$	<b>273,300.00</b>

**Estimated Expense:**

Salaries	\$	110,098.00
Employee Benefits	\$	33,233.25
Payroll Tax Expense	\$	7,773.57
Employee Retirement	\$	4,527.40
Health, dental, life insurance	\$	18,815.00
Christmas Bonus	\$	2,117.28
Insurance: General & Workers' Comp.	\$	2,000.00
Legal and Professional Services	\$	4,800.00
Convention Expense	\$	20,000.00
Executive Committee Expense	\$	5,000.00
CoLaborer Magazine Expense	\$	38,500.00
Mailing	\$	3,500.00
Miscellaneous	\$	500.00
Printing	\$	30,000.00
Postage	\$	4,500.00
Miscellaneous Expense	\$	368.75
Office Rent	\$	28,600.00
Office Supplies and Materials	\$	4,000.00
Phone	\$	3,500.00
Postage	\$	4,000.00
Printing	\$	5,500.00
Service Contracts	\$	4,000.00
Subscriptions	\$	200.00
Travel and Promotion	\$	4,000.00
Continuing Education	\$	2,000.00
Equipment (additions and repairs)	\$	3,000.00
Special Projects	\$	500.00
<b>Total Expenses</b>	\$	<b>273,300.00</b>

**REGISTRATION REPORT**

The 2005 Louisville Convention registered the following:

<i>National Convention</i>	.....	<b>3,452</b>
International Missionary	.....	26
Home Missionary	.....	60
Licensed Minister	.....	46
Local Church Delegate	.....	11
Visitor	.....	2,371
State Delegate	.....	85
Ordained Minister	.....	668
Ordained Deacon	.....	132
Board/Commission Member	.....	53

<i>National Youth Conference</i>	.....	<b>3,664</b>
NYC Visitor	.....	1,678
NYC Personnel	.....	184
NYC Child Visitor	.....	188
Preschool Worship	.....	116
NYC Grades 1-3	.....	285
NYC Grades 4-6	.....	369
NYC Grades 7-8	.....	256
NYC Grades 9-12	.....	588

<i>Women Nationally Active For Christ</i>	.....	<b>989</b>
WNAC Visitor	.....	758
Local WNAC Delegate	.....	38
WNAC Missionary	.....	27
WNAC National Officer	.....	5
WNAC State Delegate	.....	139
WNAC State Field Worker	.....	9
WNAC State President	.....	13

**Total Individuals Registered: 5,976**

## BUDGET COMMITTEE REPORT

The National Association of Free Will Baptists, Inc., has approved in this convention these budgets for 2006:

Executive Office (Includes:)		\$ 705,234.00
Administrative	\$ 384,834.00	
Convention	320,400.00	
Free Will Baptist Bible College		5,903,402.00
(Includes \$1,300,000.00 in unrestricted gifts)		
Free Will Baptist Foundation		456,435.00
Home Missions		4,500,000.00
International Missions		7,152,122.00
(Does not include Vision and other projects totalling \$7,700,770.00)		
Master's Men		139,378.00
Retirement and Insurance		499,108.00
Sunday School and Church Training		4,127,900.00
Commission for Theological Integrity		4,325.00
Historical Commission		3,150.00
Media Commission		4,000.00
Music Commission		3,800.00
<b>TOTAL</b>		<b>\$ 23,498,854.00</b>

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%
International 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%
<b>TOTAL</b>	<b>100.0%</b>

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

## OBITUARY COMMITTEE REPORT

The Obituary Committee has been instructed to provide a list of deceased pastors and leaders to be included in this annual report. While other names of deceased individuals have been received, please understand that we are unable to list all our members who died in 2004. This list is limited to deceased pastors and leaders.

### Ministers

Rev. Rhan Bowen, KS  
 Rev. Cliff Holland, KS  
 Rev. Rick Powers, MS  
 Rev. Walter Simpson, MO  
 Rev. John Copeland, MO  
 Rev. R. Lester Nutting, MO  
 Rev. Willard Darnell, MO  
 Rev. Thomas Morris, AR  
 Rev. Jesse Pratt, AR  
 Rev. Earl McKelvey, AR  
 Rev. Dewey Thompson, AR  
 Rev. James Craddock, WV  
 Rev. Robert Grimmett, WV  
 Rev. G.E. Huffman, WV  
 Rev. Clarence Fortner, WV  
 Rev. James Lambert, WV  
 Rev. Russell Nelson, WV  
 Rev. Clyde Woods, WV  
 Rev. Homer Willis, TN  
 Rev. Burnie Bradley, TN  
 Rev. Willie B. Rodgers, TN

### Deacons

Lawrence Combs, WV  
 Virgil Boggs, WV  
 Paul Wilsons, WV  
 Carlis Wilson, GA  
 John Chism, AR  
 Cleatus Graves, AR  
 Bob Haralson, AR  
 John Plyler, Sr., AR  
 George Hall, AR  
 James H. Kelley, AR  
 Almer Outlaw, AR  
 Earl Deffenbaugh, AR

### Obituary Committee:

David Shores (IL), Chairman  
 Carl Vallance (WV)  
 Chris Clay (IN)  
 Charles Thigpen (TN)  
 Gene Norris (MI)

## RESOLUTIONS COMMITTEE REPORT

### Resolution of Appreciation

WHEREAS, the Kentucky State Association has done an excellent job in preparing for and hosting the 69th session of the National Association of Free Will Baptists, therefore be it

RESOLVED, that the National Association expresses its grateful appreciation to the officers and members of the Kentucky State Association with a rising vote of thanks.

Respectfully submitted,  
Resolutions Committee:

Roy W. Harris (TN), Chairman  
Tim Campbell (AR)  
Keith Woody (TX)  
Billy Hanna (GA)  
Jeff Crabtree (Atlantic Canada)

# Reports

## The Executive Secretary's Report 2004

I am happy to report the Executive Office has gone a considerable distance down the road to recovery. Thanks to the goodness and faithfulness of God and His people, remarkable strides have been made during 2004.

- There continues to be an encouraging level of unity among denominational leaders. Each department shows signs of vitality and vision as bold initiatives are launched on various fronts.
- We salute Jack Williams for 27 years of service in the Executive Office. He capably served as editor of *Contact* magazine, Executive Assistant and Convention Manager. Well-deserved recognition will be given during this convention.
- The mandate from the 2004 convention has been carried out. *ONE Magazine* is a reality and has met with widespread approval among Free Will Baptists. Editor Eric Thomsen and national department associate editors are to be commended for producing a quality publication. A brief report of the magazine and proposed budget will be presented separately.
- Reprinting *The Free Will Baptist Hymn Book: Rejoice* has been a challenge. Copyright and royalty issues have made the project more complicated and time-consuming than anticipated. Details regarding ordering and pricing information are available through Randall House.
- The 2004 Leadership Conference received high marks. Breakout sessions were well received by attendees. Dates for the 2005 conference are December 5-6 at the Millennium Maxwell House Hotel in Nashville.
- Dr. Stan Toler will unveil new stewardship resources for Free Will Baptists during Tuesday's Pastors/Laymen Conference. Steps are being taken to place a stewardship emphasis month program, capital campaign materials and appropriate training within reach of every pastor.
- The financial picture continues to improve. I am pleased to report that loans to cover the cost of the 2003 convention and hymn book royalties totaling more than \$112,000 have been repaid. The \$36,000 borrowed to cover the cost of improvements to the national office building and the purchase of a mail truck will be repaid by early 2006. Additionally, the Executive Office bought out the lease on two cars for former employees (\$21,883), paid \$29,210 in hymn book royalties (above the loan) and subsidized *Contact* magazine more than \$40,000 during 2004. Our auditor will give a detailed explanation of our financial position.

As you can see, we have a lot to be thankful for! We stand indebted to those of you who have faithfully supported us with your prayers, finances and words of encouragement. My appreciation and admiration for the Executive Office staff is greater than ever. Free Will Baptists are fortunate to have people of this caliber serving them. Our office exists to serve you. Thank you for that honor.

Sincerely Grateful,

Keith Burden  
Executive Secretary

### Statistical Summary 1990 - 2004

Year	Beginning Membership Totals	Baptisms	Members Added	Members Lost	Net Increase	Ending Membership Totals
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
2004	298,301	8,407	11,084	5,494	5,590	303,891
<b>Totals</b>		<b>134,004</b>	<b>185,651</b>	<b>97,339</b>	<b>88,312</b>	

### Tracking The Together Way Totals

	Designated		Co-op		Total	
<b>1998</b>	3,004,636.43	8.26%	608,297.49	37.48%	3,612,933.92	12.28%
	83%		17%			
<b>1999</b>	3,066,552.21	2.06%	676,020.36	11.13%	3,742,572.57	3.59%
	82%		18%			
<b>2000</b>	3,289,076.32	7.26%	708,470.54	4.80%	3,997,546.86	6.81%
	82%		18%			
<b>2001</b>	3,170,082.84	-3.62%	736,040.45	3.89%	3,906,123.29	-2.29%
	81%		19%			
<b>2002</b>	3,253,772.40	2.64%	738,744.13	0.37%	3,992,516.53	2.21%
	81%		19%			
<b>2003</b>	3,515,300.09	8.04%	770,780.99	4.34%	4,286,081.08	7.35%
	82%		18%			
<b>2004</b>	3,631,305.92	3.30%	782,642.76	1.54%	4,413,948.68	2.98%
	82%		18%			





**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, 2004 and 2003

	Executive Office	Contact Magazine	Special Projects	Convention Fund	2004 Totals	2003 Totals
<b>Revenues:</b>						
The Together Way Plan \$	4,413,948	-	-	-	4,413,948	4,286,081
Disbursed to agencies and departments	(4,042,773)	-	-	-	(4,042,773)	(3,921,240)
	371,175	-	-	-	371,175	364,841
Subscriptions to Contact Magazine	-	65,428	-	-	65,428	64,645
Sales of hymnals	-	-	35,411	-	35,411	37,667
Gifts and offerings	3,367	-	-	7,948	11,315	11,872
Investment earnings (losses)	161	2,572	-	-	2,733	933
Convention fees	-	12,300	-	310,622	322,922	191,467
Other income	8,278	821	2,028	8,098	19,225	25,205
<b>Total revenues</b>	<b>382,981</b>	<b>81,121</b>	<b>37,439</b>	<b>326,668</b>	<b>828,209</b>	<b>696,630</b>
<b>Cost of hymnal sales:</b>						
Beginning inventory	-	-	50,447	-	50,447	74,713
Other costs	-	-	7,943	-	7,943	7,704
Total cost of inventory	-	-	58,390	-	58,390	82,417
Less ending inventory	-	-	28,356	-	28,356	50,447
Cost of hymnal sales	-	-	30,034	-	30,034	31,970
Gross profit	382,981	81,121	7,405	326,668	798,175	664,660
<b>Expenses of operations:</b>						
Executive Office	348,712	-	-	-	348,712	336,403
Contact Magazine	-	103,369	-	-	103,369	97,697
Special Projects	-	-	32,746	-	32,746	7,758
Convention Fund	-	-	-	268,527	268,527	254,254
Total expenses	348,712	103,369	32,746	268,527	753,354	696,112
<b>Increase (decrease) in net assets</b>	<b>34,269</b>	<b>(22,248)</b>	<b>(25,341)</b>	<b>58,141</b>	<b>44,821</b>	<b>(31,452)</b>
<b>Net assets, beginning of year, as restated</b>	<b>261,988</b>	<b>(69,027)</b>	<b>92,745</b>	<b>(222,291)</b>	<b>63,415</b>	<b>94,867</b>
<b>Transfer net assets</b>						
Contact Magazine to:						
Executive Office	(112,275)	112,275	-	-	-	-
One Magazine	-	(21,000)	-	-	(21,000)	-
<b>Net assets, end of year</b>	<b>\$ 183,982</b>	<b>-</b>	<b>67,404</b>	<b>(164,150)</b>	<b>87,236</b>	<b>63,415</b>

See accompanying notes to financial statements.

3

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

Statements of Functional Expenses

For the years ended December 31, 2004 and 2003

	Executive Office	Contact Magazine	Special Projects	Convention Fund	2004 Totals	2003 Totals
<b>Expenses of operations:</b>						
Salaries \$	122,289	-	7,527	33,778	163,594	162,318
Housing allowance	49,000	-	-	-	49,000	50,021
Employee fringe benefits and health insurance	42,506	-	-	1,067	43,573	41,198
Payroll taxes	12,786	-	576	2,584	15,946	23,774
Travel	17,457	878	-	20,242	38,577	47,824
Executive Committee and General Board	2,188	-	-	15,563	17,751	10,394
Office rental	29,892	-	-	-	29,892	29,892
Depreciation	3,351	-	-	-	3,351	4,655
Legal and audit	3,071	942	80	2,436	6,529	5,979
Equipment maintenance	-	-	-	-	-	85
Supplies, office expense	8,252	1,058	76	13,458	22,844	18,969
Printing and promotion	1,940	73,890	-	32,649	108,479	106,360
Postage / mail services	740	17,880	9	283	18,912	19,883
Telephone	2,159	11	-	270	2,440	3,032
Writer's fees	-	1,833	-	-	1,833	3,635
Auditorium and other convention services	-	3,270	-	130,529	133,799	120,187
International Fellowship	240	-	-	-	240	240
Educational Task Force	-	-	-	6,937	6,937	5,591
The Together Way Plan	139	-	-	-	139	167
Auto and copier leases	18,858	-	-	-	18,858	24,140
Auto lease cost for former Executive Secretary	13,357	-	-	-	13,357	-
Severance compensation for Executive Assistant	16,777	-	-	-	16,777	-
Church directory	-	-	1,341	-	1,341	1,265
Publications Committee	-	-	-	1,186	1,186	2,033
Interest expense	-	-	1,598	4,568	6,166	3,552
Tempo Music bad debt	-	-	21,509	-	21,509	-
Other	3,710	3,607	30	2,977	10,324	10,918
<b>Total expenses</b>	<b>\$ 348,712</b>	<b>103,369</b>	<b>32,746</b>	<b>268,527</b>	<b>753,354</b>	<b>696,112</b>

See accompanying notes to financial statements.

4

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

Statements of Cash Flows  
Years ended December 31, 2004 and 2003

	2004	2003
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets		
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	\$ 44,821	(31,452)
(Increase) decrease in:		
Receivables	3,351	4,654
Inventories	24,511	2,959
Prepaid expenses	22,091	24,266
Increase (decrease) in:	(7,679)	4,608
Convention revenues collected in advance	4,687	44,909
Deferred subscription revenues	(18,902)	(2,938)
Accounts payable and accruals	(39,418)	11,256
Net operating activities	<u>33,462</u>	<u>58,262</u>
<b>Cash Flows from Investing Activities</b>		
Funds held by Free Will Baptist Foundation transferred to One Magazine	(21,000)	-
Net Investment in funds held by Free Will Baptist Foundation	16,453	-
Net investing activities	<u>(4,547)</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	25,362	42,000
Net financing activities	<u>25,362</u>	<u>42,000</u>
Increase in cash and cash equivalents	54,277	100,262
Cash and cash equivalents, at beginning of year	143,707	43,445
Cash and cash equivalents, at end of year	<u>\$ 197,984</u>	<u>143,707</u>
<b>Supplemental disclosures:</b>		
Interest paid	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2004 and 2003

The Executive Office operates under the 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**

**Basis of Presentation**

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 No. 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 follows the provisions of SFAS No. 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)

**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.

**Income Taxes**

The Executive Office 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 statement of cash flows, the Executive Office considers all cash funds, cash bank accounts and highly liquid debt instruments purchased 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 of Financial Statements**

Certain amounts as reported in the 2003 financial statements may have been reclassified to conform to current year presentation.

**EXECUTIVE OFFICE 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 Executive Office 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 Executive Office's policy is to recognize the cost of compensated absences when actually paid to the employees.

(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 \$24,656 and \$46,747 at December 31, 2004 and 2003, 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 expense amounted to \$10,969 in 2004 and \$4,697 in 2003. 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 noncancelable lease arrangements relating to a copy machine and an automobile. Total expenses amounted to \$41,872 (including purchase of lease vehicles for former employees) for 2004 and \$24,140 for 2003. The minimum annual payments required are \$6,365 for 2005.

Further, the Executive Office rents office space from the National Office Building located in Antioch, Tennessee. The lease agreement is cancelable with 90 day written notice. Office lease expense amounted to \$29,892 for 2004 and 2003. Annual office lease expense will increase to \$32,881 in 2005 and \$33,479 in 2006.

(5) **Note payable**

Unsecured notes payable, due on demand and repayable to Free Will Baptist Foundation as follows:

	<u>2004</u>	<u>2003</u>
6.5% note payable, for payment of royalties on hymnals	\$ 24,591	24,591
7% note payable, for cash shortfall of previous conventions	67,362	42,000
	<u>\$ 91,953</u>	<u>66,591</u>

**EXECUTIVE OFFICE OF THE NATIONAL  
ASSOCIATION OF FREE WILL BAPTISTS, INC.**  
Notes to Financial Statements, continued

(6) **The Together Way Plan**

The Executive Office is responsible for receiving and disbursing funds received from The Together Way Plan program. Designated contributions are disbursed to the named Department or agency, and cooperative funds are disbursed based on the proportionate sharing arrangement. The following summarized these transactions for the year ended December 31, 2004 as compared to 2003 totals.

	<u>2004</u>			<u>2003</u>
	<u>Designated</u>	<u>Cooperative</u>	<u>Total</u>	<u>Total</u>
<b>Receipts:</b>				
Alabama	\$ 5,553	1,882	7,435	7,642
Arkansas	202,190	199,464	401,654	390,801
California	2,665	13,533	16,198	14,666
Florida	625	16,608	17,233	14,112
Georgia	434,559	19,497	454,056	431,114
Illinois	170,131	25,462	195,593	182,885
Indiana	25,189	1,940	27,129	25,254
Kentucky	4,040	7,954	11,994	20,888
Michigan	228,078	28,864	256,942	293,982
Mississippi	142,585	10,006	152,591	137,905
Missouri	575,955	208,764	784,719	697,669
New Mexico	5,280	260	5,540	6,531
North Carolina	17,270	47,027	64,297	52,515
Ohio	205,724	38,484	244,208	251,462
Oklahoma	634,852	133,704	768,556	833,341
South Carolina	669,233	866	670,099	594,285
Tennessee	152,586	19,979	172,565	168,472
Texas	133,164	4,507	137,671	134,794
West Virginia	5,443	1,216	6,659	12,205
Canada	12,889	273	13,162	9,896
Contributions totaling \$2,500 or less	3,295	2,352	5,647	5,662
Total receipts	<u>\$ 3,631,306</u>	<u>782,642</u>	<u>4,413,948</u>	<u>4,286,081</u>
<b>Disbursements:</b>				
Executive Office	\$ 18,986	352,189	371,175	364,841
Foreign Missions	2,257,270	99,004	2,356,274	2,203,770
Free Will Baptist Bible College	290,422	99,004	389,426	376,212
Home Missions	937,699	77,482	1,015,181	1,065,719
Retirement & Insurance	4,222	60,264	64,486	63,758
Master's Men	7,088	60,264	67,352	66,759
Commission for Theological Integrity	692	2,152	2,844	2,772
Foundation	2,392	25,827	28,219	28,086
Historical Commission	621	2,152	2,773	2,772
Music Commission	874	2,152	3,026	2,538
Media Commission	1,579	2,152	3,731	3,553
Hillsdale Free Will Baptist College	25,516	-	25,516	24,770
Other	83,945	-	83,945	80,531
Total disbursements	<u>\$ 3,631,306</u>	<u>782,642</u>	<u>4,413,948</u>	<u>4,286,081</u>

**EXECUTIVE OFFICE OF THE NATIONAL  
ASSOCIATION OF FREE WILL BAPTISTS, INC.**  
Notes to Financial Statements, continued

(7) **Termination of Contact Magazine and Creation of One Magazine and Correction of Accounting Error Relating to Contact Magazine**

At the 2004 convention of the National Association of Free Will Baptists, Inc., approval was given to cease publication of Contact Magazine (the official publication of the Executive Office of the National Association of Free Will Baptists, Inc.) effective December 2004. Further, approval was given to begin a new publication. One Magazine will provide information for the denomination regarding the activities of the various ministries of Free Will Baptists. Accordingly, the net deficit of Contact Magazine, amounting to \$112,275 has been transferred in the net assets of Executive Office.

In prior years, a liability was recorded to account for proceeds from lifetime subscription purchases, and were amortized to income over the estimate life expectancy of the subscribers. This procedure proved to be in error since the proceeds from the lifetime subscriptions were placed in trust with the Free Will Baptist Foundation to be held in perpetuity, with only the earnings available to be used to defer operating costs of the magazine. The proceeds from lifetime subscriptions should have been recorded as revenue and net assets (deficit) of Contact Magazine. Accordingly, beginning net assets (deficit) of Contact Magazine and other accounts have been restated as follows:

	Deferred Subscription Revenue	Net Assets Contact Magazine		
		Operations	Designated as Endowment	Total Contact Magazine
Reported balances as of December 31, 2003	\$ 30,402	(80,527)	-	(80,527)
Detail of restatements				
Unamortized balance of Deferred Lifetime Subscriptions	(11,500)	-	11,500	11,500
Revenues reported during 2003 and prior years	-	(9,500)	9,500	-
Restated balances as of December 31, 2003	\$ 18,902	(90,027)	21,000	(69,027)

**2006  
ADMINISTRATIVE BUDGET**

	2004	2005	2006
<b>PROJECTED EXPENSES</b>	\$128,347.00	\$135,655.07	\$98,910.62 *
Salaries	49,000.00	44,000.00	20,000.00
Housing	22,091.85	22,344.14	13,856.04 *
Social Security	0.00	4,685.58	5,495.53
Retirement	34,648.33	33,117.67	18,667.14
Employees Insurance (Dental/Disability/Health/Life/Travel)	3,000.00	3,500.00	4,000.00
Auditing/Legal	11,800.00	5,110.32	5,110.00
Automobile Lease (1 Car)	7,000.00	7,000.00	8,500.00
Copier Lease	500.00	1,000.00	1,000.00
Equipment Maintenance	4,000.00	4,000.00	4,000.00
Computer Supplies	2,000.00	2,500.00	3,000.00
Executive Committee	3,000.00	3,200.00	3,200.00
General Insurance	500.00	240.00	240.00
Int'l. Fellowship of FWB Churches	500.00	500.00	500.00
Leadership Conference	29,892.00	32,881.20	33,479.00
Office Rental (\$1.12 per sq. ft. x 2,491)	5,000.00	3,000.00	3,000.00
Office Supplies/Expense	2,938.22	3,000.00	3,000.00
Other	1,500.00	1,700.00	1,700.00
Postage	3,000.00	2,500.00	2,500.00
Printing	1,000.00	1,250.00	1,500.00
Promotion	1,500.00	1,700.00	2,000.00
Books/Dues/Registrations	3,000.00	3,250.00	3,500.00
Telephone	500.00	1,000.00	1,000.00
Tog. Way Plan/Stewardship Education	19,500.00	22,500.00	25,000.00
Travel	0.00	1,292.88	1,325.20
Christmas Bonus (Extra Week's Salary)	0.00	702.33	1,325.20
Extra Week Ret. in lieu of 4th week vacation beginning 16th year of service	13,209.60	0.00	0.00
Melvin Worthington's Retirement Lease Car	26,106.00	30,596.00	110,406.80
ONE Magazine	0.00	6,510.26	8,618.07
Contingency Fund			
<b>Totals</b>	<b>\$373,533.00</b>	<b>\$378,735.45</b>	<b>\$384,833.60</b>

**PROJECTED INCOME**

The Together Way Plan	\$303,427.00	\$353,788.53	\$360,864.30
Cooperative Gifts	66,606.00	18,349.09	20,469.30
Designated Gifts	3,500.00	6,597.83	3,500.00
Other Income			
<b>Totals</b>	<b>\$373,533.00</b>	<b>\$378,735.45</b>	<b>\$384,833.60</b>

\*Does not include salary or payroll taxes for Registration Coordinator from Convention.

**SALARY BREAKDOWN**

	2004	2005	2006
<b>Executive Secretary</b>			
Salary	\$36,943.50	\$41,943.50	\$41,000.00
Housing and Utilities	25,000.00	20,000.00	20,000.00
Social Security	9,477.36 (15.30%)	9,477.36 (15.30%)	9,333.00 (15.30%)
Retirement	0.00	0.00	2,050.00 (5%)
Insurance (Health/Dental/Life)	12,750.00	7,047.69	5,799.02
Disability/Travel	425.47	449.47	439.47
NOTE: Office car furnished.			
	84,596.33	78,918.02	78,621.49
<b>Administrative Assistant/CONTACT Editor</b>			
Salary	25,491.85	26,481.69 (2%)	0.00
Housing and Utilities	24,000.00	24,000.00 (2%)	0.00
Social Security	7,572.25 (15.30%)	7,723.70 (15.30%)	0.00
Retirement	0.00	1,324.08 (5%)	0.00
Insurance (Health/Dental/Life)	9,000.00	9,400.00	0.00
Disability/Travel	60.00	460.45	0.00
	66,124.10	69,389.92	0.00
<b>Executive Bookkeeper/Accountant</b>			
Salary	35,805.22	36,521.32 (2%)	37,434.35 (2.5%)
Social Security	2,739.10 (7.65%)	2,793.88 (7.65%)	2,918.80 (7.65%)
Retirement	0.00	1,826.07 (5%)	1,871.72 (5%)
Insurance	6,206.43	9,400.00	6,011.04
Health/Life	5,684.38		5,399.52
Dental	522.05		611.52
Disability	0.00	215.48	220.86
Christmas Bonus			719.89
	44,750.75	50,756.75	49,176.66
<b>Yearbook Coordinator/ Registration Coordinator</b>			
Salary	30,106.43	30,708.56 (2%)	31,476.27 (2.5%)
Social Security	2,303.14 (7.65%)	2,349.20 (7.65%)	2,454.24 (7.65%)
Retirement	0.00	1,535.43 (5%)	1,573.81 (5%)
Insurance	6,206.43	5,963.40	6,011.04
Health/Life	5,684.38	5,389.07	5,399.52
Dental	522.05	574.33	611.52
Disability	0.00	181.18	185.71
Christmas Bonus			605.31
	38,616.00	40,737.77	42,306.38

**CONVENTION BUDGET**  
**National Association of Free Will Baptists, Inc.**  
**July 17-20, 2005**  
**Louisville, Kentucky**

	2005
<b>PROJECTED RECEIPTS</b>	
Booth Fees	\$29,000.00
Host State (Kentucky)	26,000.00
Local Church Representation Fees (\$100)	1,500.00
Offerings	8,000.00
Printing Income	5,000.00
Reimbursements	2,500.00
State Representation Fees (\$100 per church)	242,000.00
Truck Reimbursements	1,900.00
Other	4,500.00
<b>TOTAL</b>	<b><u>320,400.00</u></b>
<b>PROJECTED EXPENDITURES</b>	
Auditorium	109,900.00
Printing and Promotion	34,536.02
Convention Office	58,230.35
Convention Personnel	11,933.23
Meals	3,856.00
Travel	3,175.75
Lodging	4,901.48
Convention Officials	4,471.74
Volunteer Staff	3,605.88
Honorariums	2,504.95
Decorator Services	12,300.00
Meal Functions	2,283.30
Executive Committee	3,375.00
Meal and Motel Expenses	6,000.00
Pre-Convention Expenses	6,000.00
<b>Sub-Total</b>	<b>249,140.47</b>
National Committee Expenses	10,800.00
Surplus Revenue	60,459.53
(Operating Capital/Payment on Conv. Loan)	
<b>TOTAL</b>	<b><u>320,400.00</u></b>

**CONVENTION BUDGET**  
**National Association of Free Will Baptists, Inc.**  
**July 17-20, 2005**  
**Louisville, Kentucky**

**PROJECTED RECEIPTS**

	2005
Booth Fees	
Host State (Kentucky)	\$29,000.00
Local Church Representation Fees (\$100)	26,000.00
Offerings	1,500.00
Printing Income	8,000.00
Reimbursements	5,000.00
State Representation Fees (\$100 per church)	2,500.00
Truck Reimbursements	242,000.00
Other	1,900.00
	<u>4,500.00</u>
<b>TOTAL</b>	<b><u>320,400.00</u></b>

**PROJECTED EXPENDITURES**

**AUDITORIUM**

Rental		37,500.00
Flowers		500.00
Other		62,900.00
First Aid Staff	2,200.00	
Liability, ASCAP, BMI, CCLI Insurance	1,000.00	
Music/Equipment	3,000.00	
Offering Buckets	100.00	
Signs	500.00	
Sound System/AV Equipment	50,000.00	
Union Personnel	6,000.00	
Usher Badges	100.00	
Police Security/Badge Checkers		<u>9,000.00</u>
<b>TOTAL</b>		<b><u>109,900.00</u></b>

**PRINTING AND PROMOTION**

Convention Brochure		9,100.00
Convention Materials		8,825.00
<i>Digest of Reports</i>	6,675.00	
Programs	2,150.00	
Photos		50.00
Pre-Convention Printing/Art		1,561.02
<i>ONE Magazine</i>		<u>15,000.00</u>
<b>TOTAL</b>		<b><u>34,536.02</u></b>

**CONVENTION OFFICE**

	2005
Audit	\$2,750.00
Convention Manager	21,664.76
Payroll Taxes	1,657.35
Retirement	1,083.24
Courtesy Car	100.00
Equipment Rentals	3,900.00
Computers, Printers	600.00
Copiers (2)/Paper	2,500.00
Tables/Chairs/Trash Cans, etc.	800.00
Office Expense/Supplies	2,750.00
Postage	350.00
Pre-Registration Salaries	11,000.00
Payroll Taxes	850.00
Pre-Registration Staff	2,500.00
Payroll Taxes	200.00
Pre-Registration (Supplies, Postage)	5,500.00
Registration (Supplies)	500.00
Registration Computers/Printers	2,250.00
Telephone	275.00
Two-Way Radios	<u>900.00</u>
<b>TOTAL</b>	<b><u>58,230.35</u></b>

**CONVENTION PERSONNEL**

**MEALS**

Debbie Burden (27 meals @ \$12.00 each)	324.00
Keith Burden (33 meals @ \$12.00 each)	396.00
Dari Goodfellow (27 meals @ \$12.00 each)	324.00
Melody Hood (27 meals @ \$12.00 each)	396.00
Dean Jones (33 meals @ \$12.00 each)	216.00
Steve Pate (18 meals @ \$12.00 each)	252.00
Eric Thomsen (21 meals @ \$12.00 each)	216.00
Jack Williams (18 meals @ \$12.00 each)	1,408.00
Convention Interns (8)	
<b>TOTAL</b>	<b><u>3,856.00</u></b>

**TOTAL**

**TRAVEL**

Debbie Burden	0.00
Keith Burden	182.25
Dari Goodfellow	182.25
Melody Hood	182.25
Dean Jones	182.25
Steve Pate	182.25
Eric Thomsen	182.25
Jack Williams	1,900.00
Convention Truck (Fuel/Meals/Trailer Rental)	
<b>TOTAL</b>	<b><u>3,175.75</u></b>

**TOTAL**

**LODGING**

Keith Burden	0.00
Dari Goodfellow (8 nights @ \$100.16)	801.28
Melody Hood (8 nights @ \$100.16)	801.28
Dean Jones	0.00
Steve Pate (7 nights @ \$92.46)	647.22
Eric Thomsen (6 nights @ \$100.16)	600.96
Jack Williams (5 nights @ \$92.46)	462.30
Convention Interns (14 nights @ \$92.46)	<u>1,588.44</u>

**TOTAL (Includes applicable tax and parking)**

**4,901.48**

CONVENTION OFFICIALS		2005
<b>Moderator - Tim York</b>		
Travel	153.90	\$1,370.86
Meals	216.00	
(18 meals @ \$12.00 each)		
Lodging (6 nights @ \$100.16)	600.96	
Honorarium	400.00	
<b>Clerk - Randy Bryant</b>		
Travel	250.00	1,466.96
Meals	216.00	
(18 meals @ \$12.00 each)		
Lodging (6 nights @ \$100.16)	600.96	
Honorarium	400.00	
<b>Assistant Moderator - William Smith</b>		
Meals	216.00	816.96
(18 meals @ \$12.00 each)		
Lodging (6 nights @ \$100.16)	600.96	
<b>Assistant Clerk - Ernie Lewis</b>		
Meals	216.00	816.96
(18 meals @ \$12.00 each)		
Lodging (6 nights @ \$100.16)	600.96	
<b>TOTAL (Includes applicable tax and parking)</b>		<b><u>4,471.74</u></b>
<b>VOLUNTEER STAFF</b>		
<b>Music Coordinator - Chris Truett</b>		
Lodging (6 nights @ \$92.46)		554.76
<b>News Coordinator</b>		
Lodging (5 nights @ \$92.46)		462.30
<b>Organist - Deena Armstrong</b>		
Lodging (5 nights @ \$92.46)		462.30
<b>Photographer - Danny Conn</b>		
Lodging (5 nights @ \$100.16)		500.80
<b>Pianist - Brian Floyd</b>		
Lodging (5 nights @ \$92.46)		462.30
<b>Taping - Mike Anderson</b>		
Lodging (7 nights @ \$100.16)		701.12
<b>Usher Coordinator - Billy Walker</b>		
Lodging (5 nights @ \$92.46)		<u>462.30</u>
<b>TOTAL (Includes applicable tax and parking)</b>		<b><u>3,605.88</u></b>
<b>HONORARIUMS</b>		
Jonathan Yandell		175.00
Mike Wade		175.00
Jeff Manning		175.00
Millard Sasser		175.00
James Kelly Caudill		175.00
Fred Hanson		175.00
Stan Toler		175.00
(Honorarium, Meals, Plane, Room)		<u>1,454.95</u>
<b>TOTAL</b>		<b><u>2,504.95</u></b>

DECORATOR SERVICES		2005
Booth (80) Installation/Draped Tables		\$3,400.00
Exhibitor Badges		100.00
Registration	2,500.00	3,000.00
Chairs, Counters, Skirted Tables, Carpet	500.00	
Electricity/Masking Drape		5,800.00
Stage	1,500.00	
Carpet	2,000.00	
Risers	300.00	
Skirted Tables/Chairs	2,000.00	
Skirting/Draping/Stage Set-Up		
<b>TOTAL</b>		<b><u>12,300.00</u></b>
<b>MEAL FUNCTIONS</b>		
Executive Committee		812.40
Breakfast (14 people @ \$14.10)	197.40	
Luncheon (30 people @ \$20.50)	615.00	
General Board Breakfast		818.40
(55 people @ \$14.88)		562.50
State Leaders Breakfast		
(45 people @ \$12.50)		90.00
Presidents' Breakfast		
(6 people @ \$15.00)		<u>2,283.30</u>
<b>TOTAL</b>		<b><u>2,283.30</u></b>
<b>EXECUTIVE COMMITTEE</b>		
<b>MEAL AND MOTEL EXPENSES</b>		
<b>(For the Executive Committee Meeting prior to the 2005 National Convention)</b>		
Gene Norris		375.00
Nathan Ruble		375.00
Rick Cash		375.00
Glen Johnson		375.00
Tim Campbell		375.00
Keith Woody		375.00
J.L. Gore		375.00
Ernest Harrison, Jr.		375.00
Fred Hanson		<u>375.00</u>
<b>TOTAL</b>		<b><u>3,375.00</u></b>
<b>PRE-CONVENTION EXPENSES</b>		
Pre-Convention Meetings/Site Inspections		<u>6,000.00</u>
<b>TOTAL</b>		<b><u>6,000.00</u></b>
<b>NATIONAL COMMITTEE EXPENSES</b>		
Executive Committee		10,700.00
Nominating Committee		100.00
<b>TOTAL</b>		<b><u>10,800.00</u></b>
<b>SURPLUS REVENUE</b>		
(Operating Capital for Future Conventions)		<u>60,459.53</u>

**2004  
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	\$68.67	\$65.80	\$144.36	\$69.71	\$0.00	\$139.55	\$57.18	\$0.00	\$149.05	\$0.00	\$92.12	\$60.51	\$846.95
Arizona	19.62	0.00	43.02	9.00	0.00	36.36	0.00	0.00	27.09	0.00	9.00	24.71	168.80
Arkansas	11,919.09	4,582.40	7,074.86	5,856.54	10,546.28	4,555.43	11,108.81	7,260.40	7,530.54	6,469.28	7,148.30	5,706.77	89,758.70
California	521.41	545.33	473.05	574.28	498.84	479.55	473.01	442.80	550.22	553.47	520.65	457.43	6,090.04
Canada	6.78	6.35	9.21	6.63	8.64	7.93	8.79	11.15	18.18	11.14	15.01	13.18	122.99
Florida	0.00	1,245.60	0.00	0.00	1,245.60	0.00	1,245.60	1,245.60	0.00	0.00	2,491.20	0.00	7,473.60
Georgia	1,107.09	455.80	637.41	864.61	467.25	770.71	896.25	506.79	767.89	823.31	763.15	713.22	8,773.48
Illinois	983.79	939.88	891.86	1,236.66	1,141.37	901.20	1,068.44	928.55	957.57	728.33	899.82	780.57	11,458.04
Indiana	426.13	21.60	67.50	0.00	21.60	119.70	0.00	0.00	148.77	0.00	0.00	67.50	872.80
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	45.36	125.47	18.03	0.00	13.50	87.63	0.00	28.51	0.00	18.54	0.00	337.04
Kentucky	359.27	283.39	204.68	353.25	393.53	173.70	308.11	377.59	376.83	306.82	174.42	267.86	3,579.45
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	1,003.82	1,676.14	1,041.67	1,767.56	841.14	1,019.40	478.88	799.44	2,061.70	422.58	1,025.63	850.77	12,988.73
Mississippi	359.66	0.00	584.57	822.14	0.00	279.05	813.22	0.00	142.98	673.53	587.43	240.20	4,502.78
Missouri	9,394.17	5,107.91	9,477.14	8,043.33	6,748.84	8,189.60	9,408.43	6,553.87	8,095.48	7,821.26	7,769.90	7,334.05	93,943.98
New Mexico	10.25	0.00	33.43	8.67	0.00	10.43	0.00	16.77	10.94	0.00	10.26	16.25	117.00
North Carolina	3,205.40	2,952.25	1,544.84	1,211.50	1,887.59	326.25	2,394.79	1,739.05	1,230.77	1,884.66	1,736.66	1,048.18	21,161.94
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	1,234.42	1,663.93	2,031.17	900.51	2,152.98	1,203.66	821.38	1,635.68	1,342.77	797.94	2,120.66	1,412.72	17,317.82
Oklahoma	5,114.68	5,516.27	4,877.48	5,075.91	4,952.81	6,833.17	4,310.03	3,943.90	4,671.14	4,535.80	5,113.08	5,222.30	60,166.57
South Carolina	19.13	19.96	150.46	17.57	82.55	16.43	9.00	17.12	9.00	18.78	16.30	13.59	389.89
Tennessee	1,215.76	580.97	689.74	495.35	655.09	515.03	1,385.44	537.09	732.33	101.70	1,087.13	995.00	8,990.63
Texas	353.85	0.00	169.61	0.00	0.00	252.30	310.46	0.00	292.74	326.94	155.09	167.37	2,028.36
Virginia	0.00	0.00	88.29	59.06	0.00	0.00	152.31	0.00	0.00	92.32	0.00	59.06	451.04
West Virginia	41.09	61.67	48.26	0.00	48.17	0.00	135.60	86.94	35.73	12.73	41.47	35.65	547.31
<b>TOTALS</b>	\$37,364.08	\$25,770.61	\$30,408.08	\$27,390.31	\$31,692.28	\$25,842.95	\$35,473.36	\$26,102.74	\$29,180.23	\$25,580.59	\$31,852.07	\$25,531.89	\$352,189.19

**2004  
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	\$169.24	\$261.75	\$358.70	\$245.52	\$181.10	\$269.73	\$184.42	\$195.87	\$229.79	\$233.90	\$230.51	\$194.52	\$2,755.05
Arizona	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	20.00
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	78.86	56.40	66.11	40.55	58.30	42.12	70.58	39.28	0.00	0.00	112.55	6.02	564.75
Canada	232.08	118.87	5.59	5.47	5.42	5.51	5.57	5.66	5.70	6.06	6.28	0.00	408.23
Delaware	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	136.24	502.12
Florida	0.00	0.00	122.00	0.00	0.00	124.00	0.00	0.00	119.88	0.00	0.00	0.00	0.00
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	0.00
Illinois	0.00	137.51	187.03	172.42	0.00	329.01	151.62	180.66	208.85	0.00	190.98	208.42	1,766.50
Indiana	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
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	100.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mississippi	341.00	0.00	82.00	357.00	0.00	41.00	307.00	0.00	41.00	191.00	307.00	41.00	1,708.00
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
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	118.00	50.00	92.90	198.00	60.00	220.00	107.00	97.15	60.00	103.00	108.35	134.63	1,349.03
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	10.00	35.00	10.00	35.00	10.00	10.00	35.00	10.00	35.00	10.00	10.00	10.00	220.00
Oklahoma	63.88	35.05	62.53	29.41	116.78	493.03	378.34	331.44	385.07	101.81	514.41	319.75	3,934.79
South Carolina	256.86	112.09	576.42	348.79	431.28	169.32	409.78	271.09	280.58	280.00	100.72	589.38	3,293.33
Tennessee	0.00	0.00	232.83	276.64	259.42	0.00	81.14	0.00	0.00	0.00	0.00	0.00	1,033.53
Texas	16.00	0.00	192.47	66.10	53.78	131.01	45.62	0.00	93.97	106.36	49.37	0.00	707.99
Virginia	161.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	141.34
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
<b>TOTALS</b>	\$1,547.70	\$1,039.50	\$2,198.49	\$1,745.36	\$993.89	\$2,281.75	\$1,809.29	\$1,225.12	\$1,391.94	\$1,219.85	\$1,785.34	\$1,748.03	\$18,986.26



2004 Gifts to National Ministries

States	Executive	FWBBC	FWB Foundation	Home Missions	International Missions	Master's Men	Retirement & Insurance	WNAC	Commission for Theo. Integrity	Historical Commission	Media Commission	Music Commission	Totals
Alabama	\$3,690.02	\$67,641.96	\$469.31	\$423,487.95	\$427,347.53	\$3,726.86	\$144.92	\$8,098.94	\$57.21	\$56.73	\$57.49	\$57.02	\$64,825.94
Alaska	0.00	0.00	0.00	6,965.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,965.00
Arizona	212.89	640.51	12.38	39,997.32	7,893.80	148.89	26.89	426.17	1.35	1.22	1.43	1.30	49,366.15
Arkansas	89,784.80	72,537.68	6,582.30	213,281.93	594,517.96	17,751.04	15,356.69	13,634.20	548.96	548.72	546.94	548.80	1,025,843.92
California	6,654.79	11,377.99	446.61	186,601.87	71,182.56	2,571.13	1,042.08	893.67	37.22	37.22	37.22	37.22	260,919.58
Canada	546.83	664.66	9.00	7,077.19	4,592.55	0.00	21.06	8.52	0.95	0.87	1.00	0.92	12,923.80
Colorado	0.00	25,000.00	0.00	59,228.62	2,459.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86,688.46
Connecticut	0.00	2,750.00	0.00	0.00	0.00	21.06	0.00	0.00	0.00	0.00	0.00	0.00	2,771.06
District of Columbia	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
Delaware	0.00	2,230.01	0.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	2,530.01
Florida	8,005.35	38,678.50	548.05	39,656.36	177,092.38	1,603.83	1,278.83	2,183.00	46.04	45.88	46.14	45.98	289,202.34
Georgia	8,943.44	113,862.19	643.38	94,954.42	367,041.87	1,911.25	1,501.25	8,085.84	55.82	54.91	256.37	55.46	597,366.20
Hawaii	0.00	1,000.00	0.00	2,590.44	350.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,940.44
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	6,421.46
Illinois	11,456.04	39,069.98	840.26	112,896.14	4,578.23	3,693.60	1,960.60	2,932.09	70.02	70.02	70.02	70.02	431,069.17
Indiana	2,639.30	7,908.62	363.37	36,738.16	52,903.60	1,963.36	592.38	1,735.78	337.59	337.59	5.32	5.32	105,530.61
Iowa	0.00	0.00	0.00	3,515.00	2,655.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,170.00
Kansas	337.04	749.19	24.72	15,525.92	2,571.93	57.66	57.66	306.56	2.06	2.06	2.06	2.06	19,638.92
Kentucky	5,851.77	15,481.42	262.49	97,952.89	95,558.23	2,052.48	812.48	4,071.20	22.81	22.42	23.05	22.66	219,574.90
Louisiana	0.00	0.00	0.00	12,966.48	217.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,763.98
Maine	0.00	70.00	0.00	3,885.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,955.00
Maryland	0.00	0.00	0.00	4,222.00	43,458.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47,680.63
Massachusetts	12,968.73	21,504.27	852.51	122,027.89	179,473.36	5,560.53	2,222.53	3,650.00	79.38	79.38	79.38	79.38	348,717.34
Michigan	0.00	0.00	0.00	19,122.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,122.34
Mid-Atlantic Association	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
Minnesota	6,210.78	38,679.05	330.20	138,899.99	85,039.57	2,345.49	770.49	1,207.00	27.52	27.52	27.52	27.52	270,782.65
Mississippi	94,028.34	56,594.33	6,889.23	178,383.30	578,822.28	18,497.67	16,074.87	10,773.73	573.20	574.73	573.47	573.02	994,489.51
Missouri	0.00	0.00	0.00	0.00	1,882.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,882.25
Montana	0.00	50.00	0.00	650.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	750.00
Nebraska	0.00	0.00	0.00	1,620.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,620.00
Nevada	0.00	12,045.00	0.00	1,020.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,065.00
New Hampshire	0.00	0.00	0.00	3,355.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,355.70
New Jersey	117.00	178.17	8.58	3,355.70	2,292.88	20.01	20.01	181.70	0.70	0.70	0.70	0.70	6,174.85
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	22,980.24	160,429.58	1,551.88	349,156.09	730,827.14	5,146.64	3,621.04	11,397.48	140.86	138.08	862.20	739.81	1,287,000.04
Northwest Association	0.00	0.00	0.00	0.00	995.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	995.00
Ohio	17,797.49	25,886.02	1,269.98	124,390.94	5,473.98	6,022.78	2,963.28	3,249.55	109.19	107.80	110.03	108.63	5,843.13
Oklahoma	60,737.73	28,619.68	4,412.23	313,952.37	531,891.43	13,251.02	10,395.17	12,246.23	400.15	369.14	370.76	369.74	975,947.65
Oregon	0.00	324.00	0.00	9,524.00	0.00	17.33	17.33	0.00	0.00	0.00	0.00	0.00	9,606.90
Pennsylvania	4,428.30	120,704.13	28.59	162,022.56	509,844.25	430.12	1,038.49	6,660.19	372.00	316	304.05	349	825,471.07
South Carolina	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
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	12,858.14	238,311.12	2,336.77	537,766.56	961,887.51	11,272.43	4,003.96	18,278.90	527.49	283.83	288.78	270.69	1,786,166.17
Texas	3,963.64	11,800.20	156.75	140,389.27	76,312.66	1,706.07	367.07	2,517.65	32.04	27.19	34.95	30.10	237,337.79
Utah	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	1,230.39	25,860.91	33.68	196,641.23	97,184.44	1,364.19	77.19	3,367.37	3.87	3.29	3.90	3.52	325,793.18
Washington	0.00	0.00	0.00	2,110.00	0.00	259.65	0.00	265.60	0.00	0.00	0.00	0.00	4,140.87
West Virginia	0.00	1,505.82	0.00	119,047.13	140,860.99	0.00	0.00	1,452.20	74.02	3.34	74.02	0.00	269,272.45
Wisconsin	712.74	6,789.56	0.00	25,639.63	0.00	80.00	0.00	122.79	0.00	0.00	0.00	0.00	25,639.63
Wyoming	0.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
Puerto Rico	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	1,100.00	0.00	42,243.50	3,800.00	0.00	0.00	104.43	0.31	0.18	1.15	0.28	47,249.83
Foreign Countries	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
Other	0.00	66,939.07	0.00	318,258.16	244,648.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	649,847.03
Foundation	0.00	0.00	0.00	6,058.22	33,556.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41,614.43
WNAC	0.00	0.00	0.00	104,763.58	153,692.31	0.00	25.00	0.00	0.00	0.00	0.00	0.00	258,481.48
<b>TOTALS</b>	<b>\$374,542.46</b>	<b>\$1,206,392.45</b>	<b>\$28,219.25</b>	<b>\$4,305,725.61</b>	<b>\$6,690,548.43</b>	<b>\$101,794.71</b>	<b>\$64,510.26</b>	<b>\$118,122.79</b>	<b>\$3,157.86</b>	<b>\$2,796.51</b>	<b>\$3,786.66</b>	<b>\$3,062.11</b>	<b>\$12,832,661.10</b>

\*FWBBC-Other includes estate gifts. \*\*NW-Other includes interest, miscellaneous sources and state and interest income. All amounts exclude "Exchange" gifts. \*\*\*Other NW-Total does not include subject, Conference or Tournament fees, or restricted Endowment contributions. \*\*\*\*WNAC-Total does not include Memorial Student Loan Fund, Foreign Student Scholarship or gifts designated to other departments.



**Independent Auditors' Report**

**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

Terry A. Hill  
Ernest R. Harper

We have audited the accompanying statements of financial position of Building Services Fund of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 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 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, 2004 and 2003, 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.

*Hill Harper & Associates*  
March 24, 2005

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

Statements of Financial Position

December 31, 2004 and 2003

	<u>Assets</u>	
	2004	2003
<b>Current assets:</b>		
Cash and interest bearing deposits	\$ 59,016	54,008
Accounts receivable	15,248	7,524
Prepaid expenses	1,830	562
<b>Total current assets</b>	<u>76,094</u>	<u>62,094</u>
<b>Property and equipment:</b>		
Land and land improvements	214,296	209,671
Building	1,477,588	1,471,335
Building services equipment	94,422	87,529
Departmental workstations	77,228	77,228
Less accumulated depreciation	1,863,534	1,845,763
<b>Net property and equipment</b>	<u>943,731</u>	<u>865,799</u>
	<u>919,803</u>	<u>979,964</u>
	<u>\$ 995,897</u>	<u>1,042,058</u>
	<u>Liabilities and Net Assets</u>	
<b>Liabilities:</b>		
Accounts payable	\$ 18,659	27,609
Notes payable and long-term debt	26,451	26,103
<b>Total liabilities</b>	<u>45,110</u>	<u>53,712</u>
<b>Net assets:</b>		
Operations	57,435	34,485
Net investment in property, plant and equipment	893,352	953,861
<b>Total net assets</b>	<u>950,787</u>	<u>988,346</u>
	<u>\$ 995,897</u>	<u>1,042,058</u>

See accompanying notes to financial statements.

2

**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, 2004 and 2003

	<u>2004</u>			<u>2003</u>
	<u>Operations</u>	<u>Services for</u> <u>Departments</u>	<u>Totals</u>	<u>Total</u> <u>Funds</u>
<b>Revenues:</b>				
Building rental	\$ 243,948	-	243,948	243,948
Reimbursement from departments	-	454,520	454,520	434,674
Other	2,320	-	2,320	856
Net assets released from departmental reimbursements	454,520	(454,520)	-	-
<b>Net revenues</b>	<u>700,788</u>	<u>-</u>	<u>700,788</u>	<u>679,478</u>
<b>Expenses:</b>				
<b>Expenses incurred for departments:</b>				
Employee benefits	293,018	-	293,018	283,940
Stewardship office expense	6,213	-	6,213	5,869
Leadership Conference	24,654	-	24,654	19,731
Property and liability insurance	39,169	-	39,169	32,030
Telephone	19,181	-	19,181	17,584
Mailroom and other	74,875	-	74,875	67,885
	<u>457,110</u>	<u>-</u>	<u>457,110</u>	<u>427,039</u>
<b>Building operating expenses:</b>				
Salaries	59,243	-	59,243	58,846
Payroll taxes	4,536	-	4,536	4,502
Employee benefits	16,531	-	16,531	23,702
Janitorial services	26,534	-	26,534	27,335
Depreciation	77,932	-	77,932	75,648
Audit and legal	4,694	-	4,694	4,217
General insurance	14,642	-	14,642	17,185
Supplies and office expense	8,293	-	8,293	11,039
Utilities / telephone	26,506	-	26,506	25,331
Repairs and maintenance	30,177	-	30,177	17,062
Interest expense	1,514	-	1,514	1,405
Mailroom and other	10,635	-	10,635	13,543
	<u>281,237</u>	<u>-</u>	<u>281,237</u>	<u>279,815</u>
<b>Total expenses</b>	<u>738,347</u>	<u>-</u>	<u>738,347</u>	<u>706,854</u>
<b>Decrease in net assets</b>	<u>(37,559)</u>	<u>-</u>	<u>(37,559)</u>	<u>(27,376)</u>
<b>Net assets at beginning of year</b>	<u>988,346</u>	<u>-</u>	<u>988,346</u>	<u>1,015,722</u>
<b>Net assets at end of year</b>	<u>\$ 950,787</u>	<u>-</u>	<u>950,787</u>	<u>988,346</u>

See accompanying notes to financial statements.

3

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

Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (37,559)	(27,376)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	77,932	75,648
(Increase) decrease in:		
Receivables	(7,725)	85
Prepaid expenses	(1,268)	-
Increase (decrease) in accounts payable and accruals	(8,950)	27,609
Net operating activities	<u>22,430</u>	<u>75,966</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(4,625)	(49,553)
Net investing activities	<u>(4,625)</u>	<u>(49,553)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	-	33,200
Repayment of debt	(12,797)	(13,240)
Net financing activities	<u>(12,797)</u>	<u>19,960</u>
Increase in cash and cash equivalents	5,008	46,373
Cash and cash equivalents, at beginning of year	54,008	7,635
Cash and cash equivalents, at end of year	<u>\$ 59,016</u>	<u>54,008</u>
<b>Supplemental disclosures:</b>		
Interest paid	\$ <u>1,514</u>	<u>1,405</u>
Equipment acquisition through installment debt agreement:		
Basis of equipment	\$ <u>13,146</u>	<u>-</u>
Installment debt assumed	\$ <u>13,146</u>	<u>-</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2004 and 2003

The Fund operates under the auspices of the National Association of Free Will Baptists, Inc. and is governed by a management committee 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.

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

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

The Fund adheres to the provisions of Statement 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, if any. In addition, the Fund is required to present a statement of cash flows.

**Property, Plant and Equipment**

Property, plant and equipment and furniture are stated at cost. Depreciation is provided over the estimated useful life of the assets 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.

**Income Taxes**

The Fund 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 statement of cash flows, the Fund considers all cash funds, cash bank accounts and highly liquid debt instruments purchased 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.

**Compensated Absences**

Employees of the Fund 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 Fund's policy is to recognize the cost of compensated absences when actually paid to employees.

**Changes in Presentation of Financial Statements**

Certain amounts as reported in the 2003 financial statements may have been reclassified to conform to current year presentation.

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

**(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>2004</u>	<u>2003</u>
<b>Free Will Baptist Foundation:</b>		
6.5% unsecured installment note, which requires monthly payments of \$800 including principal and interest with final payment due December 2005	\$ 9,141	17,838
6.5% installment note secured by truck, which requires monthly payments of \$282 including principal and interest with final payment due September 2006	5,332	8,264
<b>Equipment provider:</b>		
14.5% installment note secured by phone system and voice mail upgrade, which requires monthly payments of \$442 including principal and interest with final payment due September 2007.	11,978	-
	26,451	26,102
Less current portion of notes payable and long-term debt	16,087	11,629
	<u>\$ 10,364</u>	<u>14,473</u>

Notes payable and long-term debt mature \$6,611 in 2006 and \$3,353 in 2007.

**(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 \$2,616 in 2004 and \$2,540 in 2003. 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 Fund has entered into noncancelable lease arrangements relating to mailing equipment. Total rent expense amounted to \$5,688 for 2004 and \$5,057 for 2003. The minimum payments required are: \$5,688 in 2006; and \$2,844 in 2007.

**(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 \$243,948 for 2004 and 2003. The lease agreement has been renegotiated, effective January 1, 2005 rents will be increased 10% and effective January 1, 2006 rents will be increased an additional 2% from base rental rates. This rental increase will result in rental income for 2005 to approximate \$270,000 and for 2006 to approximate \$275,000.

**2006  
Building Services Budget**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>PROJECTED INCOME</b>			
Square Footage (20,329 @ \$1.12 = \$22,768.48 mo.)	\$243,948.00	\$268,342.80	\$273,221.76
Total Income	<u>\$243,948.00</u>	<u>\$268,342.80</u>	<u>\$273,221.76</u>
<b>PROJECTED EXPENSES</b>			
Audit & Legal	\$7,500.00	\$6,500.00	\$6,500.00
General Supplies	5,500.00	4,500.00	4,500.00
Insurance (Employee)	22,061.71	19,267.18	20,595.29
Insurance (Plant)	18,000.00	20,000.00	22,000.00
Janitorial Services	30,000.00	30,000.00	32,000.00
Janitorial Supplies	3,500.00	3,500.00	3,500.00
Mail Room	8,500.00	9,500.00	11,000.00
Mail Truck	6,500.00	6,500.00	4,755.82
General Maintenance/Contingency Fund	24,636.85	47,043.98	55,650.91
Network Expense	8,000.00	10,000.00	7,500.00
Payroll Taxes (Employer's S.S.)	4,467.21	4,556.45	4,760.17
Postage Meter/UPS	750.00	500.00	500.00
Retirement	2,616.15	2,668.46	2,735.17
Salaries	58,394.87	59,561.32	61,050.36
Telephone	3,000.00	3,000.00	3,000.00
Utilities	27,500.00	27,500.00	30,000.00
Christmas Bonus/Extra Week's Salary	1,015.98	1,145.41	1,174.04
Debt Service Payments/FWB Foundation Loan	9,005.23	9,600.00	0.00
Other	3,000.00	3,000.00	2,000.00
Total Expenses	<u>\$243,948.00</u>	<u>\$268,342.80</u>	<u>\$273,221.76</u>

**BUILDING SERVICES  
SALARY BREAKDOWN**

	2004	2005	2006
Maintenance Superintendent/ Mail Room Supervisor			
Salary	\$27,476.71 (3%)	\$28,026.24 (2%)	\$28,726.90 (2.5%)
Social Security	2,101.97 (7.65%)	2,144.01 (7.65%)	2,239.87 (7.65%)
Insurance (Health/Dental/Life)	12,750.00	13,250.00	14,000.00
Disability	163.69	165.35	169.49
Retirement	1,373.84 (5%)	1,401.31 (5%)	1,436.34 (5%)
Christmas Bonus			552.44
	43,866.21	44,986.91	47,125.04
Receptionist/Phone System Administrator/ Assistant Bookkeeper			
Salary	24,846.16 (3%)	25,343.08 (2%)	25,976.66 (2.5%)
Social Security	1,900.73 (7.65%)	1,938.75 (7.65%)	2,025.43 (7.65%)
Insurance	9,000.00	5,702.31	6,272.54
Dental		313.24	344.56
Health/Life		5,389.07	5,927.98
Disability	148.02	149.52	153.26
Retirement	1,242.31 (5%)	1,267.15 (5%)	1,298.83 (5%)
Christmas Bonus			499.55
	37,137.22	34,400.81	36,226.27
Part-time Worker			
Salary	6,072.00 (75 days 3%/10.12 hr.)	6,192.00 (75 days 2%/10.32 hr.)	6,346.80 (75 days 2.5%/10.58 hr.)
Social Security	464.51 (7.65%)	473.69 (7.65%)	494.87 (7.65%)
Christmas Bonus			122.05
	6,536.51	6,665.69	6,963.72

**2006  
ONE MAGAZINE  
BUDGET**

	2005	2006
<b>REVENUE</b>		
Convention	\$15,000.00	\$16,561.02
Executive Office	100,000.00	110,406.80
Free Will Baptist Bible College	44,400.00	49,020.62
Free Will Baptist Foundation	40,000.00	44,162.72
Home Missions	61,000.00	67,348.15
International Missions	52,500.00	57,963.57
Master's Men	7,200.00	7,949.29
Randall House Publications	40,000.00	44,162.72
Retirement & Insurance	20,000.00	22,081.36
	500.00	500.00
Endowment	3,000.00	3,000.00
Graphics		
<b>Total Revenue</b>	<u>\$383,600.00</u>	<u>\$423,156.25</u>
<b>EXPENSES</b>		
Salary & Benefits	\$64,000.00	\$65,600.00
Design	30,000.00	33,000.00
Graphics	5,000.00	5,000.00
Mail Services	7,500.00	8,250.00
Mailing List Maintenance	2,000.00	2,000.00
Miscellaneous	1,000.00	1,320.25
Postage	120,000.00	139,986.00
Postal Returns	6,000.00	6,000.00
Printing	140,000.00	154,000.00
Supplies	2,500.00	2,500.00
Travel	2,500.00	2,500.00
Writer's Fees	3,000.00	3,000.00
<b>Total Expenses</b>	<u>\$383,500.00</u>	<u>\$423,156.25</u>



**Randall House Publications**  
Sunday School and Church Training Department

**General Director's Report**

I am sure that Lewis and Clark would have packed differently if they were making their list at the end of their pioneering exploration of America. When you are on the other side of what has never been done, it makes planning what needs to be done a little easier. Being on the other side of the CLEAR™ launch by three quarters makes knowing what it takes to make it happen, well, a little bit clearer.

In business, the Lewis and Clarks of today still step out into unknown waters with a spirit unlike others. Ray Kroc, Sam Walton, and Bill Gates had vision and patience to get to the fulfilling part of why they launched their organizations. Some call it bold while others call it foolish, but we all are grateful for their willingness to stretch the mind of achievements. Fred Smith launched a company that he saw meeting a need of delivering packages more quickly than ever before, overnight. Who would have dreamed that you could give Fred Smith's company a package, they would truck it to the airport, it would fly on at least two planes, ride on one to two more trucks and be delivered to the door of the recipient for about ten dollars. His college professors thought the concept of having an airline company dedicated to packages was foolish, whimsical, and destined for failure. However, after arranging the whole infrastructure and major investments, on opening night in the seventies, the company moved eight packages around the country overnight and five of those were test packages sent by management. Now FedEx is on every commerce website sidebar, drop boxes every five miles, part of the most successful copy shop, and is a \$25 billion company.

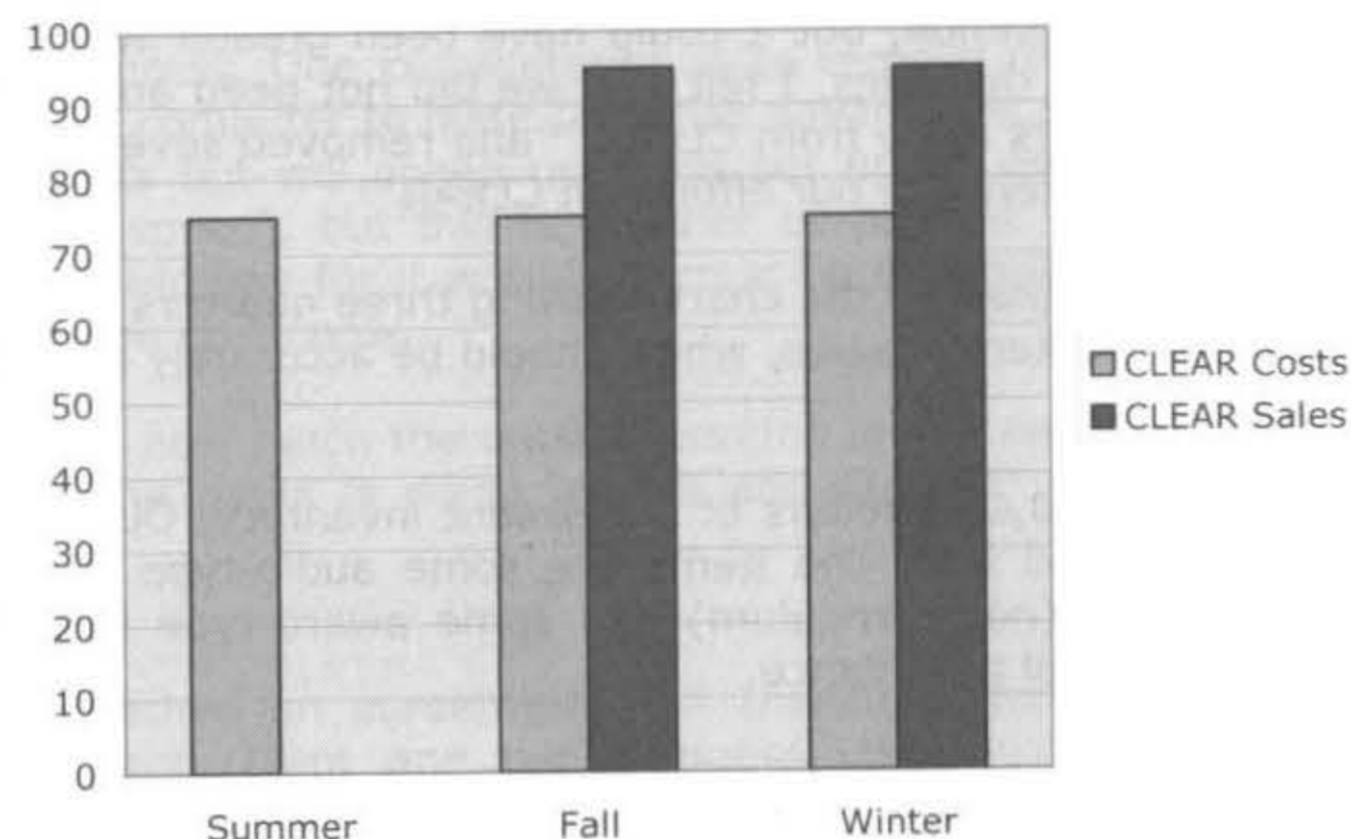
CLEAR's progress certainly tracks better than many other success stories by organizations that have grown to be the very definition of what they do like when we Xerox something, drink a Coke, or yes, when we FedEx something. I am convinced that we are in that pioneering mode, adjusting as needed because there is no road map from anyone who has made such needed changes. These are exciting times and serious times.

I was told that revamping a specific age (Teens) of a curriculum line in a similar way would take about a million dollars. That is a million dollars per major age division and that figure is five years old. We revised every line in 18 months with a well-thought plan that was developed by the entire team

at a fraction of the cost outsiders would suggest. Did we encounter unexpected costs? Absolutely, and we had to adjust. You do not get into this type of project and pause with any type of paralysis. You carefully adjust in a timely but deliberate manner and move through the challenge.

To briefly analyze how we produce a curriculum that launches at the ninth month of our fiscal calendar with only a \$39,000 loss needs some highlighting. We need only to remind ourselves for a moment that the costs precede the sales to realize that we were producing (incurring the higher costs) a quarter ahead in order for it to be ready for the fall. In short, that means we have the new increased costs of production for summer, fall, and winter in our fiscal year but only sales for fall and winter, resulting in a cost to revenue ratio of 3 to 1. (See chart below for illustrative purposes only.)

**Ratio of Cost to Revenue Illustration**



Following the financial sequence, Randall House finished in the black as is typical for our operation. Then you factor in what we do for the denomination, and it looks like the following:

### Randall House End of Year Summary 2004

Operational bottom line	\$ 57,293.00
Obsolete inventory	\$(30,067.00)
	\$ 27,226.00
Yearbook Printing	\$(12,783.00)
<b>RHP profit</b>	<b>\$ 14,443.00</b>
SCM underwriting	\$(53,941.00)
Overall profit/loss	\$ (39,498.00)

### Contributing Factors to Bottom Line Number

The cost to produce CLEAR™ was slightly higher than expected but not enough to alter the direction. The key areas that affected the bottom line was the needed personnel in editorial and printing.

A second factor contributing to a smaller bottom line is the fact that I placed book publishing on hiatus last year. Without a single new title published we still made a sizable revenue, but it could have been greater with new titles rolling out, increasing the sales. I felt that we did not need any distractions to take personnel hours away from CLEAR™ and removed several areas that would allow us to concentrate our efforts on CLEAR™.

A third factor is illustrated by the chart showing three quarters of production compared to two quarters of sales, which should be accurately described and illustrated above.

We are writing off \$30,000 dollars of obselesent inventory. Our auditor has strongly recommended this. The items are some audio-type books, some older spanish books (not curriculum) and some award-type pins denoting years of Sunday School attendance.

The last factor I want to bring to your attention is the categories covering miscellaneous sales. Each time we ran out of an inventory item over the past two years, we reviewed the quantity sold against the cost to re-supply or populate the inventory again. Many times we determined that we did not want to continue the availability of the product. Over time, we have come to realize that removing these types of miscellaneous items from inventory affects the bottom line once they are added together. We have begun to replenish those types of items.

I would like to point out in summary of this section that you will notice a continued tightening of the control of the SCM deficit and the amount has continued to get smaller.

The big plan is very much in tact and on track. First year was working with Dr. Loveless, the second year was a restructuring of personnel, this past year was producing CLEAR™, and this year is our growth time. I plan for our units to continue to increase. We are positioned in the most conducive posture for growth.

### Student and Children Ministries

Dean Jones will be leaving RHP effective July 31, 2005. I have asked Steve Greenwood to serve as acting director and have challenged him to prayerfully seek a vision for SCM based on the direction of shifting any new areas of interest to training leaders of children and youth rather than training youth.

### Printing

The Heidelberg Press has proven to be a great benefit so much so that keeping work for it is a challenge. When we first got the press the hold up was getting work down from editorial and design, but now the bottleneck is occurring in pre-press or film and plate making process. Even with one person dedicated to this activity 100% of the time, the process cannot keep up with the press. One consideration is to remove the film process and go straight from computer to plate. This has advantages of not only saving time and film costs but will speed up press set up as well (not that the press needs more speed), but this is another by-product. While the machine is costly, we could pay for it without increasing expenditures because of what we pay for film costs now.

Please notice how much the outside printing line is reduced for 2004, nearly \$200,000. The press is doing its job and CLEAR™ would not be feasible without it.

### Books

We have reached an agreement with Insights International (Organization owned by John Trent and two business partners) to produce a kit to compliment two of their trade books. The first kit will provide items to help build stronger ministry teams or business teams by allowing them to see how God made each person uniquely different and how to communicate effectively with them. This will be a detailed kit containing facilitator's guide, student guide, DVD, CD, and flash cards. A pastor or manager can take their team through this to increase a better understanding of each other and how to more effectively communicate. Book two will consist of some of these elements and focus on how to build a structure into Sunday School classes and small groups that will produce more intimacy and growth. I have gone to Thomas Nelson and sought a partnership to produce these two projects

together reducing our investment and making this a better product without absorbing hundreds of our labor hours.

We have released three new books. They are *Through God's Eyes* by John Marshall, *Randy Sawyers' Regaining Balance-91 Days of Prayer and Praise*, and *Hebrews Commentary* by Dr. Stanley Outlaw.

*The Case of Stuart's Ship: A Lesson in Stewardship* by Stan Toler and Debra White Smith was released March 18 and by the end of March, we have sold over 1200 copies.

We are working on a book about feet washing by Matt Pinson, a book on depression by Randy Sawyer, and the three epistles of John to match up with Revelation for the next Randall House Publications Bible Commentary.

One very efficient person from editorial, Emily White our Acquisitions Editor, is dedicating one day a week to book publishing duties and is handling the book division. This is growing in responsibility and starting to take one and a half or two days a week. To compensate for the time that is needed in editorial we are looking to hire a part time intern to work two or three half days a week or the equivalent hours.

#### **Other Departments**

Each of our other departments is doing very well. The bookstore is tracking \$17,000 in gross sales ahead this year through March. Shipping is relocating to printing level by the end of the year. Sales has been diligent at their role.

#### **Future Goals**

We have two denominations that have made CLEAR™ their flagship curriculum, the Western Division of Free Will Baptists and General Baptists. General Baptists will imprint a portion of our curriculum and the results will significantly add to the bottom line.

Apart from the above denominations, we are shooting to get our direct curriculum sales up over 200,000 units this year. In addition, the following goals are part of the current push.

- 200,000 units in direct sales (CLEAR™ Curriculum)
- Rebuild web site
- Provide Training Online
- Continue developing TEAM Church
- Begin Phase 2 of curriculum
- Top \$200,000 in book sales

#### **Conclusion**

Thank you for allowing me to serve God in this capacity. I wake up every day excited about my day and look forward to the activities of the job. I enjoy serving and leading our denomination and others in Christian Education and publishing. I am pleased with the progress of where Randall House is at this time even though I would love to be further along in multiple areas including the bottom line. I am more convinced of what Oliver Wendell Holmes, Jr. said, "Young man, the secret of my success is that at an early age I discovered I was not God. I have no delusions of power or abilities apart from God's strength and provision."

Continuing to imagine great things!



Ron Hunter, Jr.  
General Director & CEO



**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 the Sunday School and Church Training Board and Randall House Publications (a nonprofit organization) as of December 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 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 the Sunday School and Church Training Board and Randall House Publications as of December 31, 2004 and 2003, 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.

*Hill, Harper & Associates*

March 29, 2005

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD  
AND RANDALL HOUSE PUBLICATIONS**

**Balance Sheets**

December 31, 2004 and 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
<b>Current assets:</b>		
Cash and cash equivalents:	\$ 122,555	65,139
Cash and interest bearing deposits	276,169	384,838
Cash invested with the Free Will Baptist Foundation	50,000	50,000
Certificates of deposit		
Accounts receivable:		
Trade, net of allowance for doubtful accounts	100,024	129,750
\$10,000 in 2004 and \$7,000 in 2003	1,246	952
Employees and other	<u>101,270</u>	<u>130,702</u>
<b>Total receivables</b>	<u>391,399</u>	<u>328,461</u>
Inventory	43,436	12,735
Deferred charges and prepaid expenses	<u>984,829</u>	<u>971,875</u>
<b>Total current assets</b>		
<b>Property, plant and equipment, at cost:</b>	110,341	110,341
Land	850,125	824,325
Building	843,631	994,891
Printing service equipment	184,731	635,286
Office and administrative equipment	81,928	82,593
Automobiles and trucks	<u>2,070,756</u>	<u>2,647,436</u>
	<u>1,254,043</u>	<u>1,748,604</u>
Less accumulated depreciation and amortization	816,713	898,832
<b>Net property, plant and equipment</b>	<u>\$ 1,801,542</u>	<u>1,870,707</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>	\$ 120,511	90,522
Accounts payable	51,821	49,267
Current portion of long term debt	42,124	47,200
Accrued expenses	1,068	6,383
Due to affiliated organization	<u>215,524</u>	<u>193,372</u>
<b>Total current liabilities</b>	<u>290,941</u>	<u>342,761</u>
<b>Long term debt</b>	<u>506,465</u>	<u>536,133</u>
<b>Total liabilities</b>	<u>1,295,077</u>	<u>1,334,574</u>
<b>Unrestricted net assets</b>	<u>\$ 1,801,542</u>	<u>1,870,707</u>
<b>Commitments</b>		
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, 2004 and 2003

	2004	2003
<b>Revenues:</b>		
<b>Net sales:</b>		
Curriculum		
Randall House books	\$ 2,351,028	2,007,743
Merchandise	115,083	159,313
Vacation Bible School	21,251	27,847
Bookstore	17,745	22,137
Printing	293,015	316,013
Other sales	97,045	142,279
<b>Net sales</b>	<u>51,612</u>	<u>37,843</u>
Freight and handling	2,946,779	2,713,175
Other income	130,996	119,748
Interest income	53,166	62,030
Gain on sale of assets	19,481	16,538
Commission income on hymnal sales	10,550	290
<b>Total revenues</b>	<u>38,738</u>	<u>39,680</u>
<b>Expenses:</b>	<u>3,199,710</u>	<u>2,951,461</u>
<b>Cost of sales:</b>		
Inventory at beginning of year		
Merchandise purchases	328,461	416,758
Depreciation	266,402	298,089
Editorial	76,541	47,746
Printing production	511,833	389,946
	<u>833,617</u>	<u>714,981</u>
Less inventory at end of year	2,016,854	1,867,520
<b>Total cost of sales</b>	<u>391,399</u>	<u>328,461</u>
<b>Selling, general and administrative:</b>	<u>1,625,455</u>	<u>1,539,059</u>
Administrative / accounting		
Bookstore	329,810	248,182
Sales	157,361	170,104
Building	320,250	265,150
Marketing	152,650	146,917
Shipping	188,943	162,164
General	213,924	231,283
Depreciation	103,248	86,946
Interest expense, including finance charges	61,980	58,801
<b>Total selling, general and administrative expenses</b>	<u>18,863</u>	<u>3,563</u>
<b>Total expenses</b>	<u>1,547,029</u>	<u>1,373,110</u>
<b>Increase in net assets from operations</b>	<u>3,172,484</u>	<u>2,912,169</u>
<b>Other expenses:</b>	<u>27,226</u>	<u>39,292</u>
Youth department		
Printing contributed to the denomination	53,940	67,595
Denominational ministries	11,656	21,890
<b>Total other expenses</b>	<u>1,127</u>	<u>12,880</u>
<b>Decrease in net assets</b>	<u>66,723</u>	<u>102,365</u>
Net assets, beginning of year	(39,497)	(63,073)
Net assets, end of year	<u>1,334,574</u>	<u>1,397,647</u>
	<u>\$ 1,295,077</u>	<u>1,334,574</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, 2004 and 2003

	2004	2003
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (39,497)	(63,073)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	138,521	106,547
(Increase) decrease in:		
Receivables	29,432	(60,374)
Inventories	(62,938)	88,297
Deferred charges and prepaid expenses	(30,701)	(5,035)
Increase (decrease) in:		
Accounts payable	29,989	(5,468)
Accrued expenses	(5,076)	(755)
Due to affiliated organization	(5,315)	(846)
<b>Net operating activities</b>	<u>54,415</u>	<u>59,293</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(56,402)	(504,673)
<b>Net investing activities</b>	<u>(56,402)</u>	<u>(504,673)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long term debt	-	400,000
Repayments of long term debt	(49,266)	(7,972)
<b>Net financing activities</b>	<u>(49,266)</u>	<u>392,028</u>
<b>Decrease in cash and cash equivalents</b>	<u>(51,253)</u>	<u>(53,352)</u>
Cash at beginning of year	449,977	503,329
Cash at end of year	\$ <u>398,724</u>	<u>449,977</u>
<b>Cash and cash equivalents, as reported on the balance sheet, as follows:</b>		
Cash and interest bearing deposits	\$ 122,555	65,139
Cash invested with the Free Will Baptist Foundation	276,169	384,838
	<u>\$ 398,724</u>	<u>449,977</u>
<b>Supplemental disclosures:</b>		
Interest paid	\$ 18,863	3,563

See accompanying notes to financial statements.

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD  
AND RANDALL HOUSE PUBLICATIONS**

**Notes to Financial Statements**

**For the years ended December 31, 2004 and 2003**

The Board operates under the auspices of the National Association of Free Will Baptists and is governed by a Board of Directors.

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

**Basis of Presentation**

The financial statements of the Board have been prepared on the accrual basis of accounting. The Board adopted 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 or 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 statement of cash flows, the Board considers all cash funds, cash bank accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

**Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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.

**Fair Value of Financial Instruments**

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.

**Compensated Absences**

Employees of the Board are entitled to paid vacation, sick leave and personal days off, depending on job classification, length of service and other factors. Provision for accrued vacations and sick leave payable are made in the financial statements and are included in accrued expenses.

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD  
AND RANDALL HOUSE PUBLICATIONS**

**Notes to Financial Statements, continued**

**(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 \$276,169 are subject to risk of accounting loss. Cash and certificates of deposit held 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 of the Executive Office of the National Association of Free Will Baptists, Inc. The Board invoices the customer, collects funds and remits \$6.32 to the Executive Office. As of December 31, 2004 and 2003, respectively, the Board was warehousing approximately 6,000 and 11,500 hymnals with an estimated replacement value of \$24,600 and \$46,700.

**(4) Inventory**

Inventories consist of the following components:

	<u>2004</u>	<u>2003</u>
Finished curriculum	\$ 39,190	24,113
Work in progress	102,366	54,087
Bookstore	56,901	68,030
Printing raw materials	45,897	23,137
Warehoused other books and merchandise	147,045	159,094
	<u>\$ 391,399</u>	<u>328,461</u>

**(5) Long - Term Debt**

The Board has a 5.06% monthly installment obligation payable with monthly payments of 5,666 including interest and principal, with final payment due October 2010, secured by printing press

Current portion of long-term debt

	<u>2004</u>	<u>2003</u>
	\$ 342,762	392,028
	51,821	49,267
	<u>\$ 290,941</u>	<u>342,761</u>

Maturities of long-term debt is as follows:

2005	\$ 51,821
2006	54,507
2007	57,333
2008	60,305
2009	63,431
2010	<u>55,365</u>
	<u>\$ 342,762</u>

**(6) Pension**

The Board 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 with two years of service may participate at anniversary date of employment. Pension expense amounted to \$40,829 in 2004 and \$39,604 in 2003. 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.

**SUNDAY SCHOOL AND CHURCH TRAINING BOARD  
AND RANDALL HOUSE PUBLICATIONS**

**Notes to Financial Statements, continued**

**(7) Youth Department**

The purpose of the Youth Department is to provide ministries and services to youth and youth workers of the National Association of Free Will Baptists, Inc. The following is a summary of the department's activities:

	<u>2004</u>	<u>2003</u>
Revenue from conferences and related services	\$ 169,255	182,490
Expenditures for conferences and related services	107,993	139,268
General and administrative expenses	115,202	110,817
Total expenditures	<u>223,195</u>	<u>250,085</u>
Excess of expenses over revenues	\$ <u>(53,940)</u>	<u>(67,595)</u>

**(8) Printing Contributed to the Denomination**

The Board contributed printing costs to the denomination of follows:

	<u>2004</u>	<u>2003</u>
Church Directory / Yearbook	\$ 11,656	10,641
Outreach Magazine	-	9,709
Together Way	-	1,540
Total contributed services	\$ <u>11,656</u>	<u>21,890</u>

**(9) Denominational Ministries**

The purpose of denominational ministries is to provide training at the local church level for the advancement of Sunday school teachers. The following is a summary of the department's activities:

	<u>2004</u>	<u>2003</u>
Revenue from conferences and related services	\$ 15,748	22,895
Expenditures for conferences and related services	16,875	35,775
Excess of expenses over revenues	\$ <u>(1,127)</u>	<u>(12,880)</u>

**2006 Budget for Randall House Publications**

Description of Account	2006	Description of Account	2006
<b>REVENUES</b>		<b>CREATIVE SERVICES</b>	
SALES - CURRICULUM	\$3,656,000	Salaries	\$330,000
SALES - RHP	\$267,500	Housing Allowance	\$45,000
SALES - MISCELLANEOUS	\$181,400	Travel	\$1,000
SALES - PRINTING	\$200,000	Supplies	\$5,000
Freight and Handling Income	\$145,000	Equipment Maintenance	\$3,000
SALES - BOOKSTORE	\$300,000	Conventions & Seminars	\$2,000
POS Discounts Given	-\$622,000	Software Supply	\$2,500
<b>TOTAL REVENUES</b>	<b>\$4,127,900</b>	Dues & Subscriptions	\$300
		Art Services	\$30,000
		National Expense	\$2,500
<b>EXPENSES</b>		Entertainment	\$500
Costs of Outside Purchases - RHP	\$224,800	Postage	\$200
Costs of Outside Purchases - Bookstore	\$172,400	FICA	\$18,500
Creative Services	\$594,500	Retirement	\$10,000
Printing Production	\$1,083,100	Insurance	\$56,000
Depreciation	\$76,000	Curriculum Development	\$25,000
<b>TOTAL COST OF SALES</b>	<b>\$2,150,800</b>	Writer's Fees	\$50,000
		Register of Copyrights	\$2,500
		Outside Editing/Proofing	\$10,000
		Miscellaneous	\$500
		<b>TOTAL CREATIVE SERVICES</b>	<b>\$594,500</b>
<b>GENERAL EXPENSES</b>		<b>MARKETING</b>	
Marketing Department	\$215,000	Salaries	\$55,000
Bookstore	\$172,300	Housing Allowance	\$16,000
Administration	\$347,500	Travel Expense	\$3,000
Sales	\$394,300	Supplies	\$5,000
Shipping	\$223,400	Equipment Maintenance	\$500
Building	\$134,600	Conventions & Seminars	\$2,000
General	\$175,600	Dues & Subscriptions	\$2,000
<b>TOTAL GENERAL EXPENSES</b>	<b>\$1,662,700</b>	National Expense	\$25,000
		Entertainment	\$1,000
		Postage	\$10,000
		FICA	\$3,000
<b>TOTAL EXPENSES</b>	<b>\$3,813,500</b>	Retirement	\$2,000
<b>INCREASE/(DECREASE) IN ASSETS</b>	<b>\$314,400</b>	Insurance	\$20,000
		Advertising	\$30,000
<b>OTHER EXPENSES</b>		Promotion	\$40,000
Denominational Ministries	-\$75,050	Miscellaneous	\$500
SCM Department	-\$64,050	<b>TOTAL MARKETING</b>	<b>\$215,000</b>
<b>TOTAL OTHER EXPENSES</b>	<b>-\$139,100</b>		
<b>INCREASE/(DECREASE) IN ASSETS</b>	<b>\$175,300</b>		

Description of Account	2006	Description of Account	2006
<b>PRINTING PRODUCTION</b>			
Salaries	\$226,000	Salaries	\$110,000
Travel Expense	\$1,000	Travel Expense	\$4,000
Supplies	\$1,000	Supplies	\$1,500
Equipment Maintenance	\$1,000	Equipment Maintenance	\$500
Dues & Subscriptions	\$1,000	Software Fees and Services	\$2,000
Entertainment	\$100	Conventions & Seminars	\$1,500
Outside Printing	\$450,000	Dues & Subscriptions	\$500
Outside Bindery	\$25,000	Entertainment	\$2,500
FICA	\$17,500	Postage	\$3,500
Retirement	\$10,000	FICA	\$8,500
Insurance	\$33,000	Retirement	\$5,500
Pressroom Supplies	\$19,000	Insurance	\$21,000
Pressroom Maintenance	\$5,000	Advertising	\$10,000
Pressroom Parts	\$3,000	Workshops Expense	\$1,000
Pressroom Stock	\$165,000	Miscellaneous	\$300
Pressroom Ink	\$11,000	<b>TOTAL BOOKSTORE</b>	<b>\$172,300</b>
Bindery Supplies	\$5,000	<b>ADMINISTRATION/ACCOUNTING</b>	
Bindery Maintenance	\$3,500	Salaries	\$218,000
Bindery Parts	\$1,500	Housing Allowance	\$28,500
Camera Supplies	\$3,000	Travel Expense	\$25,000
Camera Film	\$17,000	Supplies	\$5,000
Camera Maintenance	\$13,000	Equipment Maintenance	\$2,000
Stripping / Masking Supplies	\$4,000	Equipment Rental	\$1,000
Stripping Plates	\$32,000	Conventions & Seminars	\$2,000
Outside Purchases	\$35,000	Dues & Subscriptions	\$500
Miscellaneous	\$500	Entertainment	\$2,500
<b>TOTAL PRINTING PRODUCTION</b>	<b>\$1,083,100</b>	Postage	\$1,000
		Telephone	\$3,500
		FICA	\$14,000
<b>SALES/CUSTOMER SERVICE</b>			
Salaries	\$275,000	Retirement	\$10,500
Travel Expense	\$5,000	Insurance	\$29,000
Supplies	\$6,000	Automobile Expense	\$4,000
Equipment Maintenance	\$5,000	Miscellaneous	\$1,000
Equipment Rental	\$500	<b>TOTAL ADMIN/ACCOUNTING</b>	<b>\$347,500</b>
Royalty Payments	\$8,000	<b>SHIPPING</b>	
Conventions & Seminars	\$2,000	Salaries	\$53,000
Dues & Subscriptions	\$500	Supplies	\$15,000
Postage	\$5,000	Equipment Maintenance	\$2,000
Telephone	\$21,000	Equipment Rental	\$15,000
FICA	\$23,000	Dues & Subscriptions	\$300
Retirement	\$7,000	Postage	\$6,000
Insurance	\$20,000	FICA	\$4,100
Entertainment	\$1,000	Retirement	\$2,700
Promotions	\$15,000	Insurance	\$10,000
Miscellaneous	\$300	Freight Expense	\$115,000
<b>TOTAL SALES CUSTOMER SERVICE</b>	<b>\$394,300</b>	Miscellaneous	\$300
		<b>TOTAL SHIPPING</b>	<b>\$223,400</b>

Description of Account	2006	Description of Account	2006
<b>BUILDING</b>			
Salaries	\$20,000	<b>DENOMINATIONAL MINISTRIES</b>	
Supplies	\$6,000	<b>INCOME</b>	
Equipment Maintenance	\$3,000	TEAM Church Training Events	\$24,500
Equipment Rental	\$1,000	<b>TOTAL DEN MINISTRIES INCOME</b>	<b>\$24,500</b>
Telephone	\$1,000	<b>EXPENSES</b>	
FICA	\$1,300	Team Leader Salary	\$15,000
Building Maintenance	\$30,000	Team Supplies	\$2,000
Utilities	\$45,000	Team Leader Promotion	\$2,500
Building Insurance	\$27,000	Team Church Travel	\$500
Miscellaneous	\$300	Mid Tenn SS Conference	\$5,000
<b>TOTAL BUILDING</b>	<b>\$134,600</b>	Tri-State SS Conference	\$700
		Indiana Conference	\$1,200
<b>STUDENT AND CHILDREN MINISTRIES</b>			
<b>INCOME</b>			
NYC Fees 2004	\$85,000	WV SS Conference	\$2,200
Truth & Peace Fees 2004	\$72,000	North Florida Conference	\$1,500
NYET Fees 2004	\$6,000	South Florida Conference	\$1,600
NSCWC Fees 2004	\$25,000	Illinois Conference	\$2,600
Youth Collections	\$3,000	Arkansas Conference	\$2,500
Springboard 2004	\$12,000	Ohio Conference	\$2,500
<b>TOTAL SCM INCOME</b>	<b>\$203,000</b>	Canada Conference	\$2,000
<b>EXPENSES</b>			
Salaries	\$55,000	Together Way Printing	\$2,000
Travel Expense	\$2,500	ONE Magazine	\$40,000
Supplies	\$2,000	Yearbook Printing	\$12,000
Conventions & Seminars	\$2,500	Stewardship Lessons	\$750
Dues & Subscriptions	\$350	Scholarships	\$3,000
Entertainment	\$300	<b>TOTAL DEM. MINISTRIES EXPENSES</b>	<b>\$99,550</b>
Postage	\$2,000	<b>DENOMINATIONAL</b>	
Telephone	\$2,500	<b>INCREASE/(DECREASE)</b>	
FICA	\$4,300	<b>GENERAL EXPENSES</b>	
Retirement	\$1,000	Supplies	\$3,000
Insurance	\$14,000	Equipment Maintenance	\$5,000
NYC 2004	\$50,000	Equipment Rental	\$5,000
Truth & Peace 2004	\$50,000	Honorariums	\$500
NYET 2004	\$4,500	Depreciation	\$62,000
NSCWC 2004	\$23,000	Interest Expense	\$16,000
Springboard 2004	\$16,000	Bank Service Charges	\$13,100
Convention Salaries	\$6,000	Board Expense	\$18,000
Overhead Allocations	\$30,600	Legal & Audit	\$11,000
Miscellaneous	\$500	Automobile Expense	\$2,500
<b>TOTAL SCM EXPENSES</b>	<b>\$267,050</b>	Bad Debts	\$1,000
<b>SCM INCREASE/(DECREASE)</b>	<b>-\$64,050</b>	Recreation Fund Expense	\$4,000
		Taxes	\$16,500
		Payroll Services	\$8,000
		Miscellaneous	\$10,000
		<b>TOTAL GENERAL EXPENSES</b>	<b>\$175,600</b>

**Summary of the Minutes  
for the Sunday School and Church Training Board  
2004-2005**

	2005	2006 PROJECTED PACKAGE
<b>GENERAL DIRECTOR RONALD HUNTER, JR</b>		
SALARY	\$36,432	\$40,798
HOUSING ALLOWANCE	\$30,778	\$28,190
CHRISTMAS BONUS	<u>\$1,293</u>	<u>\$1,331</u>
<b>COMPENSATION TOTAL</b>	<b>\$68,503</b>	<b>\$70,319</b>
INSURANCE	\$14,400	\$14,400
SOCIAL SECURITY		
RETIREMENT	\$3,361	\$3,462
<b>BENEFITS TOTAL</b>	<b><u>\$17,761</u></b>	<b><u>\$17,862</u></b>
<b>TOTAL PAY PACKAGE</b>	<b><u>\$86,263</u></b>	<b><u>\$88,181</u></b>
<b>ASSISTANT DIRECTOR CLARENCE LEWIS</b>		
SALARY	\$59,280	\$61,058
HOUSING ALLOWANCE	\$0	\$0
CHRISTMAS BONUS	<u>\$889</u>	<u>\$916</u>
<b>COMPENSATION TOTAL</b>	<b>\$60,169</b>	<b>\$61,974</b>
INSURANCE	\$5,400	\$5,400
SOCIAL SECURITY	\$4,603	\$4,741
RETIREMENT	<u>\$2,964</u>	<u>\$3,053</u>
<b>BENEFITS TOTAL</b>	<b><u>\$12,967</u></b>	<b><u>\$13,194</u></b>
<b>TOTAL PAY PACKAGE</b>	<b><u>\$73,136</u></b>	<b><u>\$75,168</u></b>
<b>EDITOR IN CHIEF KEITH FLETCHER</b>		
SALARY	\$34,135	\$35,159
HOUSING ALLOWANCE	\$16,912	\$17,419
CHRISTMAS BONUS	<u>\$766</u>	<u>\$789</u>
<b>COMPENSATION TOTAL</b>	<b>\$51,813</b>	<b>\$53,367</b>
INSURANCE	\$14,400	\$14,400
SOCIAL SECURITY	\$3,964	\$4,083
RETIREMENT	<u>\$2,552</u>	<u>\$2,629</u>
<b>BENEFITS TOTAL</b>	<b><u>\$20,916</u></b>	<b><u>\$21,112</u></b>
<b>TOTAL PAY PACKAGE</b>	<b><u>\$72,729</u></b>	<b><u>\$74,479</u></b>
<b>SCM DIRECTOR DEAN JONES</b>		
SALARY	\$24,210	\$24,210
HOUSING ALLOWANCE	\$15,277	\$15,277
CHRISTMAS BONUS	<u>\$592</u>	<u>\$592</u>
<b>COMPENSATION TOTAL</b>	<b>\$40,079</b>	<b>\$40,079</b>
INSURANCE	\$14,400	\$14,400
SOCIAL SECURITY	\$3,066	\$3,066
RETIREMENT	<u>\$1,974</u>	<u>\$1,974</u>
<b>BENEFITS TOTAL</b>	<b><u>\$19,440</u></b>	<b><u>\$19,440</u></b>
<b>TOTAL PAY PACKAGE</b>	<b><u>\$59,519</u></b>	<b><u>\$59,519</u></b>

\*\*\*SCM DIRECTOR LISTED AT 85% COMPENSATION

The Board had three meetings in the past year. The first meeting was held at the National Association in Kansas City Missouri. At that meeting, we voted to request of the Executive Committee permission to direct the Adult Sunday School Hour and we voted to rescind two inactive bookstore accounts. We elected officers and determined committees.

The second meeting was held at Randall House in December after the Leadership Conference. At that meeting, we approved guidelines for CLEAR™ Essential CDs, a disclaimer for advertisements of non-RHP products, the proposed illustrations for the book *Stuart's Ship*, approved guidelines for Sunday School Curriculum policies for any new retailer after 12/01/04, approved the theme for NYC for 2006 and the speakers for the Youth Worship Services for NYC 2005.

The third meeting was held April 25-26, 2005 at Randall House. At that meeting, we reviewed the 2004 audit, approved the 2006 budget, set new budget guidelines, authorized the approval of content for 4 books, and authorized the publishing of 4 books and the writer of RHP Commentary for I, II, III John. We also authorized the purchase of a new CTP system for printing production.



## PRESIDENT'S REPORT

It was a historic moment when the National Association of Free Will Baptists established Free Will Baptist Bible College in 1942. In the sixty-three years since our founding, we have been faithful to God's call to educate leaders for service to Christ, His church, and His world. Our desire today, as it always has been, 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 cross-cultural missionaries and church planters to extend the ministry of our churches to the ends of the earth; and to supply our churches with strong lay leaders who will bear witness to Christ in non-church-related careers.

God is continuing to bless Free Will Baptist Bible College in this new century just as He has blessed us in the past. As we treasure our heritage and remain rooted in the Word of God, we are poised to launch out into the deep and discover God's next chapter in the story of Free Will Baptist Bible College.

### An Exciting Year

The 2004-05 academic year has been full and exciting. **The college enjoyed its highest annual enrollment in nineteen years, with our highest spring enrollment in twenty years!**

This has also been an excellent year financially. Owing to decreased spending by our dedicated faculty and staff, some unexpected large gifts, and the committed financial support of our churches, alumni, and friends, the college will have a substantial financial surplus this year. This will help us maintain a stronger cash reserve, which is so important to our approval and accrediting agencies. We remain firmly committed to faithful stewardship of the funds you have entrusted to us.

Ministry education at Free Will Baptist Bible College is getting better and better. Our pastoral ministry program has doubled its enrollment under the creative leadership of Terry Forrest. Some of our brightest scholars on campus—including last year's valedictorian—are our pastoral ministry students.

Students this year had the opportunity to take a course from our newest visiting pastor-scholar, Ken Simpson from Raytown, Missouri. They are also enjoying Dr. Garnett Reid, who began teaching the two basic preaching courses required of all pastoral ministry students.

We are excited about changes in our Youth Ministry program, which the Department of Biblical and Ministry Studies retooled this year. While retaining a cutting-edge youth ministry curriculum, we will give students the benefit of a family ministry model that extends to children and young families and emphasizes family dynamics and counseling. Youth ministry students will also receive excellent training in the essentials of effective preaching and shepherding.

FWBBC's missional emphasis is increasing. Ronald Callaway is doing an excellent job as program coordinator for the missions major, preparing students for cross-cultural ministry with Free Will Baptist International Missions. Yet he has also had some great successes in getting more and more of our students concerned about their role in world evangelization.

Our students are taking more college-sponsored mission trips than ever. For example, groups traveled to Cuba and New York City during Spring Break, sharing the gospel of Jesus Christ as they went. We have also been elated at the interest our pastoral ministry students have shown in the church planting course we are planning with the help of the Home Missions Department.

### New Programs

We continue to add new programs. This year, for example, we plan to launch our new **Online Lifetime Learning** program. This distance-learning program allows students who cannot relocate to Nashville the opportunity to take online courses in Bible and ministry—courses that are regionally and nationally accredited.

With this new program, students will be able view on their computer screens the same great lectures that our on-campus students enjoy. Students can earn a Bible Certificate or earn credits toward an on-campus degree program, all in the comfort of their own home. We also have substantial scholarships for Free Will Baptist ministers, and federal grants and financial aid are available for degree-seeking students who register for at least six semester hours.

The Alumni Association is partially underwriting the funding of the Online program as their new Alumni Project. I encourage alumni to give generously to this innovative new program.

New degree programs we have recently added, such as history and early childhood, are growing. Our new Adult Studies program has allowed us to extend our mission to working adults in Middle Tennessee. We currently have twenty-two students enrolled in evening courses in fields such as Bible and Christian ministries, teacher education, and business and leadership.

Students have responded enthusiastically to our newest faculty members, Rachel Callaway (English), Jacqueline Rasar (Psychology), and James Stevens (Music). We thank God for our faculty and staff, both new and established, who continue to be our greatest asset.

### A Vision for the Future

We have spent the past year in a forward-looking process of long-range strategic planning. This involves the faculty, staff, and trustees in a process that casts a groundbreaking vision for the future. We want to take courageous strides into the future, anchored to our historic mission and purpose, yet moving boldly forward into ever-greater ways of serving the Free Will Baptist denomination and extending the Kingdom of God.

Changing and moving forward innovatively in the ways mentioned above is exciting. However, we must never forget that all of these things are in place to help us fulfill our mission, which centers on students. We are here to help students find their place in God's world and prepare them for it.

In essence, that is what Free Will Baptist Bible College is about: calling. We have been called to educate students to fulfill their divine calling. Some will be called to full-time vocational ministry in a church

or mission. Others will be called to be salt and light in the marketplace or education or some other field of endeavor in our culture—a culture that is desperately in need of that salt and that light. God graciously brings us students who want to follow His calling. Through the education they receive here, their lives are changed forever, and they help change the lives of others for eternity.

**Thank You**

Thank you for being a part of this noble mission to which God has called us. Only through your prayers and financial support and the students you faithfully point our way can we continue to do this work to which God has called us. I thank you for your dedicated support of this ministry. The Lord bless you and keep you.

Sincerely,  
J. Matthew Pinson  
President

**Financial Aid Report  
2004-2005**

Type of Aid	Number of Recipients	Amount of Aid
Institutional Loans	71	\$ 123,200.06
Student Worker Earnings	90	130,187.70
FWBBC Scholarships	126	317,930.00
Tennessee Grant/Scholarship Programs	36	114,055.00
Federal SEOG	29	18,587.81
Federal Work Study Program	16	22,359.00
Federal Pell Grant	135	316,687.77
Federal Subsidized Stafford Loan Program	212	725,263.00
Federal Unsubsidized Stafford Loan Program	90	339,170.00
Federal PLUS Loan Program	49	395,715.00
Alternative Loans	30	218,767.00
External Scholarships	112	116,179.12
<b>Total Financial Aid Administered, 2004-2005</b>		<b>\$ 2,838,101.46</b>

**Welch Library Report**

Total number of library resources: 163,663

**Registration Report—2004-05**

Enrollment ----- 384

**Enrollment Breakdowns by:**

<b>State:</b>	Alabama ----- 16	Mississippi ----- 8
Arizona ----- 1	Missouri ----- 16	
Arkansas ----- 30	North Carolina ----- 33	
California ----- 6	Ohio ----- 8	
Florida ----- 9	Oklahoma ----- 3	
Georgia ----- 18	Pennsylvania ----- 2	
Illinois ----- 27	South Carolina ----- 8	
Indiana ----- 8	Tennessee ----- 112	
Kansas ----- 4	Texas ----- 6	
Kentucky ----- 12	Virginia ----- 18	
Louisiana ----- 1	Wisconsin ----- 1	
Massachusetts ----- 1	West Virginia ----- 3	
Michigan ----- 22	International ----- 11	

The student body represents 25 states and 7 international countries (Albania, Bahamas, Canada, Japan, Korea, Russia, and Spain).

**Classification:**

Freshmen ----- 137
Sophomores ----- 94
Juniors ----- 63
Seniors ----- 73
Special ----- 17

**Other Categories:**

New ----- 87	Male ----- 188	Dormitory ----- 259
Returning ----- 21	Female ----- 196	Commuters ----- 125
Continuing ----- 227		
Transfer ----- 32	Full-time ----- 312	Single ----- 308
Special ----- 17	Part-time ----- 72	Married ----- 76

Free Will Baptist - 334  
Other ----- 50

**Vocational:**

Pastoral ----- *49	Business ----- 49	History ----- 4	Exercise Science 8
YM/CE ----- 34	English ----- 11	Music ----- 27	Special ----- 13
Missions ----- 35	General Studies 4	Psychology --- 27	Teacher Ed. - **91
Ministry Emph. - 9	Undeclared --- 23		

\*Some pastoral students are listed in other majors.  
\*\*Teacher Education includes these areas: Bible, Early Childhood, Elementary, English, History, Music, and Physical Education.



## 2005-2006 Salary Breakdown

	2003-04	2004-05	2005-06
<b>President*</b>			
Salary	\$60,000	61,800	63,654
Social Security	4,590	4,728	4,870
Retirement	5,400	5,562	5,729
Medical Insurance	9,048	10,860	13,261
Life Insurance	240	240	240
	<b>\$79,278</b>	<b>83,190</b>	<b>87,754</b>
<b>Academic Dean</b>			
Salary	\$48,684	50,145	51,649
Social Security	3,724	3,836	3,951
Retirement	4,382	4,513	4,648
Medical Insurance	3,840	4,608	8,699
Life Insurance	240	240	240
	<b>\$60,870</b>	<b>63,342</b>	<b>69,187</b>
<b>Advancement Director</b>			
Salary	\$42,148	43,412	46,017
Social Security	3,224	3,321	3,520
Retirement	3,793	3,907	4,142
Medical Insurance	5,952	7,128	8,699
Life Insurance	240	240	240
	<b>\$55,357</b>	<b>58,008</b>	<b>62,618</b>
<b>Treasurer</b>			
Salary	\$47,161	48,576	50,032
Social Security	3,608	3,716	3,827
Retirement	4,244	4,372	4,503
Medical Insurance	3,840	4,608	5,624
Life Insurance	240	240	240
	<b>\$59,093</b>	<b>61,512</b>	<b>64,226</b>

\*Campus housing provided (with Social Security variation). Vehicle provided.  
Note: Some administrators have chosen a voluntary reduction from listed salaries.

Synopsis of Minutes  
Board of Trustees

## December 8 and 9, 2004

President Matt Pinson reported that enrollment in FWBBC's pastoral ministry program may reach 50 students this year. Trustees were present for the dedication of the new Pastoral Ministry Laboratory. They approved changes in the Youth Ministry and Christian Education curricula, which will emphasize pastoral ministry more. They also received a report from Dr. Shirley Thomas, who is facilitating a strategic planning initiative. The Board approved a recommendation that Chancellor Tom Malone continue his tenure until his 65<sup>th</sup> birthday.

## May 3 and 4, 2005

As President Matt Pinson completes his third year, spring enrollment has reached its highest total in 20 years. The Board approved a first working draft of a new Strategic Plan and a \$5.9 million budget for 2005-2006. The budget includes a 3% salary increase for all employees. The Board approved a revised plan to complete the renovation of the 3622 West End property as rental apartments. A recommendation to revisit the campus relocation project at the Board's next meeting was also approved.

Gary Fry, Chairman  
Archie Ratliff, Vice-Chairman  
Greg Kettelman, Secretary



Free Will Baptist  
Bible College

3606 West End Avenue  
Nashville, TN 37205-2498  
615-383-1340  
Fax: 615-269-6028  
www.fwbcc.edu

## 2004-05 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 statements of financial position of Free Will Baptist Bible College as of May 31, 2005 and 2004, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Free Will Baptist Bible College taken as a whole. The supplementary data included in the Schedules 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 audit 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.

*Hill, Harper & Associates*

July 6, 2005

## FREE WILL BAPTIST BIBLE COLLEGE

### Statements of Financial Position

May 31, 2005 and 2004

	2005	2004
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,163,209	688,364
Investments in marketable securities, at market value	34,268	12,531
Accounts receivable:		
Student accounts	117,171	112,866
Employee and other	84,723	86,425
Pledges receivable	75,235	99,529
Less allowance for doubtful accounts	(30,000)	(20,000)
Prepaid expenses	6,275	37,611
Inventories	29,430	38,311
	<u>1,480,311</u>	<u>1,055,637</u>
<b>Total current assets</b>		
<b>Non current assets:</b>		
Cash:		
Restricted for endowments	361,429	317,930
Restricted for student loans	396,645	416,242
Investments in marketable securities, at market value:		
Restricted for endowments	518,940	503,641
Held under life income agreements	3,828	3,628
Campaign pledges	23,620	50,000
Loans to students, less allowance for doubtful loans of \$17,000 in 2005 and \$26,000 in 2004	149,975	135,954
	<u>1,454,437</u>	<u>1,427,395</u>
<b>Total non current assets</b>		
<b>Property, plant and equipment:</b>		
Investment in property, plant and equipment	8,850,282	8,535,447
Accumulated depreciation	<u>3,542,505</u>	<u>3,340,046</u>
	5,307,777	5,195,401
<b>Net property, plant and equipment</b>		
<b>Total assets</b>	<u>\$ 8,242,525</u>	<u>7,678,433</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 265,394	153,567
Current portion of long-term debt	5,593	4,974
Notes payable	1,565,678	1,566,033
Student deposits and agency funds	121,499	162,193
Accrued salaries	129,595	127,586
Deferred revenues - summer school and other	78,284	47,230
	<u>2,166,043</u>	<u>2,061,583</u>
<b>Total current liabilities</b>		
<b>Long-term debt</b>		
<b>Total liabilities</b>	<u>2,197,986</u>	<u>2,099,551</u>
<b>Net assets:</b>		
Unrestricted funds	4,436,063	4,044,312
Temporarily restricted funds	224,090	199,038
Permanently restricted funds	<u>1,384,386</u>	<u>1,335,532</u>
	6,044,539	5,578,882
<b>Total net assets</b>		
<b>Total liabilities and net assets</b>	<u>\$ 8,242,525</u>	<u>7,678,433</u>

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, 2005 and 2004

	2005			Total 2005	Total 2004
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
<b>Revenues:</b>					
Tuition and fees	\$ 2,661,957	-	-	2,661,957	2,212,972
Federal grants and contracts	-	35,357	-	35,357	41,628
Private gifts	1,120,902	118,087	42,431	1,281,420	1,518,663
Endowment income	2,435	2,761	-	5,196	3,834
Investment income	31,879	3,409	3,156	38,444	17,650
Gain on investment transactions	1,677	342	21,168	23,187	35,029
Gain on sale of College property	266,383	-	-	266,383	258,662
Revenues of auxiliary enterprises	1,263,038	-	-	1,263,038	1,196,724
Other sources	6,525	-	(17,901)	(11,376)	(8,092)
<b>Net assets released from restrictions</b>	5,354,796	159,956	48,854	5,563,606	5,277,070
	134,904	(134,904)	-	-	-
<b>Total revenues</b>	5,489,700	25,052	48,854	5,563,606	5,277,070
<b>Expenditures:</b>					
<b>Educational and general:</b>					
Instruction	1,568,766	-	-	1,568,766	1,447,711
Academic support	395,958	-	-	395,958	385,988
Student services	611,901	-	-	611,901	589,186
Institutional support	1,474,774	-	-	1,474,774	1,423,692
Total educational and general expenditures	4,051,399	-	-	4,051,399	3,846,577
<b>Auxiliary enterprises:</b>					
Dormitories	459,877	-	-	459,877	448,775
Dining hall	500,696	-	-	500,696	506,425
Bookstore	75,836	-	-	75,836	118,407
Snackshop	10,141	-	-	10,141	13,142
Total auxiliary enterprises expenditures	1,046,550	-	-	1,046,550	1,086,749
<b>Total expenditures</b>	5,097,949	-	-	5,097,949	4,933,326
<b>Increase in net assets</b>	391,751	25,052	48,854	465,657	343,744
<b>Net assets at beginning of year, restated</b>	4,044,312	199,038	1,335,532	5,578,882	5,235,138
<b>Net assets at end of year</b>	\$ 4,436,063	224,090	1,384,386	6,044,539	5,578,882

See accompanying notes to financial statements.

**FREE WILL BAPTIST BIBLE COLLEGE**  
**Statements of Cash Flows**  
For the years ended May 31, 2005 and 2004

	2005			Total 2005	Total 2004
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
<b>Cash flows from operating activities</b>					
Cash collected from students	\$ 3,911,050	-	-	3,911,050	3,413,724
Federal grants	-	55,683	-	55,683	21,302
Federal Pell grants considered to be agency fund transactions	322,823	-	-	322,823	309,478
Private gifts and grants	1,055,073	131,307	-	1,186,380	1,433,004
Endowment income	2,435	2,761	-	5,196	3,834
Investment income	18,229	3,409	-	21,638	14,489
Other revenues	6,525	-	-	6,525	18,887
Cash paid for scholarships, to vendors and for payroll	(4,555,056)	(134,904)	-	(4,689,960)	(4,592,531)
Cash paid for Federal Pell grants	(322,823)	-	-	(322,823)	(309,478)
<b>Net operating activities cash flows</b>	438,256	58,256	-	496,512	312,709
<b>Cash flows from investing activities</b>					
Marketable securities purchased	-	-	(231,815)	(231,815)	(393,130)
Proceeds from sale of plant assets	307,412	-	-	307,412	306,382
Proceeds from sale of marketable securities	-	-	237,685	237,685	392,891
Expended for plant assets	(357,532)	-	-	(357,532)	(1,114,530)
Student notes receivable, net change	-	-	(5,021)	(5,021)	16,105
<b>Net investing activities cash flows</b>	(50,120)	-	849	(49,271)	(792,282)
<b>Cash flows from capital activities</b>					
Campaign pledges receivable collected	-	26,380	-	26,380	9,300
Gifts received for:					
Endowments and student loans	-	-	42,431	42,431	19,144
Proposed new campus	-	12,199	-	12,199	16,566
Other student loan transactions:					
Interest income on student loans	-	-	4,285	4,285	5,746
Investment income	-	-	3,156	3,156	2,780
Collection costs and other transactions	-	-	(31,186)	(31,186)	(24,463)
<b>Net capital activities cash flows</b>	-	38,579	18,686	57,265	29,073
<b>Cash flows from financing activities</b>					
Proceeds from notes payable advances	-	-	-	-	879,191
Repayment of long-term debt	(5,406)	-	-	(5,406)	(4,118)
Interfund activities	92,115	(96,835)	4,720	-	-
Notes payable for student loans, net	-	-	(353)	(353)	(3,963)
<b>Net financing activities cash flows</b>	86,709	(96,835)	4,367	(5,759)	871,110
<b>Net increase in cash and cash equivalents</b>	474,845	-	23,902	498,747	420,610
<b>Cash and cash equivalents at beginning of year</b>	688,364	-	734,172	1,422,536	1,001,926
<b>Cash and cash equivalents at end of year</b>	\$ 1,163,209	-	758,074	1,921,283	1,422,536

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Cash Flows, continued

For the years ended May 31, 2005 and 2004

	2005			Total 2005	Total 2004
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
Cash and cash equivalents consist of the following:					
Current assets	\$ 1,163,209	-	-	1,163,209	688,364
Non current assets:					
Cash restricted for endowments	-	-	361,429	361,429	317,930
Cash restricted for student loans	-	-	396,645	396,645	416,242
<b>Total cash and cash equivalents</b>	<b>\$ 1,163,209</b>	<b>-</b>	<b>758,074</b>	<b>1,921,283</b>	<b>1,422,536</b>
Reconciliation of increase in net assets to net operating activities cash flows					
Increase in net assets	\$ 391,751	25,052	48,854	465,657	343,744
Transactions considered to be capital additions:					
Gifts for endowments and student loans	-	-	(42,431)	(42,431)	(19,144)
Proposed new campus	-	(12,199)	-	(12,199)	(16,566)
Net other transactions from student loan funds	-	-	14,745	14,745	26,937
Depreciation	224,227	-	-	224,227	212,381
Gain on investment transactions	(1,677)	(342)	(21,168)	(23,187)	(35,029)
In kind asset gifts	(40,020)	-	-	(40,020)	-
Gain on sale of College property	(266,383)	-	-	(266,383)	(258,662)
(Increase) decrease in current assets:					
Accounts receivable:					
Student accounts	(4,305)	-	-	(4,305)	(71,191)
Employee and other	(18,625)	20,326	-	1,701	(23,308)
Pledges receivable	(1,125)	25,419	-	24,294	(49,949)
Less allowance for doubtful accounts	10,000	-	-	10,000	4,000
Inventories	8,881	-	-	8,881	22,413
Prepaid expenses	31,336	-	-	31,336	26,029
Increase (decrease) in current liabilities:					
Accounts payable and accrued expenses	111,827	-	-	111,827	58,527
Student deposits and agency funds	(40,694)	-	-	(40,694)	46,185
Accrued salaries	2,009	-	-	2,009	17,445
Deferred revenues	31,054	-	-	31,054	28,897
<b>Net operating activities cash flows</b>	<b>\$ 438,256</b>	<b>58,256</b>	<b>-</b>	<b>496,512</b>	<b>312,709</b>
Supplemental disclosures:					
Interest expense			\$ 50,495	12,799	
Interest capitalized			-	18,601	
Interest paid			\$ 50,495	31,400	

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements

For the years ended May 31, 2005 and 2004

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 or an asset if the contribution meets the requirements prescribed by accounting principles generally accepted in the United States of America. In kind contributions in the amount of \$64,704 have been reflected in the financial statements, with offsetting assets recorded of: equipment of \$20,100 and common stock investments of \$19,920; and recorded expenses of operation and maintenance of plant of \$3,000; business office salaries of \$15,872; and instructional supply expenses of \$5,812.

**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 \$1,700,000 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
<b>Balance May 31, 2005</b>					
Permanently Restricted Funds:					
Common stock	\$ 257,393	299,428	42,035	42,035	-
Bonds	89,995	89,815	(180)	(180)	-
Variable annuity contracts	157,856	129,696	(28,160)	-	(28,160)
Temporarily Restricted Funds:					
Variable annuity contracts	8,121	7,337	(784)	-	(784)
Unrestricted Funds:					
Common stock	24,820	24,405	(415)	-	(415)
Variable annuity contracts	6,362	6,355	(7)	-	(7)
<b>Balance May 31, 2005</b>	<u>\$ 544,547</u>	<u>557,036</u>	<u>12,489</u>	<u>41,855</u>	<u>(29,366)</u>
<b>Balance May 31, 2004</b>	<u>\$ 527,656</u>	<u>519,800</u>	<u>(7,847)</u>	<u>35,492</u>	<u>(43,339)</u>

	2005	2004
<b>Current assets</b>	\$ 34,268	12,531
<b>Non current assets:</b>		
Restricted for endowments	518,940	503,641
Held under life income agreements	3,828	3,628
	<u>\$ 557,036</u>	<u>519,800</u>
<b>Reconciliation of gain on investment transactions:</b>		
Realized gain on sale of securities	\$ 2,851	28,715
Unrealized gain due to change in the cumulative change in market value pools	20,336	6,314
Gain on investment transactions	<u>\$ 23,187</u>	<u>35,029</u>
<b>The Free Will Baptist Foundation holds funds for the benefit of the College as follows:</b>		
Endowments from which the College receives income	\$ 244,179	234,594
Gifts to pass to the College at some future date	<u>\$ 418,233</u>	<u>434,257</u>

(4) Net Assets Released From Restrictions

Donor imposed restrictions expired on temporarily restricted net assets as follows:

Expenditures made for donor imposed restrictions:	\$ 52,475
Private scholarships	18,588
Federal Supplemental Educational Opportunity Grant	16,769
Federal Work Study Program	37,930
Other instructional and institutional	3,969
Renovation expenditures	5,173
Proposed new campus land maintenance and expense	<u>134,904</u>
Net assets released from restrictions	

Federal Pell grants to students amounting to \$322,823 and \$309,478 for 2005 and 2004, 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:

	2005	2004
Proposed new campus	\$ 32,771	25,604
Scholarships	141,583	119,115
Life income funds	3,553	3,353
Other instructional and institutional	46,183	50,966
	<u>\$ 224,090</u>	<u>199,038</u>

(6) **Net Assets**

Net assets of the College consist of the following as of May 31, 2005 and 2004:

	2005				2004 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Unrestricted funds:					
Operations	\$ 3,830,825	-	-	3,830,825	3,578,310
Board designated for reserves	605,238	-	-	605,238	305,328
Life income funds	-	3,553	-	3,553	3,353
Unexpended funds restricted for:					
Operating purposes	-	187,766	-	187,766	170,081
Plant facilities	-	32,771	-	32,771	186,278
Student loan funds	-	-	550,055	550,055	560,269
True endowment funds	-	-	134,220	134,220	131,184
Scholarship endowment funds	-	-	700,111	700,111	644,079
Total net assets	<u>\$ 4,436,063</u>	<u>224,090</u>	<u>1,384,386</u>	<u>6,044,539</u>	<u>5,578,882</u>

(7) **Property, Plant and Equipment**

Components of property, plant and equipment are as follows:

	2005	2004
Land	\$ 496,871	514,871
Proposed new campus, land and costs incurred to date	1,007,740	1,007,740
Renovation in progress (current campus) *	166,488	163,416
Buildings	4,664,692	4,512,580
Equipment	1,850,094	1,713,032
Library books	664,397	623,808
	<u>8,850,282</u>	<u>8,535,447</u>
Accumulated depreciation and amortization	3,542,505	3,340,046
Net investment in plant	<u>\$ 5,307,777</u>	<u>5,195,401</u>
Depreciation and amortization charged to expenditures	<u>\$ 224,227</u>	<u>212,381</u>

\* The College continued renovation projects for certain buildings on the existing campus. The College expects to expend approximately \$250,000 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 were discounted to their present values of future cash flows using an 8% interest factor. The following summarizes pledges receivable:

	2005	2004
<b>Operations (all considered fully collectible):</b>		
Post dated check books and bank draft agreements	\$ 75,235	69,529
Unrestricted contribution	-	5,000
Contribution restricted for scholarships	-	25,000
	<u>\$ 75,235</u>	<u>99,529</u>
<b>Relocation Campaign and Renovation of Existing Campus:</b>		
Uncollected pledges	\$ 131,620	158,000
Less allowance for potential uncollectible pledges	(108,000)	(108,000)
	<u>\$ 23,620</u>	<u>50,000</u>

(10) **Notes Payable and Long-Term Debt**

Notes payable:

**Permanently Restricted Funds - Student Loan Funds**

5% unsecured demand notes payable to individuals \$ 107,487 107,842

**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 May 2006, if not demanded sooner. 1,358,191 1,358,191

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 May 2006, if not demanded sooner. No amount is outstanding on this line of credit. - -

Total notes payable \$ 1,565,678 1,566,033

**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. \$ 37,536 42,942

Less current portion of long-term debt 5,593 4,974

Long-term debt \$ 31,943 37,968

Principal maturities of long-term debt are as follows: 2006 - \$5,593; 2007 - \$6,239; 2008 - \$6,957; 2009 - \$7,768; 2010 - \$8,663 and 2011 - \$2,316.

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:

	2005	2004
<b>Reconciliation of benefit obligations:</b>		
Benefit obligation at beginning of year		
Service cost	\$ 2,809,590	2,629,163
Interest cost	87,443	82,380
Participant contributions	213,675	200,609
Plan amendments	-	-
(Gain) loss due to actuarial experience	-	-
Gain due to changes in actuarial assumptions	16,269	(21,451)
Benefits paid to plan participants	-	-
Benefit obligation at end of year	(113,184)	(81,111)
	<u>\$ 3,013,793</u>	<u>2,809,590</u>
<b>Reconciliation of asset value:</b>		
Plan assets at beginning of year		
Actual return of plan assets	\$ 2,201,248	2,044,056
Employer contributions	18,863	131,270
Benefits paid to plan participants	101,145	107,033
Plan assets at end of year	(113,184)	(81,111)
	<u>\$ 2,208,072</u>	<u>2,201,248</u>
<b>Reconciliation of funded status:</b>		
Funded status at end of year (liability)		
Unrecognized net transition obligation asset	\$ (805,721)	(608,342)
Unrecognized prior service cost	-	-
Unrecognized net loss	-	-
Amount included in prepaid (accrued) expense	784,597	627,615
	<u>\$ (21,124)</u>	<u>19,273</u>
<b>Accumulated benefit obligation at end of year</b>	<u>\$ 2,722,472</u>	<u>2,537,240</u>
<b>Vested benefit obligation at end of year</b>	<u>\$ 2,693,980</u>	<u>2,499,427</u>
<b>Reconciliation of unrecognized net loss:</b>		
Unrecognized loss at beginning of year		
Amount of loss recognized during the year	\$ 627,615	635,963
(Gain) loss due to actuarial experience	(27,822)	(30,378)
(Gain) loss due to changes in actuarial assumptions	16,269	(21,451)
(Gain) loss due to assets	-	-
Unrecognized loss at end of year	168,535	43,481
	<u>\$ 784,597</u>	<u>627,615</u>

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(11) Pension Plan, continued

	2005	2004
<b>Net periodic benefit cost:</b>		
Service cost at end of year	\$ 87,443	82,380
Interest cost on projected benefit obligation	213,675	200,609
Expected return on plan assets	(187,398)	(174,751)
Amortization of transition obligation	-	(24,915)
Amortization of prior service costs	-	-
Amortization of net loss	27,822	30,378
Net periodic benefit cost	<u>\$ 141,542</u>	<u>113,701</u>

**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	Projected
	Unit Credit	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	Projected
	Unit Credit	Unit Credit

(12) Group Health Benefits

The College provides group health benefit 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. The Board of Directors of the Consortium have announced their decision to assess each member their proportionate share of the expected cash shortfall as of April 30, 2006. The College has provided, based on information supplied by the management of the Consortium, a liability in their financial statements of \$135,000 and \$35,000 as of May 31, 2005 and 2004, respectively, against these expected future costs.

(13) Restatement of Net Assets Relating to Relocation Campaign

The campaign for relocation of the College to Joelton, Tennessee is in its final years, with the only activity being the collection of outstanding pledges receivable (see notes 8 and 9 above). In the early years of the campaign expenditures for the potential relocation exceeded available campaign cash by \$160,674. Accordingly, since the campaign is at its completion, net assets have been restated to repay the College's operational funds for the amount of previous years cash shortfall. This restatement has no effect on overall net assets.

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Net assets as reported May 31, 2003	\$ 3,589,964	336,200	1,308,974	5,235,138
Net cash shortfall of Relocation Campaign	160,674	(160,674)	-	-
Net assets as restated May 31, 2003	<u>\$ 3,750,638</u>	<u>175,526</u>	<u>1,308,974</u>	<u>5,235,138</u>
Net assets as restated May 31, 2004	<u>\$ 4,044,312</u>	<u>199,038</u>	<u>1,335,532</u>	<u>5,578,882</u>

## 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, 2005, amounted to \$5,489,700. Total Unrestricted Funds Expenditures were \$5,097,949, providing a \$391,751 increase in net assets at the end of the fiscal year. It should be noted that \$266,383 of the increase was due to a gain on sale of property.

### Cash Flow Statement

The combined cash flow of the College's operating, investing, capital and financial activities showed cash and cash equivalents increasing \$474,845 in Unrestricted Funds, unchanged in Temporarily Restricted Funds, and increasing \$23,902 in Permanently Restricted Funds for a cumulative cash flow increase of \$498,747.

### Unrestricted Giving

Private gifts provided \$1,120,902 in Unrestricted Funds Revenues. Of that amount, \$1,054,416 was provided from General Fund gifts, \$19,920 from gift of stock, \$957 from Estate gifts, \$825 from Special gifts, and \$44,784 from gifts in kind (non-cash gifts of assets, professional labor, and supplies).

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 \$110 for every semester hour taken in 2004-2005. Or, unrestricted General Fund gifts kept the cost of tuition per semester hour at \$296, instead of \$406. This gift subsidy saved each student taking 30 semester hours (15 hours per semester) a total of \$3,300 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 incurred no new debt. Notes Payable to Individuals amount to (A) \$207,487 (divided as a \$100,000 interest-free note for unrestricted use, and \$107,487 in interest-bearing notes permanently restricted for student loans). FWBBC has also drawn (B) \$1,358,191 on a bank note designed to help fund the acquisition of property and the renovation of various buildings on campus. Lastly, the College has a (C) \$37,536 balance for a grand piano, making the total notes payable and long-term debt \$1,603,214 as of May 31, 2005.

(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 \$107,487 as part of its student financial aid program.

(B) As indicated in the notes to the financial statements, the college has not drawn on existing lines of credit during 2004-05. Included in the \$1,358,191 bank debt is the 2003-04 purchase of house and lot for \$650,000. As a result of the renovation activities, campus property values are conservatively estimated to have increased at least \$2 for every \$1 spent. Renovation debt will be subsidized through income earned on some of the affected properties.

(C) The \$37,536 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 heavily involved in securities gained \$23,187 due to favorable market conditions. Of that amount, \$2,851 was a realized gain, while \$20,336 was an unrealized gain.

### Assets to Debt Ratio

Total assets amount to \$8,242,525. Our long-term liabilities (listed in "Financial Obligations" above) come to \$1,603,214, giving a 5.14 to 1 assets to debt ratio. Adding all other liabilities brings the total to \$2,197,986, and gives a 3.75 to 1 assets to debt ratio.

### Statements of Financial Position (Balance Sheet) Remains Strong

Total net assets grew \$465,657 to \$6,044,539, after deducting total liabilities of \$2,197,986 from total assets of \$8,242,525.

### Cash and Cash Equivalents Trend Upward

Total cash on hand increased 35%, after a 42% increase the previous fiscal year. Last year's total was \$1,422,536 against this year's \$1,921,283, broken down by \$1,163,209 in unrestricted current assets, \$361,429 in restricted endowments, and \$396,645 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. In December 2001 the Board of Trustees voted to postpone relocation efforts until timing and finances are more favorable. (Refer to the auditor's report, Note (8), page 9.) In May 2005 the Board of Trustees voted to begin a reinvestigation of the college's options for campus relocation.

THIS INFORMATION IS NOT PART OF THE AUDITOR'S REPORT



**FREE WILL BAPTIST BIBLE COLLEGE**

Budget for the year ending May 31, 2006

Unaudited - Not Part of Audit

	As Budgeted	Allocation of Operation and Maintenance of Plant	Allocation of General Institutional Expenses	Budget After Allocations
<b>Revenues:</b>				
Tuition and fees	2,979,402	-	-	2,979,402
Private Gifts:				
Together Way/Unrestricted General Fund	1,300,000	-	-	1,300,000
Estates and miscellaneous	81,500	-	-	81,500
Grants and foundations	75,000	-	-	75,000
Endowment income	2,000	-	-	2,000
Investment income	30,000	-	-	30,000
Sales and services of auxiliary enterprises	1,359,500	-	-	1,359,500
Other sources:				
Net assets released from restrictions	80,000	-	-	80,000
<b>Total revenues:</b>	<b>5,907,402</b>	<b>-</b>	<b>-</b>	<b>5,907,402</b>
<b>Expenditures:</b>				
<b>Educational and general:</b>				
Instruction	1,489,049	207,969	-	1,697,018
Academic support	507,944	46,129	-	554,073
Student services	667,675	30,880	-	698,555
Operation and maintenance of plant	727,854	(727,854)	-	-
Institutional support	1,616,228	166,507	(80,811)	1,701,924
Total educational and general expenditures	5,008,750	(276,369)	(80,811)	4,651,570
<b>Auxiliary enterprises:</b>				
Expenditures	898,652	276,369	80,811	1,255,832
<b>Total expenditures</b>	<b>5,907,402</b>	<b>-</b>	<b>-</b>	<b>5,907,402</b>

Free Will Baptist Bible College

State Gift Goals

2005-2006 State Gift Goals

State	Goal
Alabama	\$ 90,000
Arizona	1,000
Arkansas	90,000
California	12,000
Delaware	2,500
Florida	48,000
Georgia	140,000
Illinois	41,000
Indiana	9,500
Kansas	1,000
Kentucky	21,000
Louisiana	1,000
Maryland	500
Michigan	35,400
Mississippi	40,000
Missouri	65,000
Nebraska	100
New Mexico	300
North Carolina	201,000
Ohio	30,000
Oklahoma	35,500
Oregon	100
South Carolina	100,000
Tennessee	250,000
Texas	15,000
Virgin Islands	1,000
Virginia	30,000
Washington	2,000
West Virginia	9,500
WNAC	8,500
Canada	600
Matching Gifts	18,000
Other	500
<b>Grand Total</b>	<b>\$1,300,000</b>

## INTERNATIONAL MISSIONS

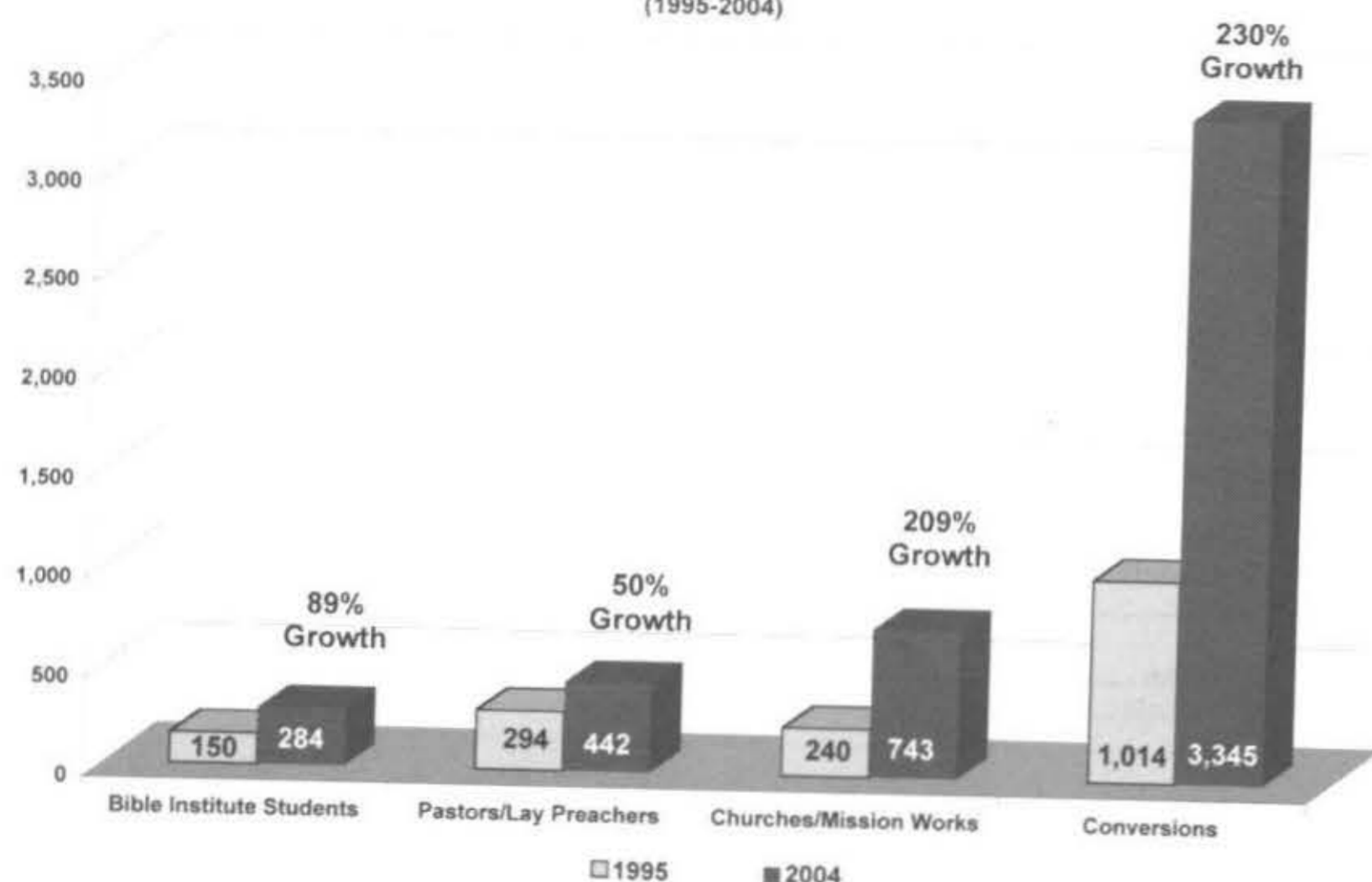
### A Summary of the Activities on our Fields – 2004

God is working! As we look back at results of His involvement in the ministry of International Missions, we are grateful for those who partner with us in planting churches overseas. Field reports give the following totals for 2004:

- 🌐 - 743 churches and mission works
- 🌐 - 28,359 average church attendance
- 🌐 - 442 pastors and lay preachers
- 🌐 - 284 Bible institute students
- 🌐 - 3,345 conversions

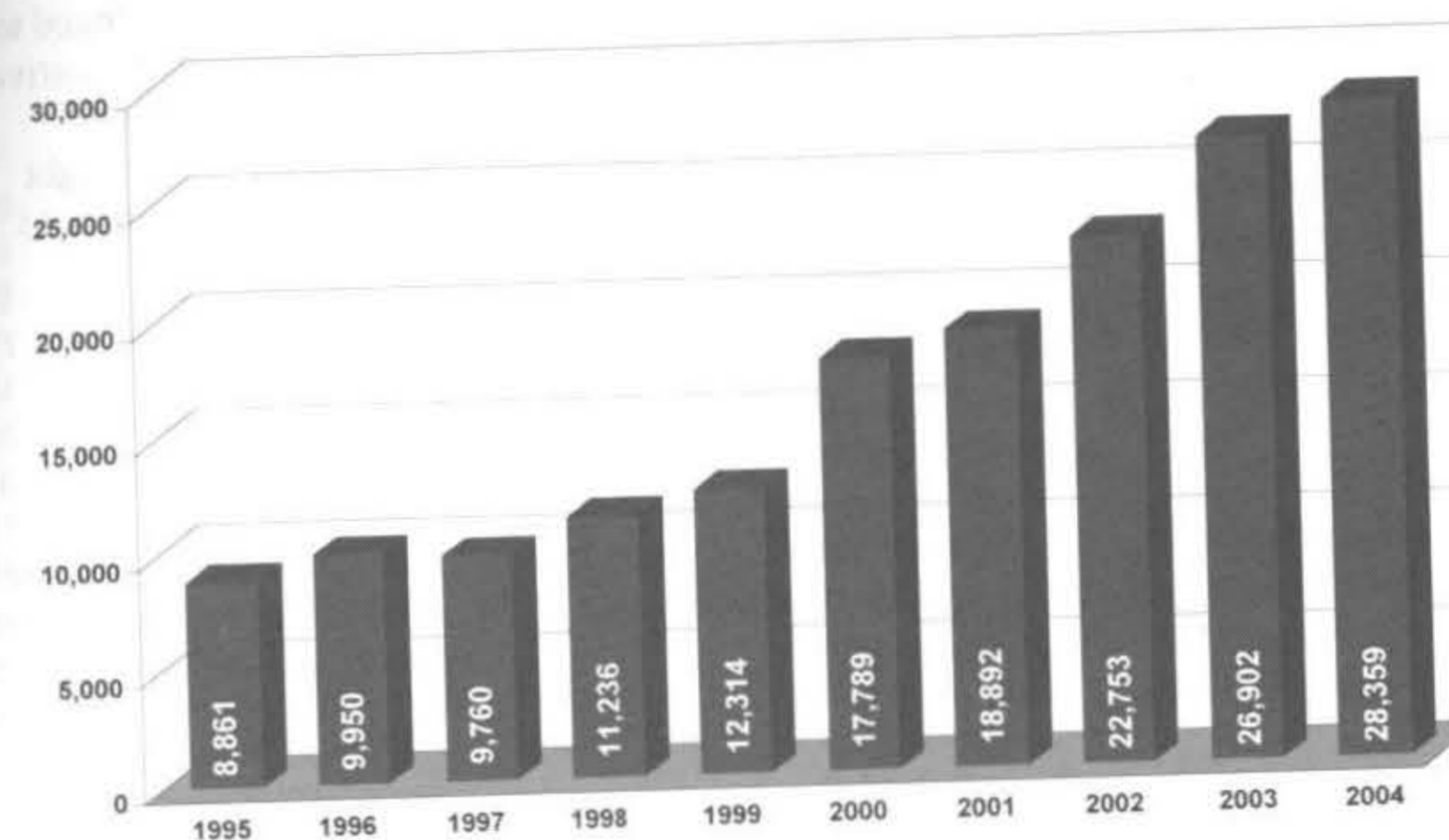
We give God glory for 10 years of progress. Rejoice with us over the growth depicted in the following chart:

### Highlights—10-Year Rates of Growth (1995-2004)



We are a church-planting mission. Our purpose and goal is to plant churches internationally. As shown above, we have seen the hand of God's blessing over the last 10 years. In 1995 we had 240 churches and mission works. In 2004 that grew to 743. This means more individuals hearing the gospel – and more people coming to faith in Christ.

### Overseas Attendance Growth (Last 10 Years)



We are working with national pastors on each of our fields. A total of 442 ordained, licensed, and lay preachers served our churches in 2004. In addition, 284 students studied in 11 Bible institutes in seven countries.

Our combined efforts saw 3,345 salvation decisions in 2004. Average attendance in weekly services climbed to 28,359, a growth of 220% over the last 10 years.

Three Regional Directors began their new responsibilities on January 1, 2004 (Dale Bishop – Asia; Stan Bunch – Central and South America; and Clint Morgan – Europe and Africa).

Seven new missionaries went to the field in 2004. They include: Bethany Crowson (Japan); Shane and Joy Davison (Côte d'Ivoire); Josh and Christi Smith (Spain); and Jonathan and Teresa Snow (Japan).

In addition 14 new missionaries were given approval to raise funds and are headed to the field. These are: Mitchell and Rachel Donahue (Spain); Angela Emerick (France); Ledgel and Sharon Ferguson (France); Kyle and Beth Howell (Uruguay); Hollie Hubbard (Japan); Shannon Little (Japan); Patrick McDaniel (Russia); Steve and Lori Torrison (Panama); Shirley Williams (Japan); and Kristen Wilson (Brazil).

As these begin their missionary service, we mourn the death of Bill Fulcher, former missionary to Uruguay and Panama (1961-1979), on March 23, 2004. Since the National Association last year we have lost four more former missionaries: Zalene (Lloyd) Breeden (India, 1948-53) on December 14; Patty McCullough (France, 1979-1995) on December 18; Jerry Banks (Japan, 1972-1991) on January 6, 2005, and, Dr. Laverne Miley (Côte d'Ivoire, 1960-1979) on March 15, 2005. These are tremendous losses and are keenly felt by all the International Missions family.

Denominational mobilization efforts continue to gain momentum. More than 800 churches have ordered the *Embracing The Vision* series (1,2,3, and 4). Positive feedback

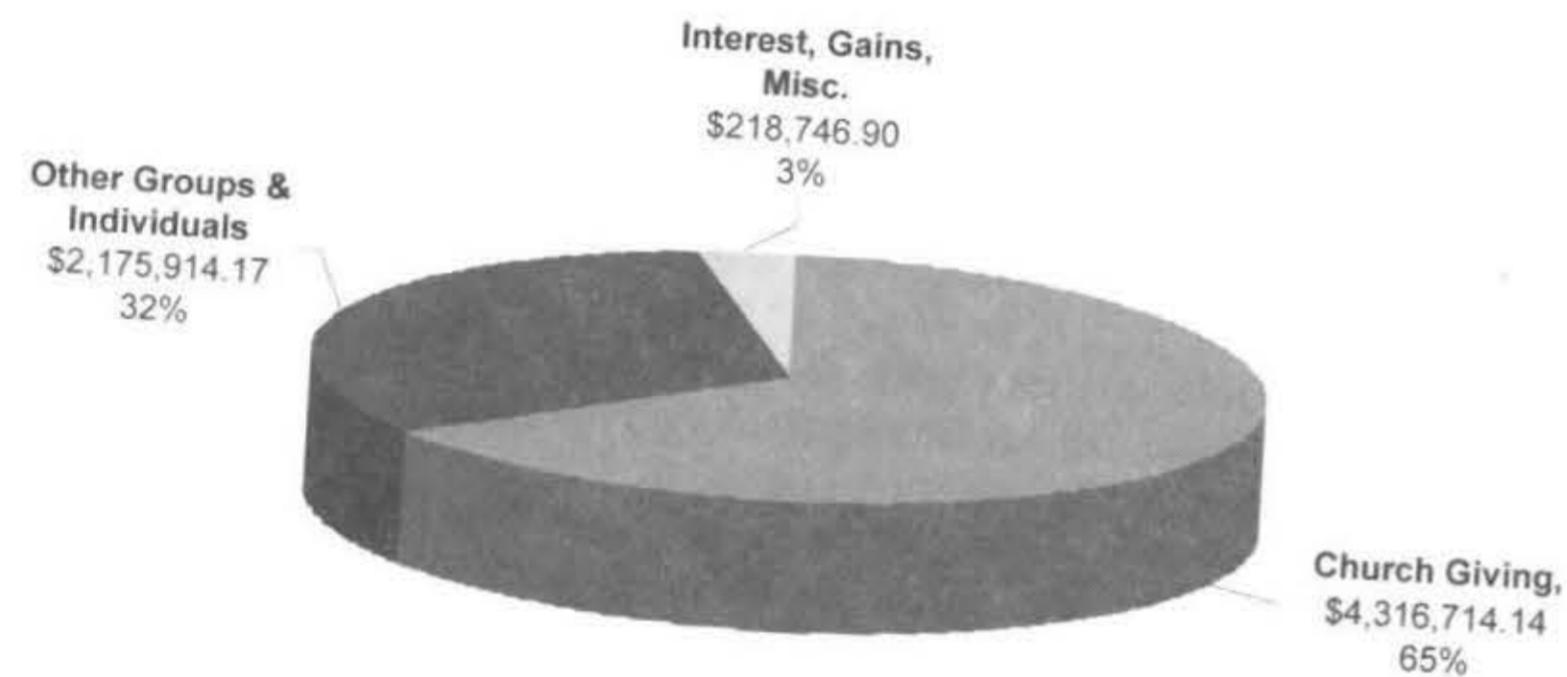
from those who subscribed to *Impulse*, our new video magazine, has been extremely encouraging. The film division, Tekmerion, debuted its first release, *Bloodstain on the Silk Road*. Many of those who have viewed the 30-minute film have been challenged to greater involvement in sharing the gospel. Individuals and churches are finding creative ways to partner with on-the-field missionaries to make an impact for the Kingdom.

The 2004 E-TEAM was comprised of 73 high school students serving in eight locations around the world. The first World Prayer Summit drew participants from 15 states. Interest was so strong that a second one was planned for 2005.

### 2004 – Financial Summary

Financial support for International Missions continues to be strong and growing. The unaudited cash basis income of 2004 was \$6,711,375.21. This was a record year and 7.7% higher than 2003. Expenses were only \$6,477,295.59. This meant that we ended the year in the black by \$234,079.62.

### 2004 Sources of Income



In 2004, hundreds of individuals and 1,457 churches supported missions efforts through Free Will Baptist International Missions. Each gift enabled us to extend the witness of Christ around the world. Below is a listing of the 90 churches that gave over \$10,000.

1	Donelson FWB Church	Nashville	TN	\$130,408.50
2	First FWB Church	Russellville	AR	\$69,731.74
3	Limestone FWB Church	Limestone	TN	\$68,442.00

4	Unity FWB Church	Greenville	NC	\$65,465.34
5	Bethany FWB Church	Broken Arrow	OK	\$56,581.00
6	Horse Branch FWB Church	Turbeville	SC	\$55,652.90
7	Macedonia FWB Church	Purdy	MO	\$53,683.50
8	Lebanon FWB Church	Effingham	SC	\$44,984.96
9	Good Springs FWB Church	Pleasant View	TN	\$39,777.43
10	Cross Timbers FWB Church	Nashville	TN	\$35,021.34
11	Kirby FWB Church	Taylor	MI	\$33,221.04
12	First FWB Church	Albany	GA	\$33,186.92
13	Cofer's Chapel FWB Church	Nashville	TN	\$31,404.32
14	Fellowship FWB Church	Kingsport	TN	\$29,936.78
15	First FWB Church	Washington	NC	\$29,150.74
16	Bethel FWB Church	Kinston	NC	\$28,471.91
17	Hannon FWB Church	Liberal	MO	\$28,427.50
18	Central FWB Church	Royal Oak	MI	\$28,386.89
19	Trinity FWB Church	Bridgeton	MO	\$27,657.41
20	Ina FWB Church	Ina	IL	\$27,435.00
21	Sherwood Forest FWB Church	New Bern	NC	\$26,523.24
22	Pleasant Acres FWB Church	New Bern	NC	\$24,524.90
23	Peace FWB Church	Florence	SC	\$24,359.16
24	Allen Chapel FWB Church	Batesville	AR	\$20,679.26
25	First FWB Church	N. Little Rock	AR	\$20,607.96
26	Sand Hill FWB Church	Coward	SC	\$20,319.78
27	Piney Grove FWB Church	Guin	AL	\$19,654.34
28	Fellowship FWB Church	Bryan	TX	\$19,046.96
29	Bethel FWB Church	South Roxana	IL	\$18,875.00
30	Good News FWB Church	Chesterfield	VA	\$18,363.94
31	Townsend FWB Church	Townsend	DE	\$17,664.13
32	Peace FWB Church	Wilson	NC	\$17,371.25
33	Gilead FWB Church	Scranton	SC	\$17,237.58
34	Double Branch FWB Church	Unadilla	GA	\$17,154.41
35	Winfield First FWB Church	Winfield	AL	\$16,578.37
36	First FWB Church	Northport	AL	\$16,578.36
37	Cavanaugh FWB Church	Fort Smith	AR	\$16,468.80
38	First FWB Church	Star City	AR	\$16,380.68
39	First FWB Church	Florence	SC	\$16,052.07
40	New Hope FWB Church	Ina	IL	\$15,980.22
41	Union Chapel FWB Church	Chocowinity	NC	\$15,559.50
42	Southern Oaks FWB Church	Oklahoma City	OK	\$15,236.00
43	Ruth's Chapel FWB Church	New Bern	NC	\$15,137.64
44	Red Bay FWB Church	Red Bay	AL	\$14,883.59
45	Bethany FWB Church	Timmonsville	SC	\$14,878.00
46	Ebenezer FWB Church	Glennville	GA	\$14,771.00
47	Bethlehem FWB Church	Ashland City	TN	\$14,762.20
48	First Bible FWB Church	New Castle	IN	\$14,347.78
49	Westside FWB Church	Johnsonville	SC	\$14,285.72
50	Oak Park FWB Church	Pine Bluff	AR	\$14,246.10
51	Rejoice First FWB Church	Owasso	OK	\$14,183.00
52	Woodward FWB Church	Woodward	OK	\$13,825.00
53	Parker's Chapel FWB Church	Greenville	NC	\$13,803.00

54	New Hope FWB Church	Joelton	TN	\$13,741.88
55	Garner FWB Church	Garner	NC	\$13,683.72
56	Calvary Fellowship FWB Church	Fenton	MO	\$13,455.50
57	Blue Point FWB Church	Cisne	IL	\$13,296.01
58	Oak Grove FWB Church	Greeneville	TN	\$13,286.40
59	Porter FWB Church	Sciotoville	OH	\$13,022.59
60	Cramerton FWB Church	Cramerton	NC	\$13,010.00
61	Mt Olive FWB Church	Guin	AL	\$12,946.79
62	Westerville FWB Church	Westerville	OH	\$12,944.82
63	First FWB Church	Beaufort	NC	\$12,920.02
64	Tippett's Chapel FWB Church	Clayton	NC	\$12,810.14
65	Verdella FWB Church	Liberal	MO	\$12,624.57
66	Liberty Bible FWB Church	Gainesville	GA	\$12,610.00
67	Temple FWB Church	Greenville	NC	\$12,485.62
68	First FWB Church	Vernon	AL	\$12,456.50
69	Landmark FWB Church	Cary	NC	\$12,406.44
70	Temple FWB Church	Darlington	SC	\$12,365.40
71	Gospel Light FWB Church	Bonne Terre	MO	\$12,000.00
72	First FWB Church	Darlington	SC	\$11,951.73
73	Fellowship FWB Church	Park Hills	MO	\$11,922.66
74	Phillip's Chapel FWB Church	Northport	AL	\$11,864.67
75	New Haven FWB Church	Ernul	NC	\$11,827.05
76	Bellview FWB Church	Colquitt	GA	\$11,737.22
77	Tupelo FWB Church	Tupelo	MS	\$11,686.00
78	Poplar Springs FWB Church	Glen	MS	\$11,450.51
79	Northridge FWB Church	Dayton	OH	\$11,339.00
80	First FWB Church	Jacksonville	NC	\$10,921.45
81	Harrah FWB Church	Harrah	OK	\$10,900.00
82	First FWB Church	Springfield	MO	\$10,695.28
83	Liberty FWB Church	Lancaster	SC	\$10,660.93
84	Fayette First FWB Church	Fayette	AL	\$10,420.21
85	Meadowbrook FWB Church	Black Mtn	NC	\$10,280.72
86	Liberty FWB Church	Lawley	AL	\$10,267.35
87	First FWB Church	Tuckerman	AR	\$10,259.83
88	Fulton FWB Church	Fulton	MS	\$10,131.77
89	Faith FWB Church	Goldsboro	NC	\$10,096.50
90	Cornerstone FWB Church	Whiteville	NC	\$10,000.00

Special recognition also is due the top 10 states in giving to Free Will Baptist International Missions.

Tennessee.....	\$979,579.94
North Carolina.....	\$734,714.30
Arkansas.....	\$596,596.96
Missouri.....	\$585,488.51
Oklahoma.....	\$532,860.43
South Carolina.....	\$514,166.25
Alabama.....	\$428,084.53

Georgia.....	\$373,430.13
Illinois.....	\$260,040.88
Ohio.....	\$238,863.18

**Churches giving over \$1,000 to the World Missions Offering**

April is designated International Missions Emphasis Month. Many churches have traditionally used April as a special emphasis for the World Missions Offering. Our ability to plant churches internationally is enhanced in direct proportion to the growth of this offering. Below is a list of the churches that gave over \$1,000 for the 2004 offering.

1	Fellowship FWB Church	Bryan	TX	\$11,795.27
2	First FWB Church	Washington	NC	\$7,675.00
3	First FWB Church	Poteau	OK	\$5,805.00
4	Grifton FWB Church	Grifton	NC	\$5,366.76
5	Unity FWB Church	Greenville	NC	\$5,036.98
6	Good News FWB Church	Chesterfield	VA	\$4,340.00
7	First FWB Church	Stanley	NC	\$2,700.00
8	Urbana FWB Church	Urbana	OH	\$2,450.00
9	Southern Oaks FWB Church	Oklahoma City	OK	\$2,236.00
10	First FWB Church	Russellville	AR	\$1,971.84
11	New Hope FWB Church	Joelton	TN	\$1,887.35
12	Heritage FWB Church	Columbus	OH	\$1,799.99
13	Tom's Creek FWB Church	Nippa	KY	\$1,650.21
14	First FWB Church	Blakely	GA	\$1,634.00
15	First FWB Church	Liberal	MO	\$1,540.00
16	Good Springs FWB Church	Pleasant View	TN	\$1,355.00
17	Oakwood FWB Church	Woodlawn	TN	\$1,345.00
18	Beacon FWB Church	Kansas City	MO	\$1,313.81
19	Cofer's Chapel FWB Church	Nashville	TN	\$1,296.07
20	First FWB Church	Ada	OK	\$1,254.13
21	Free Will Baptist Church	Christiansted	VI	\$1,200.00
22	First FWB Church	Dickson	TN	\$1,171.00
23	Ryanwood Fellowship FWB Church	Vero Beach	FL	\$1,119.00
24	Madison FWB Church	Madison	AL	\$1,113.00
25	Three Rivers FWB Church	Cranberry Twp	PA	\$1,062.00
26	Inez FWB Church	Inez	KY	\$1,000.00
27	Community FWB Church	West Jefferson	OH	\$1,000.00
28	Meeks Grove FWB Church	Stantonville	TN	\$1,000.00
29	Bethlehem FWB Church	Ashland City	TN	\$1,000.00
30	Limestone FWB Church	Limestone	TN	\$1,000.00
31	Thomaston Community Church	Thomaston	TX	\$1,000.00
32	Rocky Pass FWB Church	Marion	NC	\$1,000.00

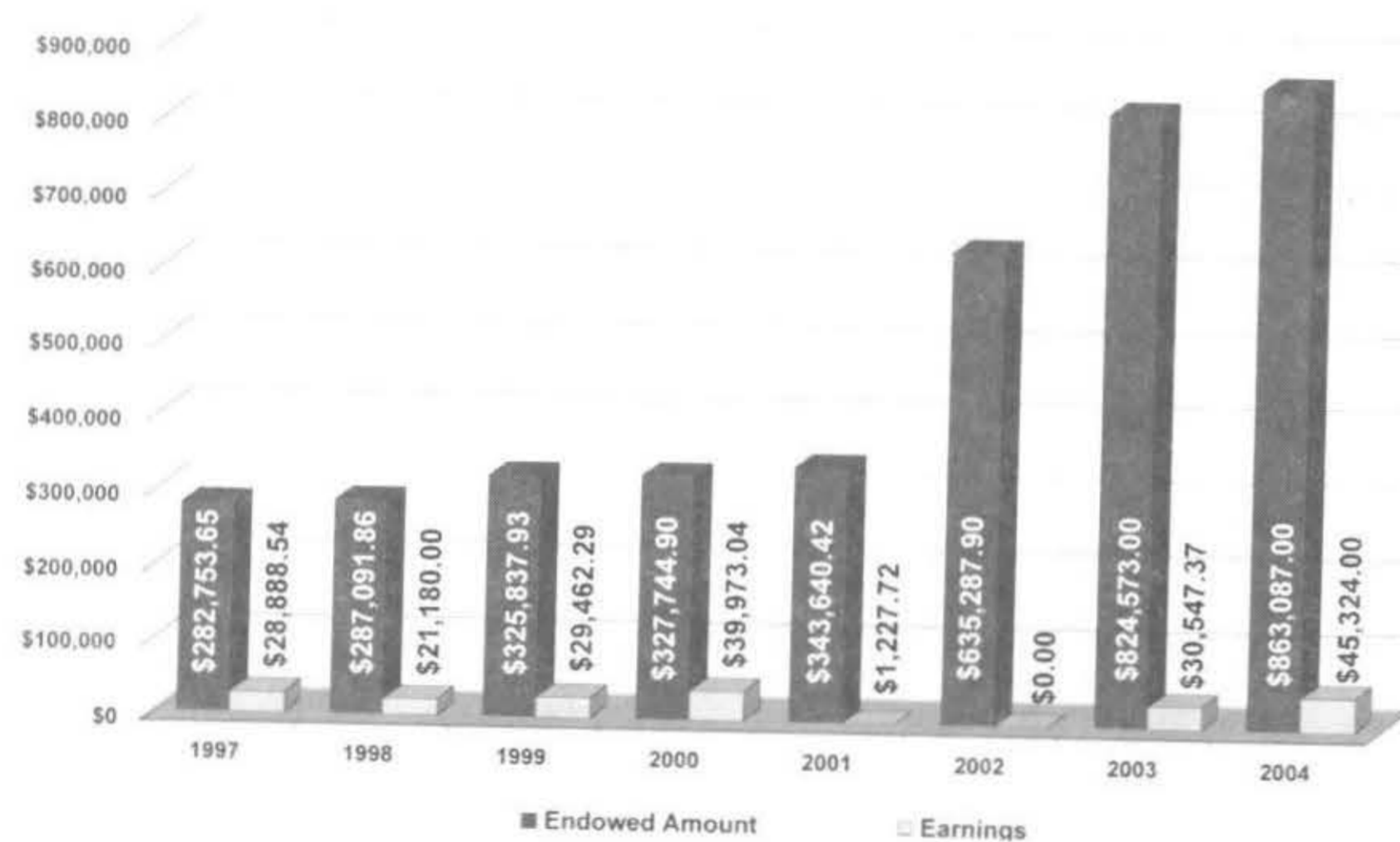
Beginning in 2005 the way in which the World Missions Offering is reported will change. All undesignated gifts to Free Will Baptist International Missions will be

considered a World Missions Offering. This will be true whether an offering is received in April or any other month, or FWBIM is placed in a church budget and gifts sent in monthly.

### Endowment Report

To ensure a bold thrust in the 21st century, International Missions is strategically advocating the concept of our endowment. Free Will Baptist men and women are increasingly interested in ways they can be good stewards of the resources God has entrusted to them. They want to be a part of something which is making an eternal impact for the Kingdom. Some have experienced unexpected financial blessings and want to make sure their resources are advancing the cause of Christ around the world. Others want their assets to be at work internationally long after their death. Estate planning is a tremendous way to maximize stewardship. The table below shows the continued growth of the endowment with the Free Will Baptist Foundation.

### Endowment Growth



### Tribute to our Missionaries and Staff

Each year in the Digest of Reports I include a tribute to our missionaries and staff. I am so thankful for all of them. It is an incredible privilege to work with such a focused and passionate group of people. Each has a role in the advancement of the Kingdom through Free Will Baptists.

Eddie and Sandra Payne went to Côte d'Ivoire in 1963. Since that time they have had a close relationship with Foreign (now International) Missions. For the last eight and one half years Eddie has worked with the home office staff, most recently as Director of Mobilization and Recruitment. Eddie plans on retiring on June 30, 2005. The impact Eddie and Sandra have made for the Kingdom is incredible. Thank you Eddie for helping us become a missionary people.

In April of 2005 Mark McPeak was hired as the new Director of Communications (replacing Don Robirds who retired 12/31/03). Mark has had broad experience within the Evangelical community. His expertise will be invaluable in getting the message of world evangelism to our Free Will Baptist people.

### Board Meetings and Actions

#### National Association Meeting – July 22, 2004

After the business session adjourned, the board met at the Marriott Hotel in Kansas City. Members present were: Milton Worthington (chairman), Randy Wilson (vice-chairman), Danny Williams (secretary), Bill Jones, Sherwood Lee, Tom McCullough, Jerry Norris, Bill Van Winkle, and David Williford.

The Board approved the name change from Free Will Baptist Foreign Missions to Free Will Baptist International Missions.

The following missionaries were approved for another term of service: Carlisle Hanna (India), Andy and Andrea Moore (Brazil), Bobby and Geneva Poole (Brazil), Steve and Becky Riggs (France), and Patsy VanHook (France).

Final approval was given to Steve and Lori Torrison to be career church-planting missionaries in Panama. Hollie Hubbard was approved for a two year assignment to Japan.

#### E-mail ballot – September 22, 2004

The Board received the resignation of K.C. and Liz Kohn as career missionaries to France.

#### Conference Call – October 1, 2004

The status of Tim and Di Keener was changed from career status with the "M" Team to short-term status in the Brittany area of France.

#### E-mail Ballot – October 15, 2004

Approval was given to settle an outstanding financial issue with former missionary Jalayn Martens.

**Semi-Annual Meeting – December 8, 2004**

The meeting was held at the International Missions office in Nashville. Members present were: Milton Worthington (chairman), Randy Wilson (vice-chairman), Danny Williams (secretary), Bill Jones, Sherwood Lee, Jerry Norris, Bill Van Winkle, and David Williford.

Proposals were adopted to address the current Support Services deficit. In addition, action was taken to help keep the Support Services account in the black.

Steve and Donna Olson were given final approval as career missionaries to France. Angela Emerick was given final approval as a career missionary with the "M" Team in France. Ledgel and Sharon Ferguson were given approval for a two-year ministry in France.

The following missionaries were approved for another term of service: Tim and Kristi Johnson (Spain) and Dennis and Trena Owen (Uruguay).

The Board approved the following recommendations to serve as Field Chairman on their respective fields:

Field	Chairman
Brazil	David Aycock
Côte d'Ivoire	Jerry Pinkerton
France	Steve Riggs
India	Carlisle Hanna
Japan	Nathan Snow
Panama	Eddie Bowerman
Russia	Mike Corley
Spain	Jeff Turnbough
Uruguay	Jaimie Lancaster

Gladys Gragg, Cheri Ham, and Geneva Walker were commended by the Board for their sacrificial work during Rob Conley's illness and absence.

The Board approved the firm Warren, Denny & Wallace, CPA to do the 2004 audit.

As a result of the NGO receiving 501(c)(3) status from the IRS, several changes and/or reallocations were made within the 2005 budget.

Approval was given for films produced by Tekmerion Productions to be shown on broadcast television and entered in film festivals at the discretion of the General Director.

**E-mail Ballot – January 19, 2005**

The Board approved a transfer of \$10,906.79 from Unrestricted Reserves to Support Services.

**E-mail Ballot – February 25, 2005**

The Board accepted the resignation from career missionary service of Lynn Midgett. The Board also accepted Suzanne McVay's resignation from short-term appointment to Spain.

**Annual Meeting – April 11-12, 2005**

The meeting was held at the International Missions office in Nashville. Members present were: Milton Worthington (chairman), Randy Wilson (vice-chairman), Danny Williams (secretary), Bill Jones, Sherwood Lee, Tom McCullough, Jerry Norris, Bill Van Winkle, and David Williford.

The Board authorized pursuing the process of establishing an International Development Fund that would solicit and use invested money to "loan" on international missions projects.

The following commendation was approved by the Board for Don Robirds:

"We the Board of International Missions of Free Will Baptists give a special commendation to Don Robirds for his excellent work on the Commemorative Issue of *Heartbeat*. The issue was a worthy reflection of the significant impact the magazine has had over the years. We express our great appreciation for producing the issue that will be cherished for years to come."

Anthony and Lea Edgmon were approved for another term of service in Spain.

The Board approved the selection of Mark McPeak as Director of Communications.

The Board approved the transfer of the Youth Center in Bondoukou, Côte d'Ivoire from the Free Will Baptist Mission in Côte d'Ivoire to the Ivorian National Association of Free Will Baptists.

Shane and Joy Davison were reassigned from Côte d'Ivoire to the "M" Team in France. Clint and Lynette Morgan were reassigned from Côte d'Ivoire to France.

The auditor from Warren, Denny, & Wallace presented the 2004 audit. It was approved by the Board.

The NGO report was received as information.

Chuck Stewart was approved for a one-year assignment to Spain. Timothy and Katrina Crowson were approved for a two-year assignment as Professional Servants in Japan.

Eddie Payne was given the following commendation for his years of ministry and service:

"We the Board of International Missions of Free Will Baptists give a special commendation to Eddie Payne on the occasion of his retirement on June 30, 2005. In addition to the years Sandra and he served as missionaries in Côte d'Ivoire, for over eight years he ministered in the home office including the last five and half years as Director of Mobilization and Recruitment. The impact of his passionate and tireless efforts will be seen for years to come."

WARREN, DENNEY & WALLACE  
CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

Members  
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 International Missions of the  
National Association of Free Will Baptists  
and Subsidiary  
Antioch, Tennessee

We have audited the accompanying consolidated statement of financial position of the Board of International Missions of the National Association of Free Will Baptists and Subsidiary (nonprofit organizations) as of December 31, 2004, and the related consolidated statements of activities and cash flows for the year then ended. We have also audited the statement of financial position of the Board of International Missions of the National Association of Free Will Baptists 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 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 2004 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Board of International Missions of the National Association of Free Will Baptists and Subsidiary as of December 31, 2004, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of the Board of International Missions of the National Association of Free Will Baptists 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.

*Warren, Denney & Wallace*

April 5, 2005

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Consolidated Statements of Financial Position  
December 31, 2004 and 2003

ASSETS

	(Consolidated) 2004	(Unconsolidated) 2003
Cash and cash equivalents – Notes 1 & 2	\$ 1,671,550	\$ 1,650,765
Investments in trusts – Notes 1 & 2	1,671,466	1,432,711
Investments – Notes 2 & 10	6,780	19,739
Accounts receivable from employees and missionaries – Notes 2 & 12	172,109	100,648
Note receivable – Notes 2 & 13	96,018	
Property and equipment, at cost, net of accumulated depreciation – Notes 1 & 3	<u>123,645</u>	<u>112,169</u>
Total assets	<u>\$ 3,741,568</u>	<u>\$ 3,316,032</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 208,813	\$ 217,068
Supplemental retirement insurance payable	451,932	416,088
Accrued severance pay payable	<u>151,397</u>	<u>150,623</u>
Total liabilities	<u>812,142</u>	<u>783,779</u>
Commitments - Notes 7 & 8		
Net assets (deficit)		
Unrestricted		
Temporarily restricted – Note 4	( 16,670)	( 329,778)
Permanently restricted – Note 4	2,919,855	2,835,790
	<u>26,241</u>	<u>26,241</u>
Total	<u>2,929,426</u>	<u>2,532,253</u>
Total liabilities and net assets	<u>\$ 3,741,568</u>	<u>\$ 3,316,032</u>

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

-2-

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Consolidated Statements of Activities  
For the Years Ended December 31, 2004 and 2003

	(Consolidated) 2004	(Unconsolidated) 2003
<u>Unrestricted</u>		
Revenue:		
Contributions – Notes 1 & 5	\$ 1,314,502	\$ 1,124,037
Investment income	6,187	4,569
Gain (loss) on investments	192,632	106,097
Other income	17,870	7,535
Gain (loss) on disposal of property & equipment	2,208	( 3,028)
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>5,201,911</u>	<u>4,542,403</u>
Total revenue	<u>6,735,310</u>	<u>5,781,613</u>
Expenses:		
Support services	1,220,291	1,202,992
Missionaries	4,936,999	4,404,136
VISION campaign	<u>264,912</u>	<u>138,267</u>
Total expenses	<u>6,422,202</u>	<u>5,745,395</u>
Increase (decrease) in unrestricted net assets	<u>313,108</u>	<u>36,218</u>
<u>Temporarily restricted</u>		
Revenue:		
Contributions – Notes 1,4 & 5	5,265,149	4,970,833
Contributions – Subsidiary	20,827	
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>( 5,201,911)</u>	<u>( 4,542,403)</u>
Increase (decrease) in temporarily restricted net assets	<u>84,065</u>	<u>428,430</u>
<u>Permanently restricted</u>		
Revenue:		
Contributions – Notes 1 & 4		
Increase in permanently restricted net assets		
Total increase (decrease) in net assets	397,173	464,648
Net assets – beginning of year	<u>2,532,253</u>	<u>2,067,605</u>
Net assets – end of year	<u>\$ 2,929,426</u>	<u>\$ 2,532,253</u>

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

-3-



**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2004 and 2003

	(Consolidated) 2004	(Unconsolidated) 2003
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 397,173	\$ 464,648
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	54,285	54,774
Loss (gain) on investments	( 192,632)	( 106,097)
Loss (gain) on disposal of property and equipment	( 2,208)	3,028
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	( 71,461)	( 505)
Decrease (increase) in prepaid expenses and deposits		392
Increase (decrease) in accounts payable and accrued expenses	28,363	65,391
Net cash provided (used) by operating activities	<u>213,520</u>	<u>481,631</u>
<b>Investing activities</b>		
Purchases of equipment	( 121,533)	( 87,475)
Proceeds from sale of equipment	57,980	46,263
Purchases of investment	( 41,556)	( 80,508)
Proceeds from sale of investment	8,392	
Addition to note receivable	( 108,000)	
Collection on note receivable	11,982	
Net cash provided (used) by investing activities	<u>( 192,735)</u>	<u>( 121,720)</u>
<b>Financing activities</b>		
Net cash provided by financing activities	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in cash and cash equivalents	20,785	359,911
Cash and cash equivalents at beginning of year	<u>1,650,765</u>	<u>1,290,854</u>
Cash and cash equivalents at end of year	<u>\$ 1,671,550</u>	<u>\$ 1,650,765</u>

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

-4-

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

Note 1 - Organization and summary of significant accounting policies

The Board of International Missions of the National Association of Free Will Baptists (formerly 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 Board of International Missions of the National Association of Free Will Baptists' subsidiary is a nonprofit organization established to meet the spiritual needs of hurting people around the world.

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. The Subsidiary is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code under an advance ruling. In addition, the Organizations have 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 2004 and 2003.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Board of International Missions of the National Association of Free Will Baptists (the parent) and its subsidiary. The Organization has adopted the provisions of the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 94-3 (SOP 94-3), "Reporting of Related Entities by Not-for-Profit Organizations." SOP 94-3 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

The Organization is also required to comply with Financial Accounting Standards Board (FASB) Statement No. 57 (FAS-57) "Related Party Disclosures." Under this standard, all material related party transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

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

Basis of accounting

The Organization prepares its consolidated 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

Consolidated 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.

-5-

BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

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

Basis of presentation (Continued)

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 Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the consolidated 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.

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.

BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

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

Investments in Trusts

Investments in Trusts are composed of five 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.

Note 2 - Summary of significant concentrations of financial instruments

As of December 31, 2004 and 2003, 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:

	(Consolidated) December 31, 2004		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Interest bearing deposit accounts with financial institution	\$ 1,671,550	\$ 116,029	\$ 1,555,521
Total cash and cash equivalents	<u>1,671,550</u>	<u>116,029</u>	<u>1,555,521</u>
Interest bearing deposits on account with the Free Will Baptist Foundation, Inc.	1,671,466		1,671,466
Common stock	6,780		6,780
Total investments	<u>1,678,246</u>		<u>1,678,246</u>
Note and accounts receivable	268,127		268,127
Total	<u>\$ 3,617,923</u>	<u>\$ 116,029</u>	<u>\$ 3,501,894</u>

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

Note 2 - Summary of significant concentrations of financial instruments (Continued)

	(Unconsolidated) 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	<u>1,650,765</u>	<u>100,000</u>	<u>1,550,765</u>
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	<u>1,452,450</u>		<u>1,452,450</u>
Accounts receivable from employees and missionaries	100,648		100,648
Total	<u>\$3,203,863</u>	<u>\$100,000</u>	<u>\$3,103,863</u>

Note 3 - Property and equipment

A summary of property and equipment is as follows:

	(Consolidated) 2004	(Unconsolidated) 2003
Office furniture and equipment	\$ 68,851	\$ 68,851
Cameras and projectors	122,617	111,733
Automobiles	88,317	93,654
Computer equipment	<u>109,248</u>	<u>77,926</u>
	389,033	352,164
Less: Accumulated depreciation	<u>265,388</u>	<u>239,995</u>
	<u>\$ 123,645</u>	<u>\$ 112,169</u>

Depreciation expense, computed utilizing the straight-line method amounted to \$54,285 (\$54,774 in 2003).

Note 4 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	(Consolidated) 2004	(Unconsolidated) 2003
Missionaries	\$2,726,771	\$2,775,418
VISION campaign	205,858	60,372
Subsidiary	<u>(12,774)</u>	
	<u>\$2,919,855</u>	<u>\$2,835,790</u>

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

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

Note 4 - Restrictions on net assets (Continued)

Permanently restricted assets are restricted to:

Support Services Endowment	\$ 25,031	\$ 25,031
MK Scholarship Endowment	<u>1,210</u>	<u>1,210</u>
	<u>\$ 26,241</u>	<u>\$ 26,241</u>

Note 5 - Support services allocation

The Board charges a fee against the ministry and project 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 \$113,422 (\$92,723 in 2003). 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.

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, 2003).

Note 8 - Commitments

The Board provides health insurance for its 91 (95 in 2003) 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 \$102,551 (\$82,738 in 2003) in benefit payments and \$205,005 (\$208,278 in 2003) 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 International Missions' AmSouth Bank account by the Board of International Missions' Cote d'Ivoire Mission employees up to \$20,000 per check. In exchange, the Board of International 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.

BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

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:

	(Consolidated) December 31, 2004		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 65,125	\$ 6,780	(\$ 58,345)

Investment return is summarized as follows:

Net realized and unrealized income (loss) (\$ 4,620)

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

	(Unconsolidated) 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

Note 11 - Name change

On July 22, 2004 the Board of Directors voted to change the name of the Organization from the Board of Foreign Missions of the National Association of Free Will Baptists to the Board of International Missions of the National Association of Free Will Baptists.

BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
Notes to the Consolidated Financial Statements  
December 31, 2004 and 2003

Note 12 - Accounts receivable from employees and missionaries

Included in accounts receivable from missionaries and employees is \$141,051 in advance funds from missionaries. When a missionary goes to the field they are given funds to establish their missionary work. Board policy is that these funds remain the property of International Missions and are due back from the missionary when the missionary resigns or retires. It has been the practice of International Missions to expense these funds when a missionary goes to the field. International Missions is now going through the process of reclassifying these funds as a receivable to properly comply with Board policy. The funds advances to all new missionaries are now recorded as a receivable when the funds are paid. As missionaries that are already on the field come home on furlough the missionaries account is reconciled and the advance funds are recorded at that time based on the reconciliation.

Note 13 - Note receivable

Note receivable consists of an obligation from a related party as follows:

8% mortgage note receivable due in 2 annual installments of \$12,000 and 3 annual installments of \$24,000 through January 1, 2008. The note is secured by land owned by the Free Will Baptist Mission of Korea. \$96,018

**WARREN, DENNEY & WALLACE**

CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE TN 37217-1098  
(615) 366-5100

Partners

ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

Members

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors of the  
Board of International Missions of the  
National Association of Free Will Baptists  
and Subsidiary  
Antioch, Tennessee

Our report on our audits of the basic consolidated financial statements of the Board of International Missions of the National Association of Free Will Baptists and Subsidiary for 2004 and 2003 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 consolidated financial statements taken as a whole. The consolidated schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Warren, Denney & Wallace*

April 5, 2005

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**

**Consolidated Schedule of Functional Expenses  
For the Years Ended December 31, 2004 and 2003**

	(Consolidated)(Unconsolidated)	
	2004	2003
Support services:	\$ 21,500	\$ 25,298
Video and audio visual	39,384	35,174
Heartbeat		1,926
Other publications expense	35,754	36,464
Postage	35,679	44,450
Publicity	10,171	10,350
Telephone	710	210
Dues	2,344	2,088
Paper and supplies	3,202	2,919
Together Way Program	2,188	5,322
Retreat	2,291	4,085
Tracts and books	4,180	5,927
Seminar and training	5,246	7,640
Convention expense	21,815	30,523
Department auto	22,637	14,804
Board members	5,567	4,548
Department insurance	15,587	23,082
Department travel	800	333
Travel insurance		771
Honorariums	6,243	4,839
Missions promotion	5,535	3,576
Recruiting and candidate expense	517,196	479,651
Salaries	83,127	85,800
Housing	70,363	48,076
Employer payroll taxes	34,744	27,750
Retirement	87,136	103,630
Hospitalization	7,920	6,540
Office travel allowance	16,058	7,811
Legal and professional	74,988	74,988
Office rent	1,740	1,680
Off-site storage expense	5,740	6,481
Computer software expense	1,947	7,559
Office equipment	3,564	856
Maintenance of office equipment	9,156	17,612
Office supplies	1,321	734
Bank service charges	811	
Credit card processing fees	281	
Office help	2,358	2,493
Staff recognition	623	4,275
COLA indexes	152	395
Benevolence	48	683
Staff retreat	2,736	1,995
Miscellaneous	54,285	54,774
Depreciation	2,278	1,574
Visitor meals, entertainment & lodging	60	3,306
Mobilization network	826	
Advisory council	826	
Total support services	<u>\$1,220,291</u>	<u>\$1,202,992</u>

See accountants' report on supplementary information.

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY**  
Consolidated Schedule of Functional Expenses  
For the Years Ended December 31, 2004 and 2003

	(Consolidated)(Unconsolidated)	
	2004	2003
Missionary expenses:		
Ivory Coast		
France	\$ 540,544	\$ 476,273
India	1,048,497	794,634
Brazil	228,756	224,085
Japan	565,043	604,933
Panama	791,316	710,300
Spain	303,164	222,732
Uruguay	595,977	489,349
Commonwealth of Independent States	247,199	269,861
Unreached people	144,450	136,897
Korea	1,709	27,544
Tekmerion	54,792	56,001
Non-Governmental Organization	21,716	
Overseas Apprentices	33,601	
Other projects	228,917	263,038
Missionary medical	173,910	173,338
Total missionary expenses	( 42,592)	( 44,849)
	<u>4,936,999</u>	<u>4,404,136</u>
VISION campaign expenses:		
Project expenses	264,912	138,267
Total VISION campaign expenses	<u>264,912</u>	<u>138,267</u>
Total expenses	<u>\$6,422,202</u>	<u>\$5,745,395</u>

## Home Office Personnel

### Compensation Detail

	Budget 2004	Actual 2004	Budget 2005	Actual 2005	Proposed 2006
<b>General Director *</b>					
Salary	33,534	31,533	32,795	33,875	34,722
Housing and Utilities	28,080	27,000	28,080	27,000	27,675
Social Security	9,936	9,439	9,817	9,817	10,062
Retirement	3,081	2,927	3,044	3,044	3,120
Insurance	14,025	13,250	13,250	13,250	13,250
<b>Total Cost of Employment</b>	<u>88,656</u>	<u>84,149</u>	<u>86,985</u>	<u>86,985</u>	<u>88,829</u>
<b>Director of Field Operations *</b>					
Salary	30,145	27,222	28,311	28,279	28,986
Housing and Utilities	18,720	19,200	19,968	20,000	20,500
Social Security	7,880	7,486	7,785	7,785	7,980
Retirement	2,443	2,321	2,414	2,414	2,474
Insurance	14,025	13,250	9,400	9,400	9,400
<b>Total Cost of Employment</b>	<u>73,213</u>	<u>69,479</u>	<u>67,878</u>	<u>67,878</u>	<u>69,340</u>
<b>Director of Stateside Development *</b>					
Salary	30,145	27,222	28,311	29,079	29,806
Housing and Utilities	18,720	19,200	19,968	19,200	19,680
Social Security	7,880	7,486	7,785	7,785	7,980
Retirement	2,443	2,321	2,414	2,414	2,474
Insurance	14,025	5,258	5,783	5,783	5,783
<b>Total Cost of Employment</b>	<u>73,213</u>	<u>61,487</u>	<u>64,262</u>	<u>64,262</u>	<u>65,724</u>
<b>Director of Member Care *</b>					
Salary	48,870	46,422	48,279	48,279	49,486
Social Security	7,787	7,397	7,693	7,693	7,885
Retirement	2,444	2,321	2,414	2,414	2,474
Insurance	14,025	5,258	5,783	5,783	5,783
<b>Total Cost of Employment</b>	<u>73,125</u>	<u>61,398</u>	<u>64,169</u>	<u>64,169</u>	<u>65,629</u>
<b>Director of Financial Operations *</b>					
Salary	48,870	46,422	48,279	48,279	49,486
Social Security	7,787	7,397	7,693	7,693	7,885
Retirement	2,444	2,321	2,414	2,414	2,474
Insurance	14,025	13,250	13,250	13,250	13,250
<b>Total Cost of Employment</b>	<u>73,125</u>	<u>69,390</u>	<u>71,636</u>	<u>71,636</u>	<u>73,095</u>
<b>Director of Mobilization &amp; Recruitment *</b>					
Salary	32,235	28,422	29,559	30,279	31,036
Housing and Utilities	16,630	18,000	18,720	18,000	18,450
Social Security	7,880	7,486	7,785	7,785	7,980
Retirement	2,443	2,321	2,414	2,414	2,474
Insurance	5,500	5,258	5,783	5,783	5,783
<b>Total Cost of Employment</b>	<u>64,688</u>	<u>61,487</u>	<u>64,262</u>	<u>64,262</u>	<u>65,724</u>
<b>Director of Communications *</b>					
Salary	36,073	-	-	-	49,486
Housing and Utilities	12,792	-	-	-	-
Social Security	7,880	-	-	-	7,980
Retirement	2,443	-	-	-	2,474
Insurance	14,025	-	-	-	13,250
<b>Total Cost of Employment</b>	<u>73,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,190</u>

\* Vehicle Provided

Note: Medical insurance amount does not include portion paid personally

See accountants' report on supplementary information.

## Free Will Baptist International Missions

### Consolidated 2006 Budget

Fields and Projects	Probable Expenditures	Potential Expenditures	Total Field Budget
Ivory Coast	674,866.20	97,500.00	772,366.20
Brazil	643,415.10	-	643,415.10
France	1,475,792.48	50,000.00	1,525,792.48
India	254,945.85	-	254,945.85
Japan	960,708.41	426,157.42	1,386,865.84
Korea	-	80,000.00	80,000.00
Russia/C.I.S.	114,610.85	82,925.00	197,535.85
Panama	494,801.45	-	494,801.45
Spain	501,192.85	850,705.15	1,351,898.00
Uruguay	334,042.26	-	334,042.26
Cuba	-	46,010.00	46,010.00
Creative Access Projects - Mission	-	1,262,600.00	1,262,600.00
Other fields	292,500.00	741,886.00	1,034,386.00
Projected missionary appointments	-	200,000.00	200,000.00
Other anticipated opportunities	-	250,000.00	250,000.00
<b>Total fields and projects</b>	<b>\$ 5,746,875.46</b>	<b>\$ 4,087,783.57</b>	<b>\$ 9,834,659.03</b>
<b>Home Front Ministries</b>			
Field Ministries	359,308.94	-	359,308.94
Stateside Ministries	541,027.25	156,200.00	697,227.25
Administration	504,910.22	12,250.00	517,160.22
<b>Total Home Front Ministries</b>	<b>1,405,246.41</b>	<b>168,450.00</b>	<b>1,573,696.41</b>
<b>Total Operational</b>	<b>\$ 7,152,121.87</b>	<b>\$ 4,256,233.57</b>	<b>\$ 11,408,355.44</b>
<b>VISION Projects</b>			
Special Projects	-	6,394,770.00	6,394,770.00
Video & Film Division	-	211,000.00	211,000.00
The Hanna Project	-	250,000.00	250,000.00
	-	805,000.00	805,000.00
<b>Grand Total Budget</b>	<b>\$ 7,152,121.87</b>	<b>\$ 11,917,003.57</b>	<b>\$ 19,069,125.44</b>

## Master's Men

### The Men's Ministry of the National Association of Free Will Baptists

In 2004 we chose the theme of being "Men of Priority." Through the different programs and promotions we held, we encouraged our men to keep their priorities in Biblical perspective. We stressed keeping God first was their main priority. We also encouraged them to be better husbands, fathers, church members and neighbors.

We had a busy year. In our sports fellowship we held two golf tournaments, The Deep South and the National, and one softball tournament. We continued our National Rallies with one in North Carolina and the other in Oklahoma. Our National Retreat was held in Kentucky. We worked with National Home Missions and participated in two Operation Saturation events. The first was in Fredericksburg, Virginia, and the second in Denver, Colorado. We also had our annual mission trip. This past year we took a group to the island of Oahu in the Hawaiian Islands for a prayer walk.

Because of the many hurricanes that hit the east and south last year, we began working on plans to form a Disaster Response Team. This group of men and women will be able to go and help when a natural disaster damages one of our Free Will Baptist churches. We have been able to secure a truck and trailer to haul tools and other necessary equipment to the disaster sight. We are in the ongoing process of securing tools and equipment for this project, as well as volunteers to help with the labor.

Overall, we had another prosperous year. We were able to add twelve new chapters and help several churches get their men motivated.

Please continue to pray for our department as we strive to do God's will.

Your fellow servant,

Kenneth W. Akers, General Director

## Master's Men Synopsis of Board Meeting

### March 15, 2004

5 Board Members Present; Approved Dec. 2003 minutes; gave and discussed Financial Report; gave and discussed Director's Report; New Budget for 2005 approved.

### December 6, 2004

7 Board Members Present; Approved March 2004 minutes; Approved Financial Report; Approved Director's Report; Voted to continue Master's Men Rallies in 2005; Approved 2006 Budget; Recommended Ernie Taylor (IL), Mike Mounts (OH), and BJ Morgan (MO) to be nominated for election in 2005.

**BECKMAN & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

TAMARA L. BECKMAN, CPA

6 SOUTH MADISON AVENUE  
COOKEVILLE, TN 38501  
OFFICE (931) 526-5489  
FAX (931) 526-9064

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, 2004, 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, 2004, 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.

April 22, 2004  
Cookeville, Tennessee

*Beckman & Associates, CPAs*

**THE MASTER'S MEN**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2004**

<b>Current Assets</b>		
Cash	\$	3,640.45
Trust Account—Build a House		423.09
Trust Account—Lifetime Members		100,625.00
Investments		.01
Interest Receivable		9,902.03
Inventory		430.00
Accounts Receivable		4,956.95
Notes Receivable		<u>53,000.00</u>
Total Current Assets		\$ 172,977.53
<b>Fixed Assets</b>		
Equipment and Furniture	\$	55,775.82
Accum. Depreciation—Equip/Furn.	<	42,695.87>
Capitalized Leases		4,017.80
Accum. Amortization—Cap. Leases	<	<u>2,712.67&gt;</u>
Total Fixed Assets		<u>14,385.08</u>
Total Assets		<u>\$ 187,362.61</u>
<b>Liabilities</b>		
Accounts Payable	\$	444.45
Other Accrued Expenses		<u>1,244.97</u>
Total Liabilities		\$ 1,689.42
<b>Net Assets</b>		
Temporarily Restricted	\$	174,994.41
Unrestricted		<u>10,678.78</u>
Total Net Assets		<u>185,673.19</u>
Total Liabilities and Net Assets		<u>\$ 187,362.61</u>

The accompanying notes are an integral part of the financial statements  
2



**THE MASTER'S MEN  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2004**

	Temporarily Restricted Assets	Unrestricted Net Assets	Total
<b><u>Revenues, Gains &amp; Other Support</u></b>			
Gifts and Donations	\$ 8,625.00	\$ 14,626.94	\$ 23,251.94
Dues from Members	--	18,490.00	18,490.00
Cooperative Program	--	67,351.42	67,351.42
Merchandise Sales	--	7,325.70	7,325.70
Tournament & Conference income	--	30,872.00	30,872.00
Interest Income	--	8,690.55	8,690.55
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues, Gains & Other Support	\$ 8,625.00	\$147,356.61	\$155,981.61
<b><u>Expenses</u></b>			
Salaries and Wages	--	65,127.16	65,127.16
PR Taxes and Benefits	--	8,751.37	8,751.37
Cost of Sales and Printing	--	2,020.60	2,020.60
Travel Expense	6,321.34	3,327.58	9,648.92
Conferences & Conventions	--	5,405.78	5,405.78
Office Expense	--	4,946.41	4,946.41
Telephone	--	2,397.08	2,397.08
Postage	--	1,277.72	1,277.72
Rent Expense	--	20,292.00	20,292.00
Professional Fees	--	1,500.00	1,500.00
Bookkeeping Expense	--	900.00	900.00
Ministry & Resource Development	--	511.22	511.22
Tournament Expense	--	21,975.83	21,975.83
Dues, Subscriptions, Fee	--	3,595.58	3,595.58
Depreciation Expense	--	5,337.35	5,337.35
Amortization Expense	--	200.89	200.89
Miscellaneous Expense	--	2,069.42	2,069.42
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	\$ 6,321.34	\$149,635.99	\$155,957.33
Change in Net Assets	2,303.66	< 2,279.38>	24.28
Net Assets-Beginning of Year	172,690.75	14,293.02	186,983.77
Prior Period Adjustment	--	< 1,334.86>	< 1,334.86>
	<u>          </u>	<u>          </u>	<u>          </u>
Net Assets-End of Year	\$174,994.41	\$ 10,678.78	\$185,673.19

The accompanying notes are an integral part of the financial statement

**THE MASTER'S MEN  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2004**

<b><u>Cash Flows from Operating Activities</u></b>		
Increase in Net Assets		\$ 24.28
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 5,337.35	
Amortization	200.89	
Interest on Investments	< 8,690.55>	
(Increase) Decrease in Operating Assets		
Accounts Receivable	< 90.79>	
Increase (Decrease) in Operating Liabilities		
Accounts Payable	< 1,773.55>	
Deferred Revenue	< 605.00>	
Other Accrued Expenses	315.96	
Total	< 5,305.69>	
Net Cash Used by Operating Activities		< 5,281.41>
<b><u>Cash Flows from Investing Activities</u></b>		
Fixed Assets Purchased	< 5,499.62>	
Transfers from Trusts & Investments	6,765.10	
Transfers to Trusts & Investments	< 625.00>	
Net Cash Provided by Investing Activities		640.48
Net Cash Provided by Financing Activities		--
Net Decrease in Cash and Cash Equivalents		< 4,640.93>
Beginning Cash and Cash Equivalents		8,281.38
Ending Cash and Cash Equivalents		\$ 3,640.45

The accompanying notes are an integral part of the financial statements

**THE MASTER'S MEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**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, 2004:

Equipment and furniture	\$ 55,775.82
Less: Accumulated Depreciation	< 42,695.87 >
Property and Equipment, Net	<u>\$ 13,079.95</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 \$4,017.80 were capitalized and are being amortized over a period of twenty years. Amortization expense for 2004 and accumulated amortization as of December 31, 2004 were \$200.89 and \$2,712.67, respectively.

**Note 4 – Notes Receivable**

Following is a summary of the Department's notes receivable at December 31, 2004

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, 2004 was	\$ 2,650.00.

**Note 5 – Deferred Revenue**

There were no deferred revenues for 2004.

**Note 6 – Restricted Fund Balance**

The restricted fund balance is revenue designated for specific projects and consists of the following as of December 31, 2004.

Missions	\$ 11,422.33
Build A House campaign	48,676.00
Lifetime Membership	99,267.42
Master's Hands Projects	13,950.00
Disaster Relief	1,000.00
Operation Saturation	<u>678.66</u>
<b>Total</b>	<b><u>\$174,994.41</u></b>

**Note 7 – Prior Period Adjustment**

A prior period adjustment in the amount of \$1,334.86 was made to interest receivable which was understated in the prior year.

**Note 8 – Compensated Absences**

There was no compensated absence balance at December 31, 2004.

**Salary Breakdown**

<b>Director</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Salary	31,880	31,880	31,880	34,280
Housing	20,400	20,400	20,400	20,400
Retirement	2,614	2,614	2,614	2,734
Insurance	<u>3,600</u>	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>
<b>Total</b>	<b>58,494</b>	<b>61,394</b>	<b>61,394</b>	<b>63,914</b>

**Proposed Budget for 2006**

<b>Expenses</b>		<b>Income</b>	
<b>Office Operations</b>		Dues	20,000
Rent	22,580	Father's Day Offering	6,504
Equipment & Supplies	6,000	Together Way	69,874
Telephone	3,000	Softball	4,000
Postage	<u>2,500</u>	Golf	4,000
<b>Total</b>	<b>34,080</b>	Gifts	17,000
<b>Accounting</b>		Sales	5,000
Bookkeeping	900	Endowment Income	6,000
Audit	<u>1,750</u>	BAH	5,000
<b>Total</b>	<b>2,650</b>	Master's Men Conferences	<u>2,000</u>
<b>Resource Development</b>		<b>Total Income</b>	<b>139,378</b>
Printed Materials	<u>7,200</u>		
<b>Total</b>	<b>7,200</b>		
<b>Department Travel</b>			
National Association	<b>10,000</b>		
	<b>2,500</b>		
<b>Salaries</b>			
Director			
Salary	34,280		
Housing	20,400		
Retirement	2,734		
Insurance	<u>6,500</u>		
<b>Total</b>	<b>63,914</b>		
Secretary			
Wages (40 hrs/wk@8.50)	17,680		
FICA	1,097		
MED	<u>257</u>		
<b>Total</b>	<b>19,034</b>		
<b>Total Salaries</b>	<b>82,948</b>		
<b>Total Expenses</b>	<b>139,378</b>		

## Board of Retirement and Insurance 2005 Report

Across the various phases of our department's work 2004 was a very good year. The preparation for change in leadership is progressing smoothly. Everything is on track for my retirement as planned.

Since this will be my last director's report for the Retirement plan, I thought it would be interesting to review some of the earlier reports.

- **1968** - Our program was launched in North Carolina as a state program
- **1969** - The National Association, with the approval of North Carolina, adopts the program and employs Herman Hersey as director
- **1971** - Participants numbered 161  
- Almost \$100,000 in assets
- **1973** - Hersey opens full-time office in Nashville
- **1978** - Participant numbers reached 439 and assets totaled over \$866,000 - assets exceeded 1 million in September
- **1983** - Ray Lewis is employed as business manager
- **1985** - Total assets had grown to \$4,285,330 of which \$528,724 were Foundation trust accounts  
- Operational costs were \$155,274  
- Deposits to participants' accounts were \$416,373

- **1986** - Was a watershed year....
  - ▶ Total assets exceeded \$4.5 million
  - ▶ Trust accounts were \$931,000
  - ▶ Church bonds and note investments were \$3,458,019
  - ▶ Our first investments via professional money managers of \$1,000,000
- **1988** - March 1<sup>st</sup> the first annuity check was mailed  
- We ended the year with:
  - ▶ Deposits to Participants' accounts \$515,000
  - ▶ Church bonds or notes over \$4 million
  - ▶ Outside managers were investing \$2,728,850
  - ▶ Trust accounts exceeded \$1.1 million
  - ▶ Total assets topped \$7 million
- **1990** - Bill Evans joined the staff July 1, 1990 as understudy to Bro. Herman Hersey  
- The first signs of the volatility of stocks were shown in a 1.5% return during the second period
- **1991** - Marked the high point in our loan program with a total of \$5,278,000 outstanding notes while outside money managers were handling \$3,580,000  
- Trust accounts were valued at \$1,275,000  
- David Brown was hired as member services manager
- **1996** - Ended five years later with:
  - ▶ Assets under management at \$14,350,073 (None of which were Foundation accounts)
  - ▶ Participants' accounts stood at \$13,700,904

- **2001** - At the close of the next five year period we:
  - ▶ Delivered our first negative return in the first half (3.9%)
  - ▶ It was followed by a weak second half which delivered a positive 1.5%
  - ▶ It was the first time total assets were less at year's end than the previous year
  
- **2002** - The next few years would be our real test of fire:
  - ▶ We reported a negative return of (22.3%) annualized for the first period
  - ▶ The second half was much better but only maintained our investment at 0% returns
  - Total assets under management dropped \$2,138,000 below the prior years ending
  - Deposits remained strong, reaching \$1,759,557
  - Our investment policies (a balanced approach with an emphasis on value) stood us in good stead - in a seriously negative market I told the National, "We lose your money slower than other folks." (I have heard that a lot since then, most of the time with a smile)
  - Several participants over age 62 settled their account, fearing more losses, but immediately opened new accumulation accounts
  
- **2003** - Was our gut check year - Would participants stick with the process?
  - Contributions climbed back to 2001 levels - \$1.96 million
  - Withdrawals declined by \$270,000
  - Returns were 19.5% and 17% for the first and second periods respectively

Which brings us to the past year:

- **2004** - We had good earnings experience both periods - 8 ½% and 19%
  - New enrollments remain strong - 80
  - Contributions reached an all time high - \$2,500,000+
  - Annuities payable reached a total of \$3,352,379
    - This is probably the strongest evidence of faith in our department - men and women are relying on us to deliver their income not just next year but for the rest of their lives This is the most significant responsibility/liability we face
    - Expenses remain low - \$340,682 (\$25,000 less than 1992 while total assets have increased three fold)

These past 15 years have been some of the best in my life. Wonderful things have been heaped on me, the staff and this program.

Now, I want to challenge you to roll up your sleeves, focus your minds and hearts, join hands with our new staff and boldly face the future. Increase your level of participation; encourage your friends and companies in ministry to do likewise, and those who have not joined the plan to do so now.

Prospects are bright. There has never been a time when the need for retirement planning was more the topic of emphasis. Opportunities abound.

Our penetration of the available pool of participants, while improved, is still small. We do not have enough accurate information to even know how many prospects are out there but a review of our churches and number of participants say we have a long way to go.

Our staff is the best trained we have ever had. Ray Lewis has years of experience with our program and business training too.

Joey McGlashan is trained in accounting and business with a Masters Degree. He is young, friendly and known by a lot of our younger prospects.

Laura Harrison comes with a lot of enthusiasm and willingness to serve.

I volunteer to be the cheerleader for this team.

May the Lord bless each of you personally and corporately as you join them in moving into the future.

Sincerely,

William W. Evans

### Summary of Board Meetings:

April 27-28, 2004 and December 6, 2004

Bill Evans announced his retirement from the Board of Retirement effective August 1, 2005. The Board appointed a search committee.

Recommendation made to divide the work of Board of Retirement and Foundation requesting, the National to elect a separate board to oversee the Foundation.

Ron Barber missed the December Meeting.

WARREN, DENNEY & WALLACE  
CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

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, 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 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 the Board of Retirement and Insurance of the National Association of Free Will Baptists as of December 31, 2004 and 2003, 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 10, 2005

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Statements of Financial Position  
December 31, 2004 and 2003

ASSETS

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Operating Assets</u>		
Cash and cash equivalents	\$ 11,871	\$ 50,825
Funds invested with the Free Will Baptist Foundation	72,523	2,450
Accounts receivable		<u>2,450</u>
Total operating assets	<u>84,394</u>	<u>53,275</u>
 <u>Retirement Assets</u>		
Cash and cash equivalents	1,545,767	1,700,392
Investment in marketable securities and instruments, at fair market value – Note 3	26,884,773	22,891,417
Accrued investment income receivable	85,289	115,854
Notes receivable, net of allowance for doubtful accounts – Note 2	<u>755,810</u>	<u>837,400</u>
Total retirement assets	<u>29,271,639</u>	<u>25,545,063</u>
 <u>Office Furniture, Equipment and Automobiles,</u>		
at cost, net of accumulated depreciation – Notes 1 & 4	<u>20,702</u>	<u>23,827</u>
 Total assets	 <u>\$29,376,735</u>	 <u>\$25,622,165</u>

LIABILITIES & NET ASSETS

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Liabilities</u>		
Annuities payable – Note 6	\$ 3,352,379	\$ 2,907,512
Accounts payable, accrued expenses and other liabilities	<u>19,805</u>	<u>16,239</u>
Total liabilities	<u>3,372,184</u>	<u>2,923,751</u>
 <u>Net Assets</u>		
<u>Unrestricted:</u>		
<u>Operations:</u>		
Operating funds (deficit)	( 3,414)	( 8,882)
Designated for future asset purchases	72,523	50,825
Net invested in equipment	<u>20,702</u>	<u>23,827</u>
Operating net assets	<u>89,811</u>	<u>65,770</u>
 <u>Retirement accounts:</u>		
Net assets available for participants	26,043,108	22,492,700
Designated as reserve funds (deficit)	( 145,368)	124,944
Designated as annuity reserve funds	<u>17,000</u>	<u>15,000</u>
Retirement net assets	<u>25,914,740</u>	<u>22,632,644</u>
 Total net assets	 <u>26,004,551</u>	 <u>22,698,414</u>
 Total liabilities and net assets	 <u>\$29,376,735</u>	 <u>\$25,622,165</u>

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, 2004 and 2003

	2004		
	Retirement Accounts	Operations	Total
<u>Support, Revenue and Other Additions</u>			
Contributions from participants	\$ 2,504,756	\$ _____	\$ 2,504,756
Investment income:			
Gains of investment portfolio:			
Net realized gains (losses)	292,576		292,576
Net unrealized gains (losses)	<u>2,092,128</u>		<u>2,092,128</u>
	2,384,704		2,384,704
Interest and dividends from investments (net of investment fees)	<u>717,892</u>		<u>717,892</u>
Total investment income	<u>3,102,596</u>		<u>3,102,596</u>
Income earned from interest bearing notes:			
Interest income	60,534		60,534
Gain on sale of property	<u>24,393</u>		<u>24,393</u>
Total income earned from interest and sale of property	<u>84,927</u>		<u>84,927</u>
Forfeitures and late charges	512		512
Gifts		69,422	69,422
Reimbursement from Free Will Baptist Foundation		7,500	7,500
Miscellaneous income		<u>2,517</u>	<u>2,517</u>
Total other income	<u>512</u>	<u>79,439</u>	<u>79,951</u>
Total additions	5,692,791	79,439	5,772,230
Allocation for operations	( 284,444)	284,444	
Net additions after allocation for operations	<u>5,408,347</u>	<u>363,883</u>	<u>5,772,230</u>

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

	2003		
	Retirement Accounts	Operations	Total
Contributions from participants	\$ 1,965,538	\$ _____	\$ 1,965,538
Gains of investment portfolio:			
Net realized gains (losses)	453,012		453,012
Net unrealized gains (losses)	<u>2,876,269</u>		<u>2,876,269</u>
	3,329,281		3,329,281
Interest and dividends from investments (net of investment fees)	<u>518,099</u>		<u>518,099</u>
Total investment income	<u>3,847,380</u>		<u>3,847,380</u>
Income earned from interest bearing notes:			
Interest income	71,747		71,747
Gain on sale of property			
Total income earned from interest and sale of property	<u>71,747</u>		<u>71,747</u>
Forfeitures and late charges	283		283
Gifts		67,759	67,759
Reimbursement from Free Will Baptist Foundation		1,721	1,721
Miscellaneous income		<u>69,480</u>	<u>69,763</u>
Total other income	<u>283</u>	<u>69,480</u>	<u>69,763</u>
Total additions	5,884,948	69,480	5,954,428
Allocation for operations	( 273,229)	273,229	
Net additions after allocation for operations	<u>5,611,719</u>	<u>342,709</u>	<u>5,954,428</u>



**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS**  
Statements of Activities and Changes in Net Assets (continued)  
For the Years Ending December 31, 2004 and 2003

	2004		
	Retirement Accounts	Operations	Total
Net additions after allocation for operations	\$ 5,408,347	\$ 363,883	\$ 5,772,230
<u>Expenses and Other Deductions</u>			
Withdrawals by participants	1,647,190		1,647,190
Transfers to annuities by participants	228,257		228,257
Insurance deductions from participant's accounts	40,001		40,001
Income allocated to annuitant obligations	209,963		209,963
Salaries		75,010	75,010
Housing		57,569	57,569
Fringe benefits		52,529	52,529
Travel and promotional		19,513	19,513
Office supplies and expense		51,124	51,124
Occupancy		45,287	45,287
Board members expense		17,939	17,939
Legal and auditing		11,173	11,173
Depreciation		8,556	8,556
Miscellaneous	840	1,142	1,982
Total deductions	<u>2,126,251</u>	<u>339,842</u>	<u>2,466,093</u>
Increase (decrease) in net assets	3,282,096	24,041	3,306,137
Net assets at beginning of year	<u>22,632,644</u>	<u>65,770</u>	<u>22,698,414</u>
Net assets at end of year	\$25,914,740	\$ 89,811	\$26,004,551

	2003		
	Retirement Accounts	Operations	Total
Net additions after allocation for operations	\$ 5,611,719	\$ 342,709	\$ 5,954,428
<u>Expenses and Other Deductions</u>			
Withdrawals by participants	1,274,766		1,274,766
Transfers to annuities by participants	297,296		297,296
Insurance deductions from participant's accounts	41,212		41,212
Income allocated to annuitant obligations	86,006		86,006
Salaries		80,516	80,516
Housing		55,966	55,966
Fringe benefits		55,331	55,331
Travel and promotional		19,941	19,941
Office supplies and expense		41,455	41,455
Occupancy		51,467	51,467
Board members expense		10,994	10,994
Legal and auditing		16,192	16,192
Depreciation		9,396	9,396
Miscellaneous	12,943	2,041	14,984
Total deductions	<u>1,712,223</u>	<u>343,299</u>	<u>2,055,522</u>
Increase (decrease) in net assets	3,899,496	( 590)	3,898,906
Net assets at beginning of year	<u>18,733,148</u>	<u>66,360</u>	<u>18,799,508</u>
Net assets at end of year	\$22,632,644	\$ 65,770	\$22,698,414

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 Cash Flows  
For the Years Ending December 31, 2004 and 2003

	2004		
	Retirement Accounts	Operations	Total
<u>Cash flows from operating activities</u>			
Cash received from:			
Contributions from participants and employers	\$ 2,504,756	\$	\$ 2,504,756
Gifts		69,422	69,422
Income earned from interest and sale of loan property	54,927		54,927
Investment income	748,457		748,457
Forfeitures and late charges	512		512
Reimbursement from Free Will Baptist Foundation		7,500	7,500
Miscellaneous income		4,967	4,967
Cash paid for:			
Supplies and employees	( 41,228)	( 327,333)	( 368,561)
Withdrawal of funds by participants	( 1,875,447)		( 1,875,447)
Income allocated to annuitant obligations	( 209,963)		( 209,963)
Net cash provided (used) by operating activities	<u>1,182,014</u>	<u>( 245,444)</u>	<u>936,570</u>
<u>Cash flows from investing activities</u>			
Purchases of office furniture and equipment		( 5,431)	( 5,431)
Investments:			
Purchases of investment securities	( 21,956,834)		( 21,956,834)
Funds invested with Free Will Baptist Foundation		( 21,698)	( 21,698)
Proceeds from sale of investment securities	20,348,182		20,348,182
Notes receivable:			
New loans made	( 229,761)		( 229,761)
Collection of notes receivable	341,351		341,351
Net cash provided (used) by investing activities	<u>( 1,497,062)</u>	<u>( 27,129)</u>	<u>( 1,524,191)</u>

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

	2003		
	Retirement Accounts	Operations	Total
<u>Cash flows from operating activities</u>			
Cash received from:			
Contributions from participants and employers	\$ 1,965,538	\$	\$ 1,965,538
Gifts		67,759	67,759
Income earned from interest and sale of loan property	71,747		71,747
Investment income	510,206		510,206
Forfeitures and late charges	283		283
Reimbursement from Free Will Baptist Foundation		197	197
Miscellaneous income		197	197
Cash paid for:			
Supplies and employees	( 54,094)	( 331,692)	( 385,786)
Withdrawal of funds by participants	( 1,572,062)		( 1,572,062)
Income allocated to annuitant obligations	( 86,006)		( 86,006)
Net cash provided (used) by operating activities	<u>835,612</u>	<u>( 263,736)</u>	<u>571,876</u>
<u>Cash flows from investing activities</u>			
Purchases of office furniture and equipment		( 5,431)	( 5,431)
Investments:			
Purchases of investment securities	( 25,377,795)		( 25,377,795)
Funds invested with Free Will Baptist Foundation		( 20,685)	( 20,685)
Proceeds from sale of investment securities	4,750		4,750
Notes receivable:	25,533,194		25,533,194
New loans made	( 259,453)		( 259,453)
Collection of notes receivable	378,718		378,718
Net cash provided (used) by investing activities	<u>279,414</u>	<u>( 20,685)</u>	<u>258,729</u>

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Statement of Cash Flows (continued)  
For the Years Ended December 31, 2004 and 2003

	2004		
	Retirement Accounts	Operations	Total
<u>Cash flows from financing activities</u>			
Allocation for operations	(\$ 284,444)	\$ 284,444	\$
Net additions to (withdrawals from) annuities payable	444,867		444,867
Repayment of loan from Foundation			
Net cash provided (used) by financing activities	<u>160,423</u>	<u>284,444</u>	<u>444,867</u>
Net increase (decrease) in cash	( 154,625)	11,871	( 142,754)
Cash and cash equivalents at beginning of year	<u>1,700,392</u>	<u>-0-</u>	<u>1,700,392</u>
Cash and cash equivalents of end of year	<u>\$1,545,767</u>	<u>\$ 11,871</u>	<u>\$1,557,638</u>
<u>Reconciliation of increase (decrease) in net assets to cash flows from operating activities</u>			
Increase (decrease) in net assets	\$3,282,096	\$ 24,041	\$ 3,306,137
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization		8,556	8,556
Allocation for operations	284,444	( 284,444)	
Collection of bad debts	( 30,000)		( 30,000)
Loss (gains) on investment transactions	( 2,384,704)		( 2,384,704)
Decrease (increase) in accrued investment income	30,565		30,565
Decrease (increase) in accounts receivable		2,450	2,450
Increase (decrease) in accounts payable, accrued expenses and other	( 387)	3,953	3,566
Total adjustments	<u>(2,100,082)</u>	<u>(269,485)</u>	<u>(2,369,567)</u>
Net cash provided (used) by operating activities	<u>\$ 1,182,014</u>	<u>(\$ 245,444)</u>	<u>\$ 936,570</u>

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

	2003		
	Retirement Accounts	Operations	Total
<u>Cash flows from financing activities</u>			
Allocation for operations	(\$ 273,229)	\$ 273,229	\$
Net additions to (withdrawals from) annuities payable	( 31,151)		( 31,151)
Repayment of loan from Foundation	( 250,000)		( 250,000)
Net cash provided (used) by financing activities	<u>( 554,380)</u>	<u>273,229</u>	<u>( 281,151)</u>
Net increase (decrease) in cash	560,646	( 11,192)	549,454
Cash and cash equivalents at beginning of year	<u>1,139,746</u>	<u>11,192</u>	<u>1,150,938</u>
Cash and cash equivalents of end of year	<u>\$1,700,392</u>	<u>\$ -0-</u>	<u>\$1,700,392</u>
<u>Reconciliation of increase (decrease) in net assets to cash flows from operating activities</u>			
Increase (decrease) in net assets	\$3,899,496	(\$ 590)	\$ 3,898,906
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization		9,396	9,396
Allocation for operations	273,229	( 273,229)	
Collection of bad debts	( 3,329,281)		( 3,329,281)
Loss (gains) on investment transactions	( 7,893)		( 7,893)
Decrease (increase) in accrued investment income		( 1,524)	( 1,524)
Decrease (increase) in accounts receivable	61	2,211	2,272
Increase (decrease) in accounts payable, accrued expenses and other	<u>(3,063,884)</u>	<u>(263,146)</u>	<u>(3,327,030)</u>
Total adjustments			
Net cash provided (used) by operating activities	<u>\$ 835,612</u>	<u>(\$ 263,736)</u>	<u>\$ 571,876</u>

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

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, 2004 and 2003.

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

-7-

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

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.

-8-

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

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:

	<u>2004</u>	<u>2003</u>
Participant notes (net) secured by retirement account balances	\$ 4,267	\$ 1,545
Churches and agency notes secured by related real property	<u>751,543</u>	<u>865,855</u>
	755,810	867,400
Less allowance for doubtful accounts		( 30,000)
	<u>\$ 755,810</u>	<u>\$ 837,400</u>

The notes bear interest at various rates from 3.0% to 11.25% and mature at various dates from 2005 through 2012.

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

Note - 3 Investments in marketable securities and instruments

	<u>2004</u>		<u>(Depreciation) Appreciation</u>
	<u>Market Value</u>	<u>Cost</u>	
Investments:			
Certificate of deposit	\$ 297,987	\$ 298,750	(\$ 763)
Mutual funds	3,558,662	3,357,726	200,936
Common stocks	13,420,247	11,116,409	2,303,838
U.S. Government issues	7,556,341	7,516,424	39,917
Corporate bonds	863,979	825,683	38,296
Real estate trust	<u>1,187,557</u>	<u>1,132,536</u>	<u>55,021</u>
Total Investments	<u>\$ 26,884,773</u>	<u>\$ 24,247,528</u>	<u>\$ 2,637,245</u>

For 2004, total investment gain relating to marketable securities and instruments amounted to \$3,102,596 and consisted of investment gains of \$2,384,704 and interest and dividends of \$717,892 (net of investment fees of \$157,641). Investment income (loss) represented yields of 12.47% and 13.28% based on the average market value and average cost of such investments for 2004.

	<u>2003</u>		<u>(Depreciation) Appreciation</u>
	<u>Market Value</u>	<u>Cost</u>	
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	<u>250,005</u>	<u>250,005</u>	
Total Investments	<u>\$ 22,891,417</u>	<u>\$ 22,477,401</u>	<u>\$ 414,016</u>

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.

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

Note - 4 Office furniture, equipment and automobiles

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

	2004	2003
Office furniture and fixtures	\$ 41,723	\$ 39,319
Computer equipment	24,794	21,767
Automobiles	54,174	54,174
	120,691	115,260
Accumulated depreciation	( 99,989)	( 91,433)
	<u>\$ 20,702</u>	<u>\$ 23,827</u>

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 \$45,287 and \$51,467 for the years ended December 31, 2004 and 2003, 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, 2004 and 2003, the recorded liability amounted to \$3,352,379 and \$2,907,512. The actuary has determined that the current periodic benefit exceeded the reserve account at December 31, 2004 by \$159,521 (\$239,971 at December 31, 2003), accordingly, management has determined that there will be no pension benefit increases for 2004.

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.

-11-

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

Note - 7 Information regarding financial instruments - continued

The following table summarizes the Board's accounting risk of loss as of December 31, 2004 and 2003:

	2004		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 755,810	\$ 755,810	\$
Cash and cash equivalents	765,314	765,314	
Funds invested with the Free Will Baptist Foundation	72,523	72,523	
Short-term liquid investments	792,324		792,324
Corporate bonds	863,979		863,979
Certificates of deposit	297,987	294,921	3,066
Mutual funds	3,558,662		3,558,662
Common stocks	13,420,247		13,420,247
U.S. Treasury notes and bills	7,556,341	7,556,341	
Real estate investment trust	<u>1,187,557</u>		<u>1,187,557</u>
	<u>\$29,270,744</u>	<u>\$ 9,444,909</u>	<u>\$19,825,835</u>

	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	<u>250,005</u>		<u>250,005</u>
	<u>\$25,480,034</u>	<u>\$10,496,220</u>	<u>\$14,983,814</u>

-12-

BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
Notes to Financial Statements  
December 31, 2004 and 2003

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 \$7,500 and \$0- for these services during the years ended December 31, 2004 and 2003, respectively.

The Board had \$72,523 and \$50,825 invested with the Free Will Baptist Foundation, Inc. at December 31, 2004 and 2003, respectively.

**Board of Retirement and Insurance  
Proposed Budget for 2006**

	2003 Budget	2003 Actual	2004 Proposed	2004 Actual	2005 Proposed	2006 Proposed
Salaries	79,943	80,515	82,950	75,010	139,931	150,139
Employee Benefits	60,000	55,331	60,000	52,529	87,134	75,668
Housing	55,967	55,966	57,569	57,569	79,125	31,200
Travel/Promotion	20,250	11,648	22,000	16,271	22,000	22,000
Auto Maintenance	4,500	8,293	4,500	3,242	5,500	5,500
Future Purchases/Auto	7,200	7,000	7,200	6,600	7,200	7,200
Hardware/Software Future Purchases	12,000	12,000	12,000	11,000	12,000	12,000
Plant Fund	52,000	51,467	50,000	48,291	30,000	50,000
Office Expense	28,000	29,531	28,000	35,035	30,000	40,000
Equipment	5,000	0	5,000	3,927	10,000	10,000
Education/Training	8,500	8,074	8,500	6,189	9,000	10,000
Publications	8,000	0	10,000	10,000	30,000	35,000
Board Expense	18,000	10,994	12,500	17,939	17,500	18,000
Legal	10,000	6,983	10,000	4,395	12,000	12,000
Auditing	12,000	9,209	10,500	6,777	11,000	9,000
Offsite Backup Storage	0	0	0	0	0	2,400
Website Development/Hosting/Maintenance	0	0	0	0	0	5,000
Software Maintenance	3,000	3,850	3,000	0	3,000	2,000
Board Insurance	5,000	0	12,000	0	0	0
Miscellaneous	2,000	2,041	2,000	1,142	2,000	2,000
<b>Total</b>	<b>391,359</b>	<b>352,903</b>	<b>397,719</b>	<b>355,916</b>	<b>507,390</b>	<b>499,108</b>

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

	2004	2005	2006
<b>Director:</b>			
Salary	34,572.34	36,354.76	33,896.00
Housing/Utilities	27,569.35	28,672.20	31,200.00
Social Security/Medicare	11,225.12	11,746.31	11,758.78
Christmas Check	1,410.90	1,476.41	1,477.97
Retirement	4,448.68	4,524.00	4,660.18
Insurance	6,759.78	6,759.78	6,803.24
Life	756.12	756.12	829.56
Medical	5,176.38	5,176.38	5,585.88
Disability	341.64	341.64	387.80
Note: Office Car Furnished			
<b>Total</b>	<b>85,986.18</b>	<b>89,533.46</b>	<b>89,796.17</b>
<b>Business Manager:</b>			
Salary		45,000.00	46,800.00
Social Security/Medicare		3,727.67	3,876.77
Christmas Check		865.38	900.00
Retirement		3,210.58	3,339.00
Insurance		13,664.62	14,676.12
Life		400.00	400.00
Hospitalization		13,052.22	14,000.00
Disability		212.40	276.12
Note: Office Car Furnished			
<b>Total</b>		<b>66,468.25</b>	<b>69,591.89</b>
<b>Secretary:</b>			
Salary	28,811.85	18,720.00	20,800.00
Social Security/Medicare	2,246.49	1,459.62	1,621.80
Christmas Check	554.07	360.00	400.00
Retirement	2,055.61	1,335.60	1,484.00
Insurance	6,018.78	6,317.70	5,844.76
Life	418.92	133.80	133.80
Hospitalization	5,441.22	5,078.04	5,585.88
Disability	158.64	112.57	125.08
<b>Total</b>	<b>39,686.80</b>	<b>28,192.92</b>	<b>30,150.56</b>
<b>Member Services Manager:</b>			
Salary			45,000.00
Social Security/Medicare			3,727.67
Christmas Check			865.38
Retirement			3,210.58
Insurance			14,665.50
Life			400.00
Hospitalization			14,000.00
Disability			265.50
<b>Total</b>			<b>67,469.13</b>

Hospitalization Cap: \$10,000 Couple; \$14,000 Family

\*\*Disability Insurance is .059 per \$100



2004 was a solid experience for the Foundation. It was another record year.

It is very important that we understand the operation of the Foundation is multifaceted. We span the gap "from here to eternity" and all points in between.

I. The immediate and upfront focus of our work is to generate income, earnings, and/or capital appreciation now for Endowments and Revocable Trusts.

A. The following principles apply to endowment contributions.

1. 100% deductible for tax purposes as a charitable gift to the limits of each donor.
2. The total gift is immediately added to the general endowment fund or placed in a specific individual endowment (gifts in excess of \$20,000) for the agency/ies to be benefited.
3. Semi-annual payments of up to 5% of the endowment principal are paid to the designated ministry. All excess or growth earnings are added to the endowment principal to protect this income benefit from future inflation.
4. Endowments are managed to protect the interest of the beneficiary agency.

B. Revocable Trusts are operated for two types of grantors.

1. Charitable Organizations – The Foundation is available to any 501(c)3 organization as a money manager. Trusts are created for amounts from \$1,000 up and have liberal liquidity limits. We presently serve all of our national boards and many regional and local ministries.
2. Private Individuals – Agreements between the Foundation and private individuals are operated on the same rules as above with the requirement that these agreements provide a 20% charitable benefit (charity/ies are the choice of the grantors) but only in the event the named owners die.
3. These trusts provide the following:
  - a. Interest rates above money market returns
  - b. Liquidity within certain limits with no penalty
  - c. Additional deposit possibilities
  - d. Small service fees which provide income for the operation of the Foundation office

II. Future Gifts – Charitable Remainder Trusts or Charitable Gift Annuities



A. The Federal Government/Internal Revenue Service provides numerous ways to make gifts today to charities while retaining an income stream for a period or years or life. These arrangements are attractive because:

1. The gift can be made today, may escape all capital gains taxes as well as transferring management/investment responsibilities.
2. A significant stream of income may be created for up to a lifetime for one or more people.
3. Assurances can be given to ministries of a benefit in the future.
4. The assets funding these gifts are managed with the donor's needs in mind first, followed by consideration for the ministry benefited.

B. This is the area of our focus. Encouragingly, this area has grown from \$291,000 in 1993 to over \$5.4 million in 2004, with a large portion of that given last year.

This convention is being asked to elect a new board to oversee the future development of this program. Beginning August 1, 2005, I will become the first full-time director the Foundation has had. This should allow us to train the staff and board members more adequately and do a great deal of field work educating, challenging and planning with agencies and individuals for future growth.

Together we can fund and sustain the works to which God has called us.

### Synopsis of Free Will Baptist Foundation Board Meetings 2004

The Foundation met for its annual board meeting April 26, 2004. All members or proxies were present. The board passed a resolution recommending to the National Association that the Foundation and Board of Retirement be completely separated and a new nine-member board be elected for the Foundation. William Evans will continue as director. The Foundation will assume his salary and benefits effective August 1, 2005.

The 2004 budget was amended to \$180,432. We accepted the 2003 audit, reviewed the operation and adopted the 2005 budget.

The Foundation met December 6, 2004, before the Leadership Conference. Absent were Ron Barber and Jack Ward. We reviewed the operation and received a financial report as information.

**WARREN, DENNEY & WALLACE**

CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

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

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, 2004 and 2003, 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, 2004 and 2003, 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 10, 2005

FREE WILL BAPTIST FOUNDATION, INC.

Statements of Financial Position  
December 31, 2004 & 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 453,909	\$ 663,958
Accrued earnings receivable	248,330	189,588
Other accounts receivable	582	1,628
Investments, at fair market value - Note 2		
Certificates of deposit	1,878,444	2,187,188
U.S. Government instruments	19,787,167	13,061,786
Common Stocks	1,638,422	1,072,867
Real estate investments	1,799,415	1,007,015
Mutual funds	746,365	531,424
Corporate bonds	414,726	424,769
Trusts	45,448	43,619
Total investments	<u>26,309,987</u>	<u>18,328,668</u>
Notes receivable - Note 3	156,552	251,708
Total assets	<u>\$27,169,360</u>	<u>\$19,435,550</u>

LIABILITIES AND NET ASSETS

Liabilities

Operating liabilities:		
Accrued expenses	\$ 2,013	\$ 299,047
Liabilities to beneficial owners:		
Interest bearing revocable and savings trusts - Note 4	19,805,475	15,401,714
Future gift interests payable - Note 5	1,635,004	1,288,067
Funds held in trust - Note 6	5,439,339	2,240,989
Total liabilities	<u>26,881,831</u>	<u>19,229,817</u>

Net Assets

Unrestricted	<u>287,529</u>	<u>205,733</u>
Total net assets	<u>287,529</u>	<u>205,733</u>

Total liabilities and net assets \$27,169,360 \$19,435,550

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

FREE WILL BAPTIST FOUNDATION, INC.  
Statements of Activities  
For the Years Ended December 31, 2004 and 2003

<u>Revenue and Support</u>	<u>2004</u>	<u>2003</u>
Investment income:		
Interest and dividends, net of investment fees	\$ 1,125,267	\$ 788,402
Realized net gains (losses) on sale of investments	228,164	92,161
Unrealized net gains (losses) from investments	318,388	399,601
Total investment income	<u>1,671,819</u>	<u>1,280,164</u>
Support through "The Together Way"		
Plan and other contributions	29,295	28,754
Interest income - note receivable	7,384	11,570
Endowment income	260	237
Total revenue and support	<u>1,708,758</u>	<u>1,320,725</u>
Allocations of earnings to revocable trusts, savings trust, beneficiaries and annuitants	<u>( 1,430,497)</u>	<u>( 1,086,131)</u>
Revenue and support after allocations	<u>278,261</u>	<u>234,594</u>
<u>Expenses</u>		
Reimbursement to the Board of Retirement of National Association of Free Will Baptists	5,000	5,000
Salaries and benefits	103,961	71,852
Equipment expense	13,061	1,947
Travel and promotion	33,186	33,059
Board expense	1,407	
Office expense	8,728	7,814
Printing and publications	10,310	2,080
Training and education	12,944	17,959
Legal and auditing	7,678	6,614
Miscellaneous	190	1,632
Total Expenses	<u>196,465</u>	<u>147,957</u>
Increase (decrease) in net assets	81,796	86,637
Net assets at beginning of year	<u>205,733</u>	<u>119,096</u>
Net assets at end of year	<u>\$ 287,529</u>	<u>\$ 205,733</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Cash flows for operating activities</u>		
Cash received for:		
Contributions	\$ 30,341	\$ 30,208
Interest and dividends	1,066,525	715,862
Other income	7,644	11,807
Cash paid to suppliers and employees	( 203,499)	( 143,440)
Allocations of earnings to revocable trusts, savings trusts, beneficiaries and annuitants	<u>( 1,430,497)</u>	<u>( 1,086,131)</u>
Net cash provided (used) by operating activities	<u>( 529,486)</u>	<u>( 471,694)</u>
<u>Cash flows from investing activities</u>		
New loans made	( 31,754)	( 448,929)
Principal payments received on notes receivable	126,910	482,559
Proceeds from sale of investment securities	6,953,950	7,556,223
Purchases of investment securities	<u>( 14,678,717)</u>	<u>( 12,716,192)</u>
Net cash provided (used) by investing activities	<u>( 7,629,611)</u>	<u>( 5,126,339)</u>
<u>Cash flows from financing activities</u>		
Proceeds from additions, net of withdrawals, to future gift interest, revocable and savings trusts	<u>( 3,098,649)</u>	<u>( 1,629,095)</u>
Contributions to funds held in trust	<u>11,047,697</u>	<u>7,208,320</u>
Net cash provided (used) by financing activities	<u>7,949,048</u>	<u>5,579,225</u>
Net increase (decrease) in cash	<u>( 210,049)</u>	<u>( 18,808)</u>
Cash and cash equivalents at beginning of year	<u>663,958</u>	<u>682,766</u>
Cash and cash equivalents at end of year	<u>\$ 453,909</u>	<u>\$ 663,958</u>
<u>Reconciliation of increase in net assets to cash flows from operating activities</u>		
Increase (decrease) in net assets	\$ 81,796	\$ 86,637
Realized and unrealized (gains) losses on investment transaction	( 546,552)	( 491,762)
Decrease (increase) in accrued investment income	( 57,696)	( 71,086)
Increase (decrease) in operating liabilities	<u>( 7,034)</u>	<u>4,517</u>
Net cash provided (used) by operating activities	<u>(\$ 529,486)</u>	<u>(\$ 471,694)</u>

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

FREE WILL BAPTIST FOUNDATION, INC.  
Notes to the Financial Statements  
December 31, 2004 and 2003

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, 2004 and 2003.

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 2004 and 2003.

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, 2004 and 2003

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:

	2004		
	Market/ Stated Value	Cost	Appreciation (depreciation)
Investments:			
Marketable Securities:			
Certificate of deposits	\$ 1,878,444	\$ 1,921,074	(\$ 42,630)
U.S. Government instruments	19,787,167	20,105,391	( 318,224)
Common stocks	1,638,422	1,365,928	272,494
Mutual funds	746,365	678,520	67,845
Corporate bonds	414,726	398,670	16,056
Trusts	45,448	45,448	
Real estate investment trust	1,799,415	1,799,415	
Total Investments	<u>\$26,309,987</u>	<u>\$26,314,446</u>	<u>(\$ 4,459)</u>

	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>

FREE WILL BAPTIST FOUNDATION, INC.  
Notes to the Financial Statements  
December 31, 2004 and 2003

Note 2 - Investments (continued)

Total investment income amounted to \$1,671,819 for 2004, consisting of investment gains of \$546,552 and interest and dividends of \$1,125,267. This investment income represents yields of 2.39% and 4.92% based on the average market value and average cost of such investments for 2004.

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.

Note 3 - Notes Receivable

Notes receivable consist of obligations from related parties as follows:

	<u>2004</u>	<u>2003</u>
6.5% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	\$ 27,892	\$ 26,189
6.5% demand note receivable by the National Association of Free Will Baptists Building Services Fund.	9,895	18,125
7.0% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	74,182	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.	5,583	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.	<u>39,000</u>	<u>155,000</u>
	<u>\$ 156,552</u>	<u>\$ 251,708</u>

Note 4 - Interest Bearing Revocable and Saving Trusts

The Foundation maintains revocable trusts and savings trusts which totaled \$19,805,475 and \$15,401,714 at December 31, 2004 and 2003, 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 7-60 day notice, is without penalty, and the trusts are without maturity.

FREE WILL BAPTIST FOUNDATION, INC.  
Notes to the Financial Statements  
December 31, 2004 and 2003

Note 5 - Future Gift Interests Payable

The foundation maintains charitable unitrusts amounting to \$675,339 and \$382,942 and gift annuities amounting to \$959,665 and \$905,125 as of December 31, 2004 and 2003, 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 funds in trusts 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, 2004 and 2003, the permanently restricted endowment funds totaled \$5,439,339 and \$2,240,989, 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 2004 and 2003, 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, 2004 and 2003:

	<u>December 31, 2004</u>		
	<u>Account Balance</u>	<u>Amount Insured/ Secured</u>	<u>Amount of Accounting Risk of Loss</u>
Cash and cash equivalents	\$ 306,344	\$ 100,000	\$ 206,344
Short term liquid investments	147,565	147,565	
Certificates of deposit	1,878,444	1,626,065	252,379
U.S. Government instruments	19,787,167	19,787,167	
Common stock	1,638,422		1,638,422
Mutual funds	746,365		746,365
Corporate bonds	414,726		414,726
Real estate investment	1,799,415		1,799,415
Trusts	45,448		45,448
Receivables	<u>405,464</u>		<u>405,464</u>
	<u>\$27,169,360</u>	<u>\$21,660,797</u>	<u>\$ 5,508,563</u>

FREE WILL BAPTIST FOUNDATION, INC.  
Notes to the Financial Statements  
December 31, 2004 and 2003

Note 8 - Information Regarding Financial Instruments (continued)

	December 31, 2003		
Account	Amount	Amount	Amount
Balance	Insured/ Secured	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  
SALARIES AND BENEFITS 2005 -2006

	2005	2006
<b>William Evans</b>		
Salary	\$13,723	\$35,738
Housing/Utilities	\$11,948	\$29,534
Soc Security / Medicare	\$4,565	\$11,716
Christmas Check	\$1,468	\$1,512
Retirement	\$1,810	\$4,627
Hospitalization Insurance	\$2,155	\$4,775
Life Insurance	\$315	\$756
Dental Insurance	\$200	\$303
Disability Insurance	\$145	\$389
	<u>\$36,329</u>	<u>\$89,350</u>
<b>David Brown</b>		
Salary	\$51,000.00	\$52,530
Soc Security / Medicare	\$3,901.50	\$4,019
Retirement	\$3,517.50	\$3,677
Hospitalization Insurance	\$12,301.68	\$12,739
Life Insurance	\$198.12	\$198
Dental Insurance	\$750.24	\$750
Disability Insurance	\$300.90	\$313
	<u>\$71,969.94</u>	<u>\$74,226</u>
<b>Dotty Moore</b>		
Salary	\$26,175	\$26,960
Soc Security / Medicare	\$2,002	\$2,062
Retirement	\$1,284	\$1,348
Hospitalization Insurance	\$5,436	\$4,775
Life Insurance	\$0	\$134
Dental Insurance	\$285	\$303
Disability Insurance	\$129	\$161
	<u>\$35,311</u>	<u>\$35,743</u>
<b>Field Man (6 months)</b>		
Salary	\$23,000	
Soc Security / Medicare	\$1,760	
Retirement	\$1,150	
Hospitalization Insurance	\$2,387	
Life Insurance	\$67	
Dental Insurance	\$152	
Disability Insurance	\$136	
	<u>\$28,652</u>	

**FOUNDATION BUDGET**

	<u>Actual 2003</u>	<u>Actual 2004</u>	<u>Approved 2005</u>	<u>Proposed 2006</u>
<b>INCOME</b>				
The Together Way	\$27,888	\$28,376	\$29,500	\$29,500
Gifts	\$866	\$919	\$750	\$950
Interest Income	\$9,998	\$19	\$5,000	\$50
Endowment	\$237	\$260	\$250	\$275
Miscellaneous		\$0	\$100	\$0
Management Fees	<u>\$195,605</u>	<u>\$242,293</u>	<u>\$275,000</u>	\$370,000
<b>TOTAL:</b>	\$234,594	\$271,867	\$310,600	\$400,775
<b>EXPENSES</b>				
Salaries	\$45,366	\$65,992	\$104,278	\$169,274
Salaries Part-Time	\$3,760	\$8,759	\$5,000	\$0
Employee Benefits	\$22,726	\$29,210	\$39,679	\$58,947
Department Car		\$0	\$9,500	\$8,090
Travel	\$17,667	\$12,216	\$22,000	\$37,500
New Magazine	\$0	\$10,310	\$40,000	\$55,000
Board Expense	\$1,311	\$1,406	\$12,000	\$12,000
Promotion	\$14,081	\$20,971	\$18,000	\$22,000
Office Expense	\$4,779	\$6,471	\$5,000	\$7,000
Rent	\$5,000	\$5,000	\$25,958	\$26,424
Printing	\$1,795	\$0	\$3,000	\$3,000
Publications	\$285	\$0	\$1,000	\$1,000
Training & Education	\$17,959	\$12,944	\$16,000	\$38,000
Auditing	\$6,594	\$7,080	\$8,000	\$8,000
Legal	\$20	\$598	\$50	\$1,500
Bank Fees	\$1,988	\$486	\$100	\$100
Telephone Expense	\$0	\$577	\$0	\$600
Postage	\$1,047	\$1,193	\$2,000	\$2,000
Equipment	\$1,947	\$13,061	\$5,000	\$5,000
Miscellaneous	<u>\$1,632</u>	<u>\$190</u>	<u>\$2,500</u>	\$1,000
<b>TOTAL</b>	\$147,957	\$196,464	\$319,065	\$456,435
	\$86,637	\$75,403	(\$8,465)	(\$55,660)
				(\$12,209)



HOME MISSIONS REPORT

Dear Friends,

Our missionary/church planters won many hundreds of precious souls to Jesus in their efforts to plant Free Will Baptist churches all across North America. The year 2004 was an exceptional year of new records set by the department.

Missionary Appointees

The Home Missions Board appointed the following new church planters for the harvest fields:

- Randy and Leann Ledbetter, North Salt Lake City, UT
- Scott and Staci Warren, North Salt Lake City, UT
- George and Kathy Lemelin, White Earth Reservation, MN
- Fernando and Reyna Bustamante, Florence, SC
- Jose and Alicia González, Chula Vista, CA
- Nicholas and Esperanza Hernández, Inwood, WV

Self-Supporting Status:

The Board commends the following church planters in bringing their mission works to self-supporting status. Well done faithful servants!

- Ken and Bonnie Doggett, Springfield, IL
- Carlie and Margaret Lloyd, Madison, WI
- Bill and Kay Phillips, West Jordan, UT
- Rick and Stephanie Morris, Queen Creek, AZ
- Cliff and Kathy Donoho, Nashville, TN
- Vladimir Lopuga, W. Sacramento, CA

### Institutes and Seminaries

Mexico: The Bible Institute of the Cross in Altamira, continues to do well in training pastors and leaders for the work in Southern Mexico. The Seminary of the Cross in Reynosa is doing well in training pastors and missionaries.

South Carolina: The Gwen Hendrix Hispanic Seminary located in Inman, SC has graduated many church planters and leaders for the ministry in the United States. The seminary is supplying our state mission boards with well-trained church planters.

### Cross-Cultural Efforts

Our department continues to work with Hispanics, Koreans and Russians in North America. We have opened a new ministry to the Chippewa Tribe in Ogema, MN.

### Chaplains

Our Free Will Baptist Chaplains continue to have very fruitful ministries on posts, bases, in hospitals and in administrative positions in many countries around the world. They are doing a great work among our military families.

### Roll Call Revival 2004

Roll Call Sunday among our churches is an effective tool to reach souls for Christ. This year Free Will Baptists set a new record in a total attendance of 286,000 with 18,376 visitors and 1,620 receiving Christ as Savior.

### Church Extension Loan Fund (CELF)

God granted a new record to our department this year in funds loaned out to our churches to build new facilities across the United States, \$5,020,371.00

### Benjamin Randall Sunday

Our churches are so faithful to support this special offering for our church planting efforts. Our offering this year was a record \$359,000. Thank You!

### Home Missions Income

Free Will Baptists were strong supporters of Home Missions in 2004 with gifts totaling \$4,132,129.00.

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 Meeting for 2004**

### **May 3-4, 2004**

The Policy and Procedures Committee worked on some revisions of the Home Missions handbook. The committee will present their efforts and suggested revisions when completed.

MSC that the interest earned on the Roy Thomas Memorial Fund (also known as the Build My Church No. 2 fund) be used for Missions assistance.

MSC to approve and proceed with General Director Larry Powell's plan to erase all Russian and Korean deficit accounts.

### **December 6, 2004**

MSC to hire George Lemelin as an associate missionary to work the Ojibwe people at the White Earth reservation in Minnesota.

MSC to authorize Larry Powell, General Director to research and secure 37 acres of land that George Lemelin told us about for the development of a church, school and eventually a Bible college for the Ojibwe people.

MSC to retain Board officers to serve for another year. Jim Puckett, Chairman; Ron Parker, Vice Chairman and Matthew Upton, Clerk.



WARREN, DENNEY & WALLACE  
 CERTIFIED PUBLIC ACCOUNTANTS  
 THE VOLUNTEER BLDG  
 SUITE 100  
 319 PLUS PARK BLVD  
 NASHVILLE, TN 37217-1098  
 (615) 366-5100

Partners  
 ROBERT RAY WARREN, CPA  
 WILLIAM H. DENNEY, CPA  
 LARRY BRUCE WALLACE, CPA  
 JOEL D. COLLUM, JR., CPA  
 JANET W. LEE, CPA

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

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, 2004 and 2003, 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, 2004 and 2003 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*

February 11, 2005

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, 2004 and 2003

ASSETS

	2004	2003
<u>Assets</u>		
Cash - Note 7	\$ 380,692	\$ 632,285
Investments	13,459	21,256
Investments in Church Extension		
Loan Fund - Note 4	715,640	303,205
Accounts receivable - related party - Note 4	100,000	58,595
Accounts receivable - employees	658	2,750
Inventory - Note 1	22,262	25,028
Property and equipment, at cost		
less accumulated depreciation of \$145,015		
(\$138,553 in 2003) - Notes 1 & 2	<u>161,738</u>	<u>160,519</u>
	<u>\$1,394,449</u>	<u>\$1,203,638</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 6,862	\$ 4,424
	<u>6,862</u>	<u>4,424</u>
Total liabilities		
<u>Commitments - Note 5</u>		
<u>Net assets</u>		
Unrestricted		
Operating	1,017,826	963,089
Board designated - Note 6	<u>165,000</u>	<u>165,000</u>
	1,182,826	1,128,089
Temporarily restricted - Note 3	<u>204,761</u>	<u>71,125</u>
Total net assets	<u>1,387,587</u>	<u>1,199,214</u>
Total liabilities and net assets	<u>\$1,394,449</u>	<u>\$1,203,638</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.  
Statements of Activities  
For the Years Ended December 31, 2004 and 2003

	2004	2003
<u>Unrestricted</u>		
Revenue:		
Cooperative program	\$ 223,599	\$ 216,201
Designated contributions	560,955	819,512
Management fees - Note 4	180,000	180,000
Interest income	24,966	29,906
Dividend income	2	4
Gain (loss) on sale of property & equipment	( 392)	1,250
Unrealized gain (loss) on value of investment	( 7,799)	2,264
Net assets released from restrictions:		
Restrictions satisfied by payments	3,092,984	3,322,459
Total revenue	4,074,315	4,571,596
Expenses:		
Administrative expenses	926,594	910,174
Missionary expenses	2,840,081	2,752,765
Missionary land & building	252,903	569,694
Total expenses	4,019,578	4,232,633
Increase (decrease) in unrestricted net assets	54,737	338,963
<u>Temporarily restricted</u>		
Revenue:		
Cooperative program	791,582	849,519
Designated contributions	2,435,038	2,454,942
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	( 2,840,081)	( 2,752,765)
Missionary land & building	( 252,903)	( 569,694)
Increase (decrease) in temporarily restricted net assets	133,636	( 17,998)
Total increase (decrease) in net assets	188,373	320,965
Net assets - beginning of year	1,199,214	878,249
Net assets - end of year	\$ 1,387,587	\$ 1,199,214

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.  
Statements of Cash Flows  
For the Years Ended December 31, 2004 and 2003

	2004	2003
<u>Operating activities</u>	\$ 188,373	\$ 320,965
Increase (decrease) in net assets		
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	19,923	19,355
(Gain) loss on sale of property & equipment	392	( 1,250)
(Gain) loss on value of investment	7,799	( 2,264)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	( 39,313)	( 49,500)
(Increase) decrease in inventories	2,766	( 692)
Increase (decrease) in accounts payable and accrued expenses	2,438	( 7,445)
Net cash provided (used) by operating activities	182,378	279,169
<u>Investing activities</u>	220,891	614,922
Redemption of investments	( 633,328)	( 422,161)
Acquisition of investments	2,300	1,250
Proceeds from the sale of property & equipment	( 23,834)	( 21,322)
Purchases of property and equipment	( 433,971)	172,689
Net cash provided (used) by investing activities		
<u>Financing activities</u>		
Net cash provided (used) by financing activities		
Increase (decrease) in cash and cash equivalents	( 251,593)	451,858
Cash and cash equivalents at beginning of years	632,285	180,427
Cash and cash equivalents at end of years	\$ 380,692	\$ 632,285

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, 2004 and 2003

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 2004.

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, 2004 and 2003.

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, 2004 and 2003

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, 2004 and 2003

Note 2 - Property and equipment

A summary of property and equipment is as follows:

	<u>2004</u>	<u>2003</u>
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	61,645	58,225
Office furniture & equipment	<u>140,108</u>	<u>135,847</u>
	306,753	299,072
Less: Accumulated depreciation	<u>( 145,015)</u>	<u>( 138,553)</u>
	<u>\$ 161,738</u>	<u>\$ 160,519</u>

Note 3 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2004</u>	<u>2003</u>
Missionaries	\$ 201,156	\$ 67,520
Church Extension Loan Fund	<u>3,605</u>	<u>3,605</u>
	<u>\$ 204,761</u>	<u>\$ 71,125</u>

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

Note 4 - 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 (\$180,000 at December 31, 2003) 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 \$715,640 (\$303,205 at December 31, 2003). 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 \$100,000 (\$58,595 at December 31, 2003).

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, 2004 and 2003

Note 5 - 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 (\$50,220 for the year ended December 31, 2003).

Note 6 - Designation of unrestricted net assets

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

Note 7 - Concentration of credit risk

The Board maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2004, the excess amount over the federally insured limit was \$280,692 (\$532,285 in 2003). 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 \$715,640 (\$303,205 in 2003) invested in a demand note of the Church Extension Loan Fund. This note is uninsured.

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, 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.

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, 2004 and 2003

Note 9 - Investments

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

	December 31, 2004		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$144,684	\$ 13,459	(\$ 131,225)

Investment return is summarized as follows:

Net realized and unrealized income (loss) ( 7,799)

	December 31, 2003		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$360,671	\$ 21,256	(\$ 339,415)

Investment return is summarized as follows:

Net realized and unrealized income 2,264

Note 10 - 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 \$36,765 (\$49,752 in 2003). 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**

CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG.  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

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

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

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 2004 and 2003 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*

February 11, 2005

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, 2004 and 2003

	2004	2003
<u>Administrative expenses</u>		
Salaries and wages	\$ 312,731	\$ 295,894
Payroll taxes	12,931	12,627
Housing allowance and employee benefits	97,187	96,545
Retirement	9,917	14,727
Cost of literature	5,019	( 117)
Promotion expense	69,842	69,172
Utilities	13,898	14,062
Office expense	22,502	21,469
Printing and postage	117,154	113,738
Rent expense	50,220	50,220
Professional fees	4,400	4,400
Auto and travel expense	71,515	67,332
Board meeting expense	16,217	17,063
Insurance expense	74,070	74,690
Telephone	3,951	4,908
Together Way Office	1,674	1,970
Scholarships	6,000	
Flowers and gifts	2,401	
Bank service charges	4,789	
Miscellaneous	10,253	32,119
Depreciation	19,923	19,355
Total administrative expenses	<u>926,594</u>	<u>910,174</u>
<u>Missionary expenses</u>		
Salary and wages	2,287,721	2,244,130
Retirement	26,848	34,845
Promotion expense	1,369	183
Printing and postage	95,954	105,887
Literature	78,236	49,550
Auto and travel expense	155,096	121,217
Insurance expense	36,662	39,823
Designated contributions	86,319	95,591
Miscellaneous other expense	71,876	61,539
Total missionary expenses	<u>2,840,081</u>	<u>2,752,765</u>
<u>Missionary land &amp; buildings</u>		
	<u>252,903</u>	<u>569,694</u>
Total expenses	<u>\$4,019,578</u>	<u>\$4,232,633</u>

See accountants' report on supplementary information.

	2004	2005	2006
General Director:			
Salary	\$47,090.04	\$49,693.65	\$51,184.46
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$2,500.00	\$2,600.00	\$2,700.00
Retirement	\$3,254.40	\$3,384.69	\$3,459.22
Insurance *	\$9,055.00	\$10,500.00	\$11,500.00
TOTALS	\$79,899.44	\$84,178.34	\$86,843.68
Office car furnished			
Director of Development:			
Salary	\$32,371.20	\$34,530.05	\$36,213.95
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$2,500.00	\$2,600.00	\$2,700.00
Retirement	\$2,698.56	\$2,806.51	\$2,858.30
Insurance *	\$6,000.00	\$6,500.00	\$7,000.00
TOTALS	\$65,169.76	\$68,036.56	\$70,372.25
Office car furnished			
Director of Missionary Assistance:			
Salary	\$32,371.20	\$34,530.05	\$36,213.95
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$3,400.00	\$3,500.00	\$3,600.00
Retirement	\$2,698.56	\$2,806.51	\$2,858.30
Insurance *	\$12,805.00	\$14,000.00	\$15,000.00
TOTALS	\$72,874.76	\$76,436.56	\$79,272.25
Office car furnished			
Director of Church Growth:			
Salary	\$35,971.20	\$38,130.05	\$39,813.95
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$3,200.00	\$3,300.00	\$3,400.00
Retirement	\$2,698.56	\$2,806.51	\$2,858.30
Insurance *	\$12,805.00	\$14,000.00	\$15,000.00
TOTALS	\$72,674.76	\$76,236.56	\$79,072.25
Office car furnished			
Insurance*: Travel, Life, Health, Dental			

2006 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

2006 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

WARREN, DENNEY & WALLACE

CERTIFIED PUBLIC ACCOUNTANTS  
THE VOLUNTEER BLDG  
SUITE 100  
319 PLUS PARK BLVD  
NASHVILLE, TN 37217-1098  
(615) 366-5100

Partners  
ROBERT RAY WARREN, CPA  
WILLIAM H. DENNEY, CPA  
LARRY BRUCE WALLACE, CPA  
JOEL D. COLLUM, JR., CPA  
JANET W. LEE, CPA

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

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, 2004 and 2003, 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, 2004 and 2003 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*

February 11, 2005

CHURCH EXTENSION LOAN FUND  
Statements of Financial Position  
December 31, 2004 and 2003

	2004	2003
<u>ASSETS</u>		
<u>Assets</u>		
Cash - Note 6	\$ 1,606,704	\$ 1,012,870
Investment in trust		517,272
Notes receivable - Notes 1, 4 & 8	19,600,174	17,229,371
Accrued interest receivable	114,334	100,505
Property and equipment - at cost, less accumulated depreciation of \$16,635 (\$13,835 in 2003) - Notes 1 & 2	9,333	12,133
Total assets	<u>\$21,330,545</u>	<u>\$18,872,151</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable - related party - Note 4	\$ 100,000	\$ 58,595
Accrued interest	106	6,686
Revocable and irrevocable trusts - Note 9	1,636,780	1,637,629
Deferred compensation - Note 10	166,210	216,210
Notes payable - Notes 3, 4 & 8	<u>17,671,063</u>	<u>15,289,730</u>
Total liabilities	<u>19,574,159</u>	<u>17,208,850</u>
<u>Net assets</u>		
Unrestricted	<u>1,756,386</u>	<u>1,663,301</u>
Total net assets	<u>1,756,386</u>	<u>1,663,301</u>
Total liabilities and net assets	<u>\$21,330,545</u>	<u>\$18,872,151</u>

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



CHURCH EXTENSION LOAN FUND  
Statements of Activities  
For the Years Ended December 31, 2004 and 2003

	<u>Unrestricted</u>	
	<u>2004</u>	<u>2003</u>
<u>Operating</u>		
<u>Revenue</u>		
Investment income	\$ 5,700	\$ 21,485
Interest income on notes receivable	1,327,736	1,273,411
Management fee		6,420
Other revenue	<u>18,105</u>	<u>1,555</u>
	<u>1,351,541</u>	<u>1,302,871</u>
<u>Expenses</u>		
Interest expense	916,091	944,681
Office expense	9,775	3,807
Auto and travel	21,821	35,199
Management fee - Note 4	180,000	180,000
Promotion	22,176	12,624
Postage	2,354	2,579
Professional fees	5,090	5,519
Depreciation	2,800	1,867
Build My Church Project expense	50,000	58,000
Transfer to Free Will Baptists Home Missions	<u>150,000</u>	<u>58,595</u>
	<u>1,360,107</u>	<u>1,302,871</u>
Increase (decrease) in operating net assets	( 8,566)	-0-
<u>Build My Church - Note 5</u>		
<u>Revenue</u>		
Designated contributions	101,651	80,022
<u>Expenses</u>	-0-	-0-
Increase (decrease) in Build My Church net assets	<u>101,651</u>	<u>80,022</u>
Total increase (decrease) in net assets	93,085	80,022
Net assets - beginning of year	<u>1,663,301</u>	<u>1,583,279</u>
Net assets - end of year	<u>\$ 1,756,386</u>	<u>\$ 1,663,301</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating activities</u>	\$ 93,085	\$ 80,022
Increase (decrease) in net assets		
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	2,800	1,867
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	( 13,829)	16,440
Increase (decrease) in accounts payable	41,405	46,750
Increase (decrease) in accrued interest payable	( 6,580)	( 11)
Increase (decrease) in deferred compensation	<u>( 50,000)</u>	<u>          </u>
Net cash provided (used) by operating activities	<u>66,881</u>	<u>145,068</u>
<u>Investing activities</u>	( 5,282,810)	( 4,595,606)
Additions to notes and bonds receivable	2,912,007	3,876,128
Collection on notes receivable	( 2,340)	( 1,517,272)
Additions to investment in trusts	519,612	1,000,000
Disbursements from investment in trusts	<u>          </u>	<u>( 14,000)</u>
Purchase of new equipment	<u>( 1,853,531)</u>	<u>( 1,250,750)</u>
Net cash provided (used) by investing activities		
<u>Financing activities</u>	84,096	92,351
Addition to trusts	( 84,945)	( 84,241)
Termination of trusts	4,212,808	2,874,105
Additions to notes payable	( 1,831,475)	( 3,124,142)
Repayment of notes payable	<u>2,380,484</u>	<u>( 241,927)</u>
Net cash provided (used) by financing activities	593,834	( 1,347,609)
Increase (decrease) in cash and cash equivalents	<u>1,012,870</u>	<u>2,360,479</u>
Cash and cash equivalents at beginning of year	<u>\$ 1,606,704</u>	<u>\$ 1,012,870</u>
Cash and cash equivalents at end of year	<u>\$ 1,319,607</u>	<u>\$ 1,311,336</u>
<u>Supplemental disclosures</u>		
Interest received	<u>\$ 922,671</u>	<u>\$ 944,692</u>
Interest paid		

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

CHURCH EXTENSION LOAN FUND  
Notes to the Financial Statements  
December 31, 2004 and 2003

Note 1 - 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 2004 and 2003.

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, 2004 and 2003

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% (7.0% in 2003) 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:

	\$ 1,017,313
2005	1,090,855
2006	1,169,713
2007	1,254,271
2008	1,344,943
2009	<u>13,723,079</u>
Thereafter	<u>\$19,600,174</u>

CHURCH EXTENSION LOAN FUND  
Notes to the Financial Statements  
December 31, 2004 and 2003

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:

	2004	2003
Automobile	\$ 14,000	\$ 14,000
Office equipment	11,968	11,968
	25,968	25,968
Accumulated depreciation	( 16,635)	( 13,835)
	\$ 9,333	\$ 12,133

Note 3 - Notes payable

Notes payable consist of 3 - 5% (3 - 5% in 2003) 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 changes 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 (\$180,000 at December 31, 2003) to reimburse the Board of Home Missions for salary, rent and other expenses paid by the Board. The Fund had accounts payable to the Board of Home Missions in the amount of \$100,000 (\$58,595 at December 31, 2003).

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 \$50,000 (\$58,000 at December 31, 2003) 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 called the Roy Thomas Memorial Fund has begun. When the total amount given through the Roy Thomas Memorial Fund 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 \$1,726,902 (\$1,625,251 at December 31, 2003).

-7-

CHURCH EXTENSION LOAN FUND  
Notes to the Financial Statements  
December 31, 2004 and 2003

Note 6 - Concentration of credit risk

The Fund maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2004, the excess amount over the federally insured limit was \$1,506,704 (\$912,870 in 2003). 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 \$1,394,000 (\$1,094,000 in 2003). Any cash invested under this agreement should, under the terms of this agreement, be collateralized by U.S. Government Securities.

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, 2004 and 2003.

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, 2004 and 2003.

Note 8 - Concentration

Included in notes receivable at December 31, 2004 are twenty-six which total \$10,525,983 (twenty-six loans which total \$9,585,922 in 2003). This balance represents 53.70% (55.64% in 2003) of total notes receivable.

Notes payable include seventy-one notes which total \$11,552,229 or 65.37% (fifty-nine notes which total \$9,424,264 or 61.64% in 2003) of total notes payable. Of these seventy-one (fifty-nine in 2003) notes payable, three total \$1,220,785 or 6.9% (three notes total \$1,168,623 or 7.64% in 2003) 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, 2004 amounted to \$133,798 (\$131,031 at December 31, 2003).

-8-

CHURCH EXTENSION LOAN FUND  
Notes to the Financial Statements  
December 31, 2004 and 2003

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.

### 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 October 25-26, 2004, we sponsored our ninth annual Theological Symposium. It met at Free Will Baptist Bible College in Nashville, Tennessee. 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 2005 will be conducted at Hillsdale Free Will Baptist College in Moore, Oklahoma. It will begin Monday evening, October 24 and go through Tuesday evening, October 25.

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 third issue of *Integrity: A Journal of Christian Thought* will be mailed to our pastors and denominational leaders in the summer of 2005. For this issue, Dr. Paul Harrison served as Editor-in-Chief. Dr. Robert Picirilli served as Associate Editor. We are encouraged by the quality of the papers that we have received and the good response from our people.

For several years we have been sponsoring a seminar at our National Association on areas of concern. This year our seminar will deal with the influence of Francis Schaeffer in helping us understand the times we are facing. It was Francis Schaeffer who, in the 1960s and 1970s, reminded us of the deterioration taking place in Western Culture. It was Schaeffer who pointed out to us that "art reflects worldview." As more of us have become aware of the negative influence of Postmodernism, we have come to realize that it was the "prophetic voice" of Francis Schaeffer that prepared us to understand Postmodernism, even though, the term does not appear in his writings. Dr. David Outlaw is well qualified to speak on Francis Schaeffer. His PhD. dissertation was on Francis Schaeffer and his influence. We are privileged to have Dr. Outlaw conduct this seminar, "The Influence of Francis Schaeffer in Helping Us Understand the 21<sup>st</sup> Century," on Tuesday morning, 10:00 a.m.-12:00 noon in the Hyatt Regency.

We thank you for the privilege of serving you.

In His Service,

Leroy Forlines, Chairman  
Paul Harrison, Secretary  
Daryl Ellis  
Jeff Manning  
Matt Pinson

**2004  
Commission for Theological Integrity  
Financial Report**

<b>Bank Balance - January 1, 2004</b>	<b>\$5,676.38</b>
<b>Commission Income</b>	
The Together Way	\$2,843.84
Interest on Bank Account	6.68
Rest of The Family Offering	43.46
Theological Symposium Papers	545.00
Other Gifts	<u>270.56</u>
<b>Total Commission Income</b>	<b>3,709.54</b>
<b>Journal Income</b>	
Journal Sales	<u>31.00</u>
<b>Total Journal Income</b>	<b>31.00</b>
<b>Total Income</b>	<b>3,740.54</b>
<b>Commission Expenses</b>	
Bookkeeping	400.00
Convention Speaker/Digest of Reports	457.85
Annual Meeting and Symposium Expenses	880.15
Miscellaneous Office Expenses	<u>19.73</u>
<b>Total Expenses</b>	<b><u>1,757.73</u></b>
<b>Bank Balance - December 31, 2004</b>	<b><u>\$7,659.19</u></b>

**2006  
Commission for Theological Integrity  
Budget**

<b>Income</b>	
Gifts	\$500.00
Interest Income	25.00
Theological Symposium Papers	800.00
Together Way Plan	<u>3,000.00</u>
<b>Total Income</b>	<b><u>4,325.00</u></b>
<b>Expenses</b>	
Annual Meeting	1,600.00
Bookkeeping	400.00
Journal Expenses	1,000.00
National Convention	600.00
Office	125.00
Theological Symposium Printing	<u>600.00</u>
<b>Total Expenses</b>	<b><u>\$4,325.00</u></b>

**2005 Historical Commission Report**

The Commission introduced the first in a series of historical pamphlets during the 2004 national convention in Kansas City, Missouri. The pamphlet, "The Washing of the Saints' Feet," has been received well by the denomination. Copies may be ordered from Randall House at a cost of \$25 per 100. Plans to publish a second pamphlet in the historical series will be continued into 2006.

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. That project will proceed after the College completes renovations in Welch Library.

**Financial Report 2004**

Balance on hand, December 31, 2003.....	\$12,087.39
<b>Deposits</b>	
Together Way.....	\$2,687.49
Interest (AmSouth Bank).....	37.25
Total.....	<u>\$2,724.74</u>
<b>Expenditures</b>	
2004 <i>Digest of Reports</i> fee.....	42.95
Joe McKnight (travel).....	953.88
Feet Washing Pamphlet.....	1,830.00
Total.....	<u>\$2,826.83</u>
Balance in bank, December 31, 2004.....	\$11,985.30
Trust Fund at FWB Foundation, December 31, 2004.....	\$22,462.61
<b>Total on hand, December 31, 2004.....</b>	<b><u>\$34,447.91</u></b>

**2006 Budget**

<b>Income</b>	
Gifts (The Together Way).....	\$3,000.00
Interest.....	150.00
Total.....	<u>\$3,150.00</u>
<b>Expenses</b>	
Books, Materials, Labor.....	\$300.00
Pamphlet Project.....	1,800.00
Research Grant.....	300.00
Travel.....	500.00
2005 <i>Digest of Reports</i> fee.....	50.00
Total.....	<u>\$3,150.00</u>

**2005 FREE WILL BAPTIST  
MEDIA COMMISSION REPORT**



For the past several years the Free Will Baptist Media Commission has stated somewhere in its report that it stands at a crossroads in its ministry. After careful and prayerful consideration we have decided it is time to cross that road! We have decided to stop wishing things were different and begin to do what we can, where we are, with what we have. We believe the time has arrived to move forward.

We began this process by looking at our past activities and accomplishments. Past products of the Media Commission, though very well produced, have met with limited economic success. Past projects of the Media Commission have not enjoyed enough denominational wide acceptance to demand that they be continued. We have tried to learn from these lessons.

Then we looked carefully at the Media Commission mission statement- **To advance the cause of Christ, the Media Commission serves churches and denominational agencies by providing access to, and assistance with, professional quality media tools for communication, evangelization, and edification.** - and asked ourselves how we could fulfill that mission.

Finally, we looked at our resources to determine what was financially feasible and found that our present financial balance and our future financial outlook places a serious limit on the Media Commission's ability to launch new products or projects.

Added to these factors is the consensus by the Media Commission members that a centrally located "Media Help Repository" is needed if effective media information is to be available to all of our churches and national agencies. We must have a single place, and eventually a single person, that people can contact for information about the various media opportunities available to our churches.

We begin this process by requesting that any church that has a radio and/or TV program contact the Media Commission via email (info@fwbmedia.com) or regular mail (P O Box 5002 Antioch, TN 37011) and give us the information about your program. We will publish it on our web site- www.fwbmedia.com- and in other venues once we have a fairly complete list. It is our hope that providing such a list will facilitate fellowship and allow the interchange of information among those who are already using this media while at the same time encouraging others to consider such an outreach.

The Media Commission continues to offer our present products which 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, newspaper ad slicks, and a musical collection on cassette, CD, and video of some of our best Free Will Baptists musical talent. They all can be ordered at www.fwbmedia.com

We believe Free Will Baptists have the best doctrine and the best people in the world and we look forward to assisting this great denomination as it reaches more people, in more ways, than ever before.

- Mike Jones, Chairman (SC)
- Doug Kite, Secretary-Treasurer (NC)
- Kevin Norris (MI)
- Monte McKenzie (GA)
- Sandy Goodfellow (TN)

**Media Commission 2006 Budget**

Income:		Expense:	
Together Way .....	\$3000.00	Commission Expense .....	\$1000.00
Designated Gifts .....	\$500.00	Product Production .....	\$2500.00
Services/Sales .....	\$500.00	Convention Expense .....	\$500.00
Total .....	\$4000.00	Total .....	\$4000.00

**2005 Free Will Baptist Music Commission Report**

The Music Commission held its annual meeting at the Free Will Baptist National Offices on January 20-21. Chris Truett presented the following agenda:

1. Evaluate and discuss the 2004 National Convention music.
2. Discuss plans for the reprinting of the *Rejoice Hymn Book*.
3. Plan the entire music program for the 2005 National Convention.
4. Discuss future projects and vision for the commission.

- I. Evaluate and discuss the 2004 National Convention music.
  - A. Met with Executive Secretary Keith Burden who earlier forwarded numerous letters of positive response to the 2004 National Convention music.
  - B. Evaluated the 2004 National Convention music.

- II. Discuss plans for a new hymnal.
  - A. The Executive Committee, with input from the Music Commission, decided to reprint the current *Rejoice Hymn Book* and make it available by the 2005 convention.
  - B. The Music Commission created the *Free Will Baptist Worship Planner* that contains indexes for the *Rejoice Hymn Book*.

- III. Plan the entire music program for the 2005 National Convention.
  - A. Selected worship leaders for 2005 convention.
  - B. Selected choir songs for 2005 convention.
  - C. Selected special music (others to be selected as suggestions were submitted).

- IV. Discuss future projects and vision for the commission.
 

This year's Music Commission project is the *Free Will Baptist Worship Planner*. The planner contains practical and helpful ideas to assist in the organization of a music ministry in the local church, as well as an index to the entire *Rejoice Hymn Book*.

The commission has a heart for helping our local churches in developing their music and worship ministries. Some members are presenting workshops for churches in the area of music and worship.

- V. Conclusion
 

We thank all those who have contributed to the 2005 National Convention music. There are numerous opportunities to participate in the convention music every year. An advanced schedule is printed in the convention issue of ONE Magazine, in the National Convention brochure, and next year we hope to have many other things online. Please make plans to be involved next year and encourage others to use their talents for the Kingdom.

- The Free Will Baptist Music Commission  
 Dr. Randy Sawyer, Chairman  
 Donnie Burke  
 Jerry Carraway  
 Doug Little  
 Chris Truett

Music Commission Financial Statement  
January—December, 2004

Beginning Balance		\$2,747.57
<b>Income</b>		
Together Way Undesignated Co-Op	2,152.28	
Designated Gifts through Executive Office	873.59	
Rest of the Family Offering	36.22	
Bill Gardner Memorial Endowment Fund	20.62	
Music Sales at Convention Booth	997.19	
<b>Total Income</b>		<b>4,079.90</b>
<b>Expenses</b>		
National Convention	1,319.10	
Commission Meeting	652.72	
Pre-Convention Rehearsal Trip	788.77	
FWB Foundation—final loan payment	1,099.03	
Office Expense	44.63	
<b>Total Expenses</b>		<b>3,904.25</b>
<b>Ending Balance</b>		<b>\$2,923.22</b>
<b>2006 Proposed Music Commission Budget</b>		
<b>Income</b>		
Co-Op	\$2,000.00	
Music Sales	1,000.00	
States and Churches	800.00	
<b>Total Income</b>		<b>\$3,800.00</b>
<b>Expenses</b>		
National Convention	1,500.00	
Board Meetings	1,500.00	
Office Expenses	800.00	
<b>Total Expenses</b>		<b>\$3,800.00</b>

STATISTICAL REPORT—Reporting Period 2004

	Associations	Number Reporting	Churches	Number Reporting	City	Rural	Full-Time Pastors	Bivocational Pastors	Baptisms	Reported 2003 Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2004 Membership	Reported 2004 Membership	Combined Income of All Churches
Alabama	13	13	147	145	52	95	74	68	249	15,048	636	275	361	15,409	15,049	2,441,859
Arizona	1	1	5	5	4	1	3	1	10	248	8	11	-3	245	135	341,224
Arkansas	15	15	208	188	92	116	84	95	609	18,695	1,063	717	346	19,041	18,605	12,760,330
Assoc. of Mexico	6	6	36	36	23	13	6	30	14	1,068	30	14	16	1,084	1,068	
California	7	6	56	47	51	5	36	13	284	2,738	115	134	-19	2,719	2,408	
Canada	1	1	10	10	3	7	4	6	9	299	9	14	-5	294	331	224,826
Colorado	1	1	7	5	7		6	1	39	205	32	8	24	229	190	246,772
Florida	9	9	69	66	36	33	37	27	119	5,818	237	198	39	5,857	5,421	1,741,862
Georgia	10	10	118	116	41	77	71	37	238	9,301	523	265	258	9,559	9,476	8,367,643
Hawaii			1	1	1		1			39			0	39		93,202
Idaho	2	2	8	8	8		3	5	13	0	18	18	0	0	312	207,787
Illinois	7	7	43	37	27	16	24	12	108	3,706	165	95	70	3,776	3,408	2,434,417
Indiana	3	3	26	26	20	6	18	10		1,169			0	1,169		
Kansas	2	2	9	8	8	1	4	3	23	370	44	6	38	408	406	152,143
Kentucky	10	10	142	142	42	100	52	90	750	15,793	706	565	141	15,934	15,847	2,105,351
Mid-Atlantic Assoc.	1	1	6	5	3	3	5		7		22	38		191	230,466	
Mexico Assoc.	4	4	22	22	20	2	8	12		0	0	0	0	0	2,233	20,000
Michigan	5	4	43	43	38	5	31	13	257	2,144	306	161	145	2,289	4,266	1,241,195
Mississippi	3	3	49	49	12	37	33	10	165	4,104	323	84	239	4,343	4,062	2,937,898
Missouri	18	18	182	177	89	93	105	70	498	14,563	727	397	330	14,893	11,677	8,332,339
Montana*			2		2					0	0	0	0	0		
New Jersey	2	1	1	1		1	1			60		2	-2	58	58	
New Mexico			3	3	2	1	2			50			0	50		
North Carolina	8	8	182	118	125	57	99	191	143	22,063	1,032	399	633	22,696	10,569	10,200,000
Northeast Assoc.	1	1	4	4	1	3	4		16	250	28	4	24	274	278	
Northwest Assoc.	1	1	6	6	6		2	4	25	239	20	11	9	248	247	260,327
Ohio	19	19	145	142	68	77	61	79	603	9,551	649	459	190	9,741	9,589	4,671,168
Oklahoma	24	24	238	216	162	76	150	69	875	22,563	1,349	542	807	23,370	23,217	18,055,799
Puerto Rico			1	1	1		1			25	2		2	27		
South Carolina	6	6	120	108	50	70	76	21	340	6,505	403	192	211	6,716	6,292	4,133,318
South Dakota*			1		1					0	0	0	0	0		
Tennessee	9	9	215	176	99	116	94	80	507	19,622	923	352	571	20,193	19,046	9,396,104
Texas	6	5	51	47	36	15	31	14	141	2,798	209	90	119	2,917	2,917	2,364,416
Virgin Islands	1	1	1	1	1		1		13	197	2		2	199	199	108,541
Virginia	8	8	93	93	33	60	39	54	189	6,622	373	186	187	6,809	6,021	2,856,548
West Virginia	21	21	173	173	32	141	77	96	530	8,672		392	-392	8,280	8,280	4,174,495
Wisconsin			2	2	2		2		5	58			0	58	67	57,147
<b>TOTALS</b>	<b>224</b>	<b>220</b>	<b>2,425</b>	<b>2,227</b>	<b>1,198</b>	<b>1,227</b>	<b>1,245</b>	<b>939</b>	<b>7,779</b>	<b>194,583</b>	<b>9,954</b>	<b>5,629</b>	<b>4,341</b>	<b>198,924</b>	<b>181,965</b>	<b>100,157,177</b>

\*Did not report

**STATISTICAL REPORT**—Reporting Period 2004

Page 2

	Number of Churches With		Value of Church and Parsonage Property	Ordained Ministers	Licensed Ministers	Deacons	Day Cares	Kindergartens	Christian Day Schools	Bible Institutes	Colleges	Sunday School Enrollment	CTS Enrollment	WNAC Enrollment	Master's Men Enrollment	Value of Associational Property
	Budgets	Parsonages														
Alabama	34	35	12,178,636	219	31	427	6	5	4			6,986	963	651	118	1,088,423
Arizona	4	1	1,849,000	5		2						161	94	33	19	
Arkansas	47	63	67,058,530	304	64	455	6	7	3			10,649	2,285	1,034	286	1,153,811
Assoc. of Mexico		9	858,200	21	10							530		200	90	750,000
California	15	14		89	30	57	3	8	10	2	1	3,754	57	212	97	694,656
Canada	3	3	1,930,000	6	6							234		43		
Colorado	6		5,625,000	9		3						311			8	
Florida	21	37	19,473,151	101	31	116	4	2	1			2,841	531	382	164	
Georgia	32	60	33,706,239	144	26	390	2	2	2			4,840	941	724	154	1,265,000
Hawaii	1	1	548,000	1	1							39			2	
Idaho	5	3		13	2	5	1					247		6		
Illinois	22	12	10,660,400	56	6	90		1	1			1,456	307	182	37	750,000
Indiana																
Kansas	2		1,507,300	11		4						271	30	30	47	
Kentucky	17	4	23,858,720	405	23	374	1		2			7,622	880	550	140	
Mid-Atlantic Assc.	5	2	1,550,000	6		8						92				
Mexico Assc.		5	605,000	11		50						2,233		260		110,000
Michigan	11			71	6	60						2,266	125	348	103	
Mississippi	17	25	10,763,436	63	8	133	1	2	2	1		2,428	504	231	196	
Missouri	55	41	33,001,071	282	40	338	2	1	2	1		6,676	708	581	174	880,581
Montana*																
New Jersey			382,000	2	1							33				
New Mexico				2		2										
North Carolina	72	46	15,284,188	176	50	403	6	9	9	1		13,443	172	843	330	
Northeast Assc.		1		4		3						200	19	23	16	
Northwest Assc.	2		3,675,000	9		3		1	1			187		31	14	
Ohio	37	23	43,448,815	311	30	204		1	1			8,064	155	399	255	
Oklahoma	48	56	90,175,788	409	41	613	4	3	3	1		12,885	3,201	1,364	490	15,350,000
Puerto Rico				1		1										
South Carolina	36	70	27,076,230	202	8	194	4	4	4	4		3,725	264	344	303	1,725,000
South Dakota*																
Tennessee	57	48	108,042,405	377	53	477	4	2	4	3	1	11,676	1,404	1,015	221	
Texas	22	16	16,364,436	57	14	53	1					1,483	97	263	110	
Virgin Islands	1	1	2,350,000	3		2	1	1	1			108	81	10		
Virginia	21	9	27,669,265	179	3	227	1	3	5	1	1	3,797	469	982	111	
West Virginia	31	11	23,200,750	408	18	343	1	3	1			7,231	523	529	57	
Wisconsin	2		736,000	2	1	2						52				
<b>TOTALS</b>	<b>626</b>	<b>596</b>	<b>583,577,560</b>	<b>3,959</b>	<b>503</b>	<b>5,039</b>	<b>48</b>	<b>55</b>	<b>56</b>	<b>12</b>	<b>5</b>	<b>116,520</b>	<b>13,810</b>	<b>11,270</b>	<b>3,542</b>	<b>23,767,471</b>

\*Did not report