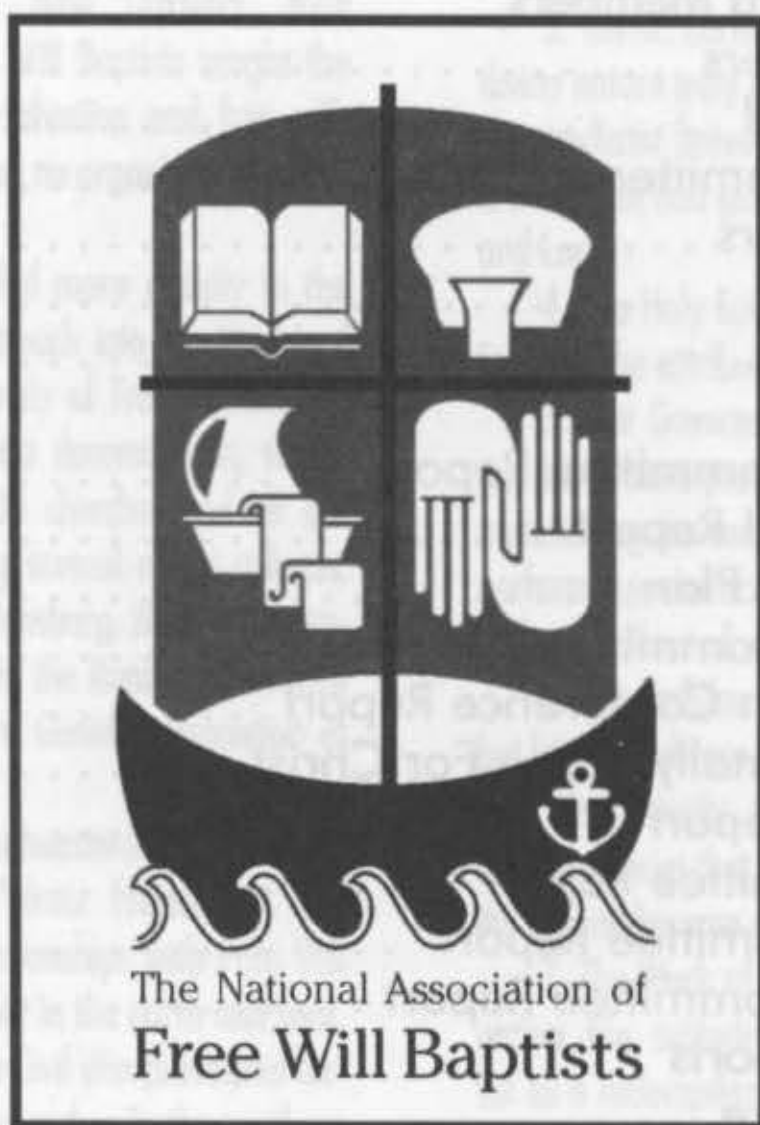


2007

Free Will Baptist Yearbook



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

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Minutes
of the
Seventieth Annual Session
of the
National Association
of
Free Will Baptists, Inc.
when convened in
Birmingham, Alabama
July 16-19, 2006

Future Sessions

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
2016	Kansas City, Missouri	July 17-20

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

2007	2008	2009
Alabama: Rick Cash	Indiana: Chris Clay	North Carolina: Jim Marcum
Arizona: Charles Marshall	Kansas: Zane Brooks	Northeast Dist.: Jim Nason
Arkansas: Tim Campbell	Kentucky: James Patton	Northwest Dist.: A. Darrell Smith
Assn. of Mexico:	Mexico Assn.: Bud Bivens	Ohio: Mike Stokes
Luis Felipe Tijerina	Michigan: Gene Norris	Oklahoma: Ernest Harrison, Jr.
Atl. Canada: Fred Hanson	Mid-Atlantic: Wayne Hale	South Carolina: Mike Jones
California: Millard Sasser	Mississippi: J.L. Gore	Tennessee: Charles Thigpen
Colorado: Mark Thomas	Missouri: Gary Fry	Texas: Keith Woody
Florida: Paul Smith	New Jersey: William Brown	Virginia: Glen Johnson
Georgia: Len Blanchard	New Mexico: Mark Shores	West Virginia: Luther Morgan
Idaho: Earl Jenkins		
Illinois: David Shores		

Executive Committee

Moderator: Tim York, 623 Knollwood Drive, LaVergne, TN 37086
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 52A, Cisne, IL 62823

2007	2008	2009
Tim Campbell (AR)	Gary Fry (MO)	Ernest Harrison, Jr. (OK)
Rick Cash (AL)	J.L. Gore (MS)	Glen Johnson (VA)
Fred Hanson (Atl-Can)	Gene Norris (MI)	Keith Woody (TX)

Board of Trustees of Free Will Baptist Bible College

Chairman: Gene Outland, 14869 N. Rend City Road, Sesser, IL 62884

2008	2010	2012
Bob Bass (TN)	Steve Ashby (OK)	A.C. Allen (SC)
Gene Outland (IL)	Billy Hanna (GA)	Ken Simpson (MO)
Archie Ratliff (NC)	Terry Pierce (MS)	Mark Stripling (AR)

Board of International Missions

Chairman: Danny Williams, 235 Meadowlark Road, Winfield, AL 35594

2008	2010	2012
Jeff Manning (NC)	Sherwood Lee (SC)	Nelson Henderson (AR)
Bill Van Winkle (TX)	Tom McCullough (MI)	Jerry Norris (MO)
David Williford (TN)	Danny Williams (AL)	Randy Wilson (OK)

Board of Home Missions

Chairman: James Puckett, 301 Paxton Court, Norman, OK 73069

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

Board of Retirement and Insurance

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

2007	2009	2011
Bobby Bowers (SC)	Jack Daniel (GA)	Ron Barber (OK)
Craig Cook (TN)	William Ferguson (MI)	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

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

Board of Trustees of the Free Will Baptist Foundation

Chairman: Waymon Fields, P.O. Box 174, Millport, AL 35576

2007	2009	2011
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: Michael Waddell, 2701 Florence Boulevard, Florence, AL 35630

2008	2010	2012
Nuel Brown (CA)	Tim Eaton (OK)	Mark Braisher (MO)
Danny Dwyer (NC)	Tim Owen (FL)	Edwin Hayes (OH)
David Reece (TN)	Michael Waddell (AL)	David Womack (IL)

Commission for Theological Integrity

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

2007 Leroy Forlines (TN)	2010 Craig Shaw (OK)
2008 Matt Pinson (TN)	2011 Paul Harrison (TN)
2009 Steve Ashby (OK)	

Historical Commission

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

2007 Jack Williams (TN)	2010 Darrell Holley (TN)
2008 David Crowe (TN)	2011 Jeff Cockrell (SC)
2009 Robert Picirilli (TN)	

Media Commission

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

2007 Kevin Norris (MI)	2010 Doug Kite (NC)
2008 Sandy Goodfellow (TN)	2011 Monte McKenzie (GA)
2009 Mike Jones (SC)	

Music Commission

Chairman: Chris Truett, 1936 Banks School Road, Kinston, NC 28504

2007 Doug Little (TN)	2010 Chris Truett (NC)
2008 James Stevens (TN)	2011 Donnie Burke (GA)
2009 Daron Dwyer (NC)	

Proceedings

The 70th annual session of the National Association of Free Will Baptists met July 16-19, 2006, at the Birmingham-Jefferson Convention Complex in Birmingham, Alabama. "Opening Our Eyes" was the theme for the meeting. Dean Jones served as convention manager and Chris Truett as music coordinator.

Sunday School – July 16, 2006

Sunday School began at 10:00 a.m. with Jeremy Thomas leading the congregation in singing "Blessed Assurance" and the chorus of "Great Is Thy Faithfulness."

Danny Williams led in prayer and introduced the Sunday School teacher. Jerry Williams taught the lesson from Galatians 3:1-14 on "Faith From First To Last."

Sunday Morning – July 16, 2006

Morning worship began at 11:00 a.m. with Jeremy Thomas leading the congregation in singing "All Hail The Power," "Glorify Thy Name," and "Majesty." Danny Williams welcomed the assembly and called for the offering. The offering was received while Jennifer Morris sang "His Eye Is On The Sparrow." The congregation sang "Praise Him, Praise Him," "I Sing Praises," and "Because He Lives."

Danny Williams introduced the speaker and Jennifer Morris sang "The Midnight Cry." Tim Campbell, Executive Director of the Arkansas State Association, preached from 2 Corinthians 4:1-6 on "Opening Our Eyes To The Lost." The congregation sang "The Church's One Foundation" and the service was dismissed.

Sunday Evening – July 16, 2006

Evening worship began at 7:00 p.m. with the Horne Family providing the call to worship. Josh Baer led the congregation in singing "Oh! The Blood Of Jesus" medley.

William Smith gave a welcome and called for the offering. Paul Creech led in prayer. The congregation then sang "No Other Name," "And Can It Be," and "The Wonderful Cross."

William Smith introduced the speaker and the Faith Trio sang, "They Should Have Cried Holy." Len Blanchard, pastor of Shallowford Free Will Baptist Church in Marietta, Georgia, preached from Genesis 3:1-7 on "Opening Our Eyes To Our Sin." "Just As I Am" was sung as the invitation and the service was dismissed.

Monday Evening – July 17, 2006

The evening worship began with the National YET Team singing, "Our Dwelling Place." Chris Truett led the congregation in singing, "Mighty Is Our God," "I Sing The Mighty Power Of God," and "Blessed Be The Lord God Almighty." The Convention Choir, directed by Donnie Burke, sang "How Great Is Our God." Presider Ernie Lewis welcomed the body and led in prayer. Rick Cash, Promotional Director for the Alabama State Association, gave a welcome and introduced State Representative Scott Beason who gave greetings on behalf of the governor of Alabama. Clerk Randy Bryant called the session to order and introduced the moderator, Tim York. Moderator York appointed the following committees:

Credentials Committee: Charles Thigpen (TN), Chairman
Millard Sasser (CA) Gene Norris (MI)
Jim Marcum (NC) Jim Patton (KY)

Nominating Committee: Tim Eaton (OK), Chairman
Glen Johnson (VA) Len Blanchard (GA)
David Taylor (AR) Terry Pierce (MS)
Keith Woody (TX) Edwin Hayes (OH)

Resolutions Committee: Fred Hanson (Atl.-Can.), Chairman
Danny Thompson (AL) Mike Jones (SC)
Chris Clay (IN) Jim Williams (MO)

Obituary Committee: George Harvey, Jr. (AZ), Chairman
Ed Hutchinson (FL) Jim Cox (WV)
Gene Outland (IL) Jay Baines (Mid-Atlantic)

Ernie Lewis introduced the speaker. The Convention Choir under the direction of Chris Truett sang, "No More Night." The congregation sang, "It Is Well" and "I Will Sing Praise" followed by a testimony by Roy Harris.

David Potete, pastor of Northwest Free Will Baptist Church in Chicago, IL, preached from 2 Kings 6:8-23 on "Opening Our Eyes To The Possibilities." "Wherever He Leads" was sung as the invitation and Ernie Lewis dismissed the service in prayer.

Tuesday Afternoon – July 18, 2006

Moderator Tim York called the business meeting to order at 1:30 p.m. The moderator brought a devotion from Titus 1:3 on "Preaching

The Word" and concluded with prayer.

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

Motion carried to have the Executive Committee bring to the 2007 convention written clarification of exactly who qualifies for the designation of standing delegate as named in Part V, Article III, of the *Treatise* and, if necessary, propose an amendment to the *Treatise* to clarify the designation.

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 reports for the Executive Office and *ONE Magazine*. Auditor Terry Hill gave the financial reports of the office. Motion carried to receive the reports.

Dean Jones was recognized and presented a gift for his tenure as convention manager.

Director Larry Powell gave the Home Missions Department report. Paul McKissick, Ken and Paula Dodson, and Bob and Brenda Lewis were presented plaques in recognition of achieving self-supporting status. Chaplain Tracy Kerr brought greetings on behalf of Free Will Baptist chaplains. Col. Kerry Steedley and his wife, Brenda, brought greetings to the convention and were presented a plaque recognizing their 28 years of service. Motion was carried to receive the report.

Director Ken Akers gave the Master's Men Department report. Motion carried to receive the report.

Director Ray Lewis gave the Board of Retirement and Insurance report. John Brummitt gave the financial report. Motion carried to receive the report.

The clerk read the final report from the General Board. Motion carried to receive the report and act on it item by item.

Motion carried to adopt Item 2 of the General Board report as presented by Executive Administrator Roy Harris.

Motion carried to adopt Item 3 of the General Board report.

Motion carried to adopt Item 4 of the General Board report.

The clerk read the Nominating Committee report for General Board members. Motion carried to receive the report and elect members for terms ending in 2009 and for replacement of Nathan Ruble with the unexpired 2008 term.

The clerk read the Nominating Committee report for Executive Committee members with terms ending in 2009. Ernest Harrison, Jr. (OK), Glen Johnson (VA), and Keith Woody (TX) were elected. Gary Fry (MO) was elected to fill the 2008 unexpired term of Nathan Ruble.

Tuesday Evening – July 18, 2006

The evening worship began at 7:00 p.m. with the Convention Choir singing, "The Days Of Elijah" directed by Doug Little. Bryan Hughes led the congregation in singing, "Wonderful Grace Of Jesus," "You Are My All In All," and "I Worship You, Almighty God."

On behalf of the Music Commission, Chris Truett presented Dr. Randy Sawyer with a gift of appreciation for his years of service.

Ernest Harrison, Jr., welcomed the assembly, introduced the speaker for the service and received the offering. Following prayer by Ernest Harrison, Jr., the Convention Choir, directed by Chris Truett, sang "Jesus, What A Mighty Name." The congregation sang, "He Keeps Me Singing," "I'd Rather Have Jesus" with a solo by Chad Donoho, and "Who Can Satisfy?" The Music Commission Trio sang, "Your Grace Still Amazes Me."

Jim Puckett, Missions Director for the Oklahoma State Association, preached from Luke 24:13-35 on "Opening Our Eyes To The Reality Of Christ." "I Surrender All" was sung as the invitation and the service was dismissed.

Wednesday Morning – July 19, 2006

The business session began with the Assistant Moderator William Smith reading from John 15:1-5.

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

Director Ron Hunter gave the Sunday School and Church Training Board report. Clarence Lewis gave the financial report. Jeff Crabtree and Dennis Wiggs were presented plaques in recognition of their service on the Sunday School and Church Training Board. Kiki Hill (VA) was recognized as the "CLEAR Teacher of the Year." Motion carried to receive the report and adopt the budget.

Motion was made to change the name from "The Sunday School and Church Training Board and Randall House Publications of the National Association of Free Will Baptists, Inc." to "Randall House Publications of the National Association of Free Will Baptists, Inc." Motion carried to table the name change.

Edwin Hayes (OH), David Womack (GA), and Mark Braisher (MO) were elected to the Board.

Director James Forlines gave the International Missions Department report. Rob Conley gave the financial report. Motion carried to receive the report. Milton Worthington was presented a plaque in recognition of his service to the board. Randy Wilson

(OK), Jerry Norris (MO), and Nelson Henderson (AR) were elected as board members.

President Matthew Pinson gave the Free Will Baptist Bible College report. Tom Sass gave the financial report. Gary Fry, outgoing board chairman, Col. Mark Johnson, and Dr. Melvin Worthington shared their perspectives on the relocation plans.

Greg Ketteman and Gary Fry were presented plaques in recognition of their service on the college board. Motion carried to receive the report.

Motion carried to make the following changes to the Free Will Baptist Bible College Charter and By-Laws:

Section IV, #1, Line 3. Strike "Treasurer," and insert "Vice President for Financial Affairs."

Section IV, #2, Line 2. After "President," strike "Academic Dean, Dean of Students and Treasurer/Assistant Secretary." Insert the following titles so that after "President" the list now reads "Provost, Vice President for Student Services and Dean of Students, Registrar, Vice President for Institutional Planning, Vice President for Institutional Advancement, and Vice President for Financial Affairs/Assistant Secretary."

Section IV, #5, Line 1. Strike "Academic Dean," and insert "Provost." After "President," strike "Academic Dean" and insert "Provost."

Section IV, #6, Lines 1 and 2. Strike "Dean of Students," and insert "Vice President for Student Services and Dean of Students."

Section IV, #7, Line 1. Strike "Academic Dean," and insert "Provost."

Section IV, #7, Line 3. Strike "Academic Dean," and insert "Provost."

Section IV, #8, Line 1. Strike "Treasurer/Assistant Secretary," and insert "Vice President for Financial Affairs/Assistant Secretary."

Section IV, #8, Line 1. Strike "Treasurer," and insert "Vice President for Financial Affairs."

Section IV, re-number beginning with #9. The new #9 with a new paragraph will be "Vice President for Institutional Planning." The new #10 with a new paragraph will be "Vice President for Institutional Advancement." This section will now have 13 items.

Section IV, #9. Insert new paragraph. "Vice President for Institutional Planning. Under the supervision of the President, the Vice President for Institutional Planning shall be an advisor to the President. He will work with the Provost to expedite long-range plans for the college concerning accreditation and professional organizations. He will also supervise records, registration, and general academic information."

Section IV, #10. Insert new paragraph. "Vice President for Institutional Advancement. Under the supervision of the President, the Vice President for Institutional Advancement shall give leadership in the areas of denominational relations and fundraising. He is responsible for representing the college at denominational meetings, and for informing the Free Will Baptist constituency of the state of the college. As the primary fundraiser, he is responsible for developing and coordinating a planned program of fundraising that is sufficient to meet the financial needs of the college."

Section IV. Change old numbers 9, 10, and 11 to numbers 11, 12, and 13.

Section IV. #13. Last paragraph. Revise to read, "Such staff may include, but are not necessarily limited to Director of Public Relations, Director of Enrollment Services, and Comptroller."

Section V, 1.B. Strike "Academic Dean, Dean of Students," and insert "Provost, Vice President for Student Services and Dean of Students."

Section V, #3, Line 3. Strike "manifest," and insert "manifested."

Section V, #4, Line 2. Strike "Academic Dean," and insert "Provost."

Section V, #5, Line 1. Strike "Academic Dean," and insert "Provost."

The following were elected to the Bible College Board of Trustees: 2008 – Bob Bass (TN); 2012 – Ken Simpson (MO), A. C. Allen (SC), and Mark Stripling (AR).

Wednesday Afternoon – July 19, 2006

The afternoon business session began with Ernie Lewis reading from Hebrews 12:1-4.

Chris Truett gave the Music Commission report. Randy Sawyer was presented a plaque in appreciation for his 13 years of service on the commission. Motion carried to receive the report. Daron Dwyer (NC) was elected to the 2009 unexpired term and Donnie Burke (GA) was elected to the 2011 term.

Mike Jones gave the Media Commission report. Motion carried to receive the report. Monte McKenzie (GA) was elected to the 2011 term on the commission.

Leroy Forlines gave the Commission for Theological Integrity report. Motion carried to receive the report. Motion carried to adopt the following resolution on marriage as presented by the commission:

*Whereas Free Will Baptists have historically respected the authority of Scripture in matters of marriage,
And whereas the scriptural view of marriage is under assault by the current secular culture,*

And whereas both Scripture and nature as designed by God affirm the union of one man and one woman in a one-flesh relationship,

Be it therefore resolved that the National Association of Free Will Baptists, in its seventieth annual session, reaffirm that:

The biblically sanctioned one-flesh union is the sole and beautiful context of the divine plan for the marital relationship of man and woman as image-bearers of God, as well as the foundation for the family as the basic, divinely ordained unit of human society.

Violations of this one-flesh union, whether heterosexual, homosexual, premarital, or extramarital, contravene the divine plan for the family and the conception and rearing of children, bringing spiritual despair and guilt and death to individuals and cultures.

Paul Harrison (TN) was elected to the Commission for Theological Integrity for the term to expire in 2011.

Jack Williams gave the Historical Commission report. Motion carried to receive the report. Jeff Cockrell (SC) was elected to the 2011 term on the commission.

Ron Hunter gave the NYC report. Marcus Brewer demonstrated the TruthQuest competition event. Motion carried to receive the report.

Marjorie Workman gave the WNAC report. Motion carried to receive the report.

The clerk gave the registration report. Motion carried to receive the report.

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

The clerk read the Obituary Committee report. Motion carried to receive the report. The body stood in memory of those listed and Roy Hutchinson led in prayer.

The clerk read the Resolutions Committee report. Motion carried to receive the report and act on the resolution by giving the Alabama State Association a rising vote of thanks.

The clerk read the final Nominating Committee report. The following were elected:

Moderator – Tim York (TN)

Assistant Moderator – William Smith (GA)

Clerk – Randy Bryant (FL)

Assistant Clerk – Ernie Lewis (IL)

Motion carried to adjourn. Tim York dismissed in prayer.

Wednesday Evening – July 19, 2006

The evening worship service was preceded by a video presentation on Impact Birmingham. The service began with the Men's Chorale, directed by Daron Dwyer, singing "Shout To The North." Presider Rick Cash, welcomed the body and introduced Paul Bryant, director of "Operation Renovation." On behalf of the youth of Alabama, Paul presented a check for \$47,000 to missionary Mike Corley for renovation of a camp in Russia.

Bruce Kimbrel led the congregation in singing, "Revive Us Again" and "Jesus Saves." Home and international missionaries were introduced. Larry Powell and James Forlines led in a commissioning service for new missionaries. Executive Secretary Keith Burden prayed the commissioning prayer. The Convention Choir, directed by Daron Dwyer, sang, "Go Into The World." The missions offering was received following prayer by Jaime Lancaster. Rick Cash introduced the speaker. Dr. Richard Hendrix, pastor of Madison Free Will Baptist Church, Madison, AL, preached from Matthew 9:35-38 on "Opening Our Eyes To The Harvest." "Here Am I, Send Me" was sung as the invitation. The service concluded with the choir presenting a "Finale Medley" under the direction of Chris Truett.

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.

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.

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

From the following local churches entitled to be represented by one delegate: Hawaii, Puerto Rico, Virgin Islands and Wisconsin.

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

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

Charles Thigpen (TN), Chairman

Gene Norris (MI)

James Patton (KY)

Millard Sasser (CA)

Jim Marcum (NC)

General Board Report

The General Board of the National Association of Free Will Baptists met on Monday, July 17, 2006, at the Birmingham Jefferson Convention Complex, Medical Forum Auditorium, in Birmingham, Alabama. As a result of this meeting, we offer the following recommendations:

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

We recommend the adoption of the Disaster Relief Plan from the Disaster Relief Task Force.

Based on a request from the Northern Quarterly of the Cumberland Association in Tennessee, we recommend a committee

of Keith Burden, Tim York, Randy Riggs, David Crowe, and Ken Akers investigate the condition of the facilities and property of the First Free Will Baptist Church of America in New Durham, New Hampshire, and bring a report with recommendations regarding the National Association's potential role with assistance to the 2007 convention. We further recommend the National Association authorize the solicitation of funds for immediate repairs.

We recommend Kansas City, Missouri, for the July 17-20, 2016, convention.

Disaster Relief Plan

1. The National Association will:
 - Create a channel for receiving and disbursing disaster relief funds.
 - Gather disaster information and communicate it to the denomination as quickly and accurately as possible.
 - Serve as a point of contact between disaster needs and available disaster responders. (A list of responder services will be compiled and kept by the Executive Office.)
2. Cooperation between States and the National Association
 - Each state is asked to appoint a "contact person" who can provide accurate information about the severity of disasters and needs within his state.
 - Names of those "contact persons" selected should be given to the Executive Office to be included in a national list of Contact Personnel.
 - This person would be responsible for connecting those in need with available disaster resources.
3. Disaster Identification
 - Hurricanes, Floods, Tornadoes, Earthquakes, Wildfires, Terrorist Attacks, Etc.
4. Disaster Mobilization
 - Notification of a disaster must be received.
 - The disaster must impact Free Will Baptists or be of such magnitude that a response by Free Will Baptists is appropriate.
 - A request for disaster assistance must be received from a state leader (i.e., State Promotional Director, State Moderator, or state appointed Contact Person).
5. Disaster Response

How it will work:

- A disaster occurs.
- It is identified as a national disaster through the established criteria.
- A channel for giving is made available via the NAFWB website directly to the Executive Office. Any money received for disaster relief will be placed directly into an account that has been established for that purpose.
- A request for assistance is made by a state leader.
- Funds will be sent to the state. The state will best know how and where the money should be used and can establish lines of accountability for those on the local level to whom funds are disbursed.
- Monies remaining after requests for financial assistance have been honored will remain in the disaster relief account and be in place for use in future disaster relief efforts.
- It is not our goal to control or impede the efforts of other Free Will Baptists who are involved in disaster response or relief. Our goal will be to enhance those efforts by creating a network of available disaster relief/response services and connect those who need these services with those who may provide them.
- This plan is a work in progress and will change as we learn through experience.
- Our Free Will Baptist people are compassionate and giving people. The purpose of this plan is to have a basic framework in place to enable our people to become involved in helping others in times of national disasters.

Nominating Committee Report

Free Will Baptist Bible College Trustees

2008 Replacing Greg Ketteman (TN)	Bob Bass (TN)
2012 Replacing Richard Barnes (VA)	Ken Simpson (MO)
Replacing Gary Fry (MO)	Mark Stripling (AR)
Replacing A.C. Allen (SC)	A.C. Allen

International Missions Board

2012 Replacing Randy Wilson (OK)	Randy Wilson
Replacing Jerry Norris (MO)	Jerry Norris
Replacing Milton Worthington (NC)	Nelson Henderson (AR)

Sunday School and Church Training Board

2012 Replacing Edwin Hayes (OH)	Edwin Hayes
Replacing Dennis Wiggs (NC)	David Womack (GA)
Replacing Jeff Crabtree (Atl-Can)	Mark Brashier (MO)

Commission for Theological Integrity

2011 Replacing Paul Harrison (TN) Paul Harrison

Historical Commission

2011 Replacing Joe McKnight (SC) Jeff Cockrell (SC)

Media Commission

2011 Replacing Monte McKenzie (GA) Monte McKenzie

Music Commission

2009 Replacing Randy Sawyer (NC) Daron Dwyer (NC)
2011 Replacing Donnie Burke (GA) Donnie Burke

General Board

2008 Missouri (replacing Nathan Ruble) Gary Fry
2009 North Carolina (replacing Jim Marcum) Jim Marcum
Northeast Assn. (replacing Jim Nason) Jim Nason
Northwest Assn. (replacing Darrell Smith) A. Darrell Smith
Ohio (replacing Mike Stokes) Mike Stokes
Oklahoma (replacing Ernest Harrison, Jr.) Ernest Harrison, Jr.
South Carolina (replacing Mike Jones) Mike Jones
Tennessee (replacing Charles Thigpen) Charles Thigpen
Texas (replacing Keith Woody) Keith Woody
Virginia (replacing Glen Johnson) Glen Johnson
West Virginia (replacing Carl Vallance) Luther Morgan

Executive Committee

2008 Replacing Nathan Ruble (MO) Gary Fry (MO)
2009 Replacing Ernest Harrison, Jr. (OK) Ernest Harrison, Jr.
Replacing Glen Johnson (VA) Glen Johnson
Replacing Keith Woody (TX) Keith Woody

General Officers

Moderator: Replacing Tim York (TN) 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:

Rick Cash (AL), Chairman
Ron Helms (MI) Paul Smith (FL)
Ken Simpson (MO) Mike Jones (SC)
Ernest Harrison, Jr. (OK) Tim Hall (KY)

National Youth Conference Report

Services have seen the hand of God work through the messages, music, and the response. On Tuesday evening the altar call alone lasted 40 minutes as teens were responding and making decisions for Him. We have over 3500 registered for this year's NYC. Entries have continued to climb each year in participation in

competition. The last three years stack up this way, 2004 – 1640, 2005 – 1697, and this year 2006 we had 1732 participants. We had 95 entries in the signing (Sign Language) category alone. Some asked how it is going so smoothly, I have replied that God is in control and working through an incredible team of coordinators. When you want excellence, you surround yourself with excellence and that is what our coordinators strived for coming into this convention.

NYC Competition Coordinator/Event Coordinator – Danny Conn
NYC Service Coordinator – Charles Cook
Truth & Peace Coordinator – Allen Pointer
National YETeam – Angie Deel
Reach That Guy – Aaron Baker & Terry Mosley

We introduced last year the Buck A Week missions offering and challenged the teens to begin to redefine how missions could be funded a generation from now. This program did not get the attention it needed through the year for promotion and therefore this year's offering was a bit lower than the potential teens have. This year we collected \$8,297.05. This is going to be an ongoing partnership with International Missions and Home Missions combining efforts with Randall House to see what we can do to raise significant unplanned dollars for missions. The program allows the two missions agencies to highlight featured designated areas that the dollars will be allocated toward each year. A significant portion of these dollars will be placed into endowments to create permanent gift giving opportunities for years to come. I believe that if every teen participates and we do this for twenty years, it will forever alter our course in missions giving. A Buck A Week DVD was produced to help promote the offering for 2007. Contact Randall House Publications for a free DVD for your church.

T&P (Truth & Peace Student Leadership Conference)

Tremendous year for Truth and Peace, they had a staff that challenged their depth and leadership for God. These young people help run the convention and go back to their churches stronger and more spiritually confident.

National YETeam (Youth Evangelistic Team)

This year's team seemed to have an unusual chemistry of cohesion. They traveled with their program to five states for ten services. The National YETeam is selected from top winners or number 1 ratings of music and drama competition.

Reach That Guy

Reach That Guy has been providing service opportunities to our

youth and their youth leaders as well as adults for nearly 8 years. Each year around a thousand volunteers go out into the community where our convention is held to do service projects, evangelism outreach, and improve the community. This year we had 940 participants each doing two to eight hours of volunteer service.

NSCWC (National Students and Children's Workers Conference)

It will be held September 29 and 30 just outside of Branson, Missouri, in a place called Rocky Mount (the Lake of the Ozarks) where you will find a retreat atmosphere unlike anywhere else. Jonathan McKee will be the featured speaker. You can register online for this event.

Miscellaneous

I would like to feature and show one competition item that many of our churches are unaware exists. This is a Bible competition that works for all churches especially when you do not have a team for tic-tac-toe or Bible bowl. It is a single person event with an electronic board presenting information about our denomination in categories of knowledge such as doctrine, home missions, international missions, Old Testament, New Testament, etc. This is based upon the game show Jeopardy. Marcus Brewer will demonstrate.

Summary

This year has gone so smoothly. God gets all the credit.

Minutes
of the
Seventy-First Annual Session
of the
**Women Nationally
Active For Christ
Convention**
of the
**National Association
of
Free Will Baptists**
when convened in
**Birmingham, Alabama
July 17-18, 2006**

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

Executive Committee

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Debe Taylor
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Executive Secretary-Treasurer

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

Theme: Set Your Hearts
Scripture: Deuteronomy 32:46
Music Coordinator: Carolyn Hendrix
Worship Leader: Jane Brazil
Pianists: Liz Hester & Danielle McCraney
Organist: Carolyn Hendrix

Proceedings

WNAC Seminar

Monday, July 17

"Set Your Hearts Toward Home" was the title of the one-hour seminar for women on Monday afternoon. Presenter Jennie Blair challenged us to set our hearts on all God's words and teach them to our children. Debe Taylor served as presider for the seminar.

"Intrigue Your Heart" was the title of the second one-hour seminar. Presenter Angie Outlaw sparked our interests as she demonstrated ways of teaching missions to children. Marjorie Workman served as presider for the seminar.

Business Session

Tuesday, July 18

Women Nationally Active for Christ met Tuesday morning, July 18, 2006, at 8:30 a.m., in the Birmingham Jefferson Convention Complex, East Hall 2-3, Birmingham, Alabama. President Debe Taylor presided over the meeting. The session opened with congregational singing. Shirley Jackson, member at large, opened the session in prayer. Alabama WAC State President Carolyn Hendrix welcomed the convention to the state of Alabama. The convention enjoyed the 2005 Russian E-Team puppet presentation.

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

Programs

First: Traveling Light – Amanda Kilgore, Greeneville, TN
Second: God's Good Clouds – Cheryl Akers, Jacksonville, FL
Third: God's Makeover – Sue Winchester, St. Louis, MO

Plays/Skits

First: The Cross – Diane Bridgman, Grifton, NC
Second: Past, Present, Future Fashion Show – Karen Ferguson, Houston, TX
Third: Through Miriam's Eyes – Vicki Turner, Carterville, MO

Photography

First: The Lord God Made Them All – Rebekah Plunkett, Pleasant View, TN
Second: Trees of the Field – Rebekah Plunkett, Pleasant View, TN
Third: He Maketh Me Lie Down in Green Pastures – Kay Brown, Charleston, AR

Art

First: Come O Holy Spirit Come – Kay Brown, Charleston, AR
Second: A Christmas Snow at the Old Country Church – Janice D. Jones, Smithfield, NC
Third: Haven of Rest – Kay Brown, Charleston, AR

Devotional

First: I Almost Missed You – Patricia Collins, Asheville, NC
Second: Intimacy in Worship – Jamie Myers, Lebanon, MO
Third: Spiritual Offspring – Michelle Williams, Raytown, MO

Poetry

First: My Dreams for Isabella – Freeda M. Lucas, Cromona, KY
Second: The Juggling Act – Jamie Myers, Lebanon, MO
Third: Seasons of My Soul – Jamie Myers, Lebanon, MO

Articles

First: Salvation Through the Pig Pen – Pamela S. Hackett, Boiling Springs, SC
Second: Gold, Silver, Precious Stones – Jean Perry, Durham, NC
Third: Pebbles – Charlcie Boyd, Ashland City, TN

The Credentials Committee (Chairperson Rebecca Pugh, TN; June Hersey, AL; Linda Harvey, AZ) submitted the following report:

The following 19 state conventions submitted reports and paid membership fees: 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 convention submitted reports and paid membership fees: First Arizona and New Mexico.

The following five local groups with no district or state convention submitted reports and paid membership fees: First Topeka, Kansas; St. Croix, Virgin Islands; Tri-Cities, Washington; Cheyenne, Wyoming; Valley, Utah.

In addition, there were 31 delegates from local groups in good standing with their representing higher body (district or state) that paid their \$10 representation fee.

Motion carried to accept the report and seat the delegates.

Marjorie Workman gave the Executive Secretary-Treasurer's report. She reported that a new promotional booklet has been printed that covers all you want to know about WNAC. She explained the WNAC national project. Christmas Joy envelopes would be used to raise the necessary funds to provide Christmas gifts for orphaned children in Central Asia. She announced that the Central Asian trip to distribute the gifts was scheduled for January. The team consists of ten women. The goal is to supply 5000 gift boxes at \$15 each.

Mrs. Workman thanked the convention for their continued support through membership fees. She explained that one benefit for members would be a discounted price for the Branson Retreat. She directed the convention's attention to the *Digest of Reports*, page 182, for WNAC's audit which states the office finished the year in the black.

Mrs. Workman encouraged the convention to increase giving to the Cleo Pursell Foreign Student Scholarship fund so there would be more money available for students.

Mrs. Workman revealed the new 2007 program and plan book, *Farther Still*. Sarah Fletcher, *Colaborer* editor, presented a PowerPoint presentation "Set Your Hearts Toward Tomorrow" to introduce and promote the new program changes. Beginning in 2007, the program cycle will shift from January through December to September through August. To implement the change *Farther Still* will be an eight-month Bible Study on prayer written by Mrs. Lorene Miley. Sarah also introduced another change – the ending of *Colaborer* magazine and the beginning of *Together With God*.

Motion carried to accept the report and adopt the Budget for 2007.

Diana Bryant, FL, Chairperson, presented 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:

Cote d'Ivoire: \$750 for training for Pastor Silas and his wife in the area of family counseling.

Cuba: \$750 for the students at the Cedars of Lebanon Seminary in Pinar del Rio, Cuba.

South India: \$1,000 for the students attending the Volena Wilson Bible Institute.

Russia: \$500 to help the Bible Institute ministry in Chelyabinsk and Krasnodar.

Mexico: \$1,500 for Seminary of the Cross in Reynosa to be used for student scholarships.

Motion carried to adopt Item #1.

Item #2: We recommend that the WNAC Emphasis month be changed from August to May with Mother's Day to be designated as WNAC Emphasis Offering Sunday, beginning in May 2007.

Motion carried to adopt Item #2.

Item #3: We recommend that the guidelines listing those eligible to receive items from the Provision Closet be expanded to include our Bible Institutes and other Foreign and National Ministries with disbursements to be made based on request from the Regional Directors of International Missions or the General Director of Home Missions.

Motion carried to adopt Item #3.

Item #4: We recommend that since TV programming has

become so offensive, we contact the networks and ask them not to air programs containing immorality, nudity, and alternate lifestyles, especially during prime time viewing. We recommend that letters be sent not only from our National Agency, but also from State, District, and local women's groups. We also encourage contact be made by individual women.

Motion carried to adopt Item #4.

Those serving on this committee were Diana Bryant, FL, Chairperson; Amy Johnson, IL; Jan Clay, IN; Khristi Shores, NM; Tracy Payne, OK.

Jonda Patton, Chairperson, presented the Appreciation Committee Report. We, the appreciation committee, want to recognize the WNAC Executive Committee and the WNAC staff for their efforts in making this year successful for WNAC as they have directed and led us to "Set Our Hearts." Also, we recognize their efforts in coordinating the 71st annual session of Women Nationally Active for Christ. Further, we recognize our hostesses, the Alabama Women Active for Christ, for their year of planning, preparation, and prayer for our convention. We truly feel welcome and their hospitality has been gracious. Additionally, we recognize all of our musicians, our presenters, and our speakers for both our seminars on Monday and for our services today. Our hearts have been blessed and encouraged by the things we have seen and heard. Therefore, we recommend that all of these people be highly commended for their combined efforts in making this year's WNAC convention a tremendous success and that they be given a rising vote of appreciation.

Those serving on the committee were: Jonda Patton, KY, Chairperson; Dot Gore, MS; Anne Worthington, NC.

Motion carried to adopt the Appreciation Committee's report.

The Registration Committee Chairperson, Belinda Adaire, AR, gave a partial report as follows:

Number of persons registered:

WNAC National Officers (Standing Delegates) - 6

State Presidents (Standing Delegates) - 11

State Field Workers (Standing Delegates) - 9

State Delegates (Elected Delegates) - 119

Local WNAC Delegates (paying \$10 representation fee) - 31

Total Delegates - 176

Non-Voting Attendees:

Visitors - 709

Missionaries (U.S. & International) - 33

Grand Total Registered - 918

Those serving on this committee were Belinda Adaire, AR, and Terra Smith, GA.

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

10:30 A.M Missionary Service

Jane Brazil, WNAC worship leader, called the assembly to worship with congregational singing. A special time of prayer was led by Dr. Mary Wisehart remembering those women who have gone on to heaven. Shirley Jackson challenged the attendees to give generously to the morning offering, then prayed the offertory prayer. Rachel Williams provided special music. Missionary speakers, Steve and Becky Riggs, were introduced by President Debe Taylor. They shared the need to "Set Our Hearts" to become enlarged and our eyes opened to be able to see outside our own people group; and that the most important thing about our ministries is Christ. They shared a PowerPoint presentation about the people and work in France and challenged the congregation to pray for the work in France.

Debe Taylor gave the congregation an opportunity to give through an "Out the Door - Open Bible" offering to help fund the Cleo Pursell Student Scholarship Fund.

Fellowship Luncheon

Tuesday, July 18, 2006

12:00 - 2:00

The Fellowship Luncheon was held in the Sheraton Ballroom. Guest speaker Icy Mae Fredericks from Fultondale, Alabama, spoke of her obedience to the Lord as He directed her to help the people in Haiti. She shared with the audience some of the difficulties she experienced while serving in Haiti and at the age of 88 she still continues to serve the Lord among the Haitians.

State Presidents and Field Workers Reception

A reception for state presidents and field workers was hosted by the WNAC staff in the Sheraton Meeting Room #428 following the Tuesday evening service of the National Association.

Synopsis of the Minutes of WNAC Executive Committee Meeting

Sunday, July 16, 2006

The Executive Committee met in the Sheraton Meeting Room #430 in Birmingham, Alabama. Members present were: Debe

Taylor, Rebecca Pugh, Phyllis York, Linda Harvey, Shirley Jackson, Carolyn Hendrix and Marjorie Workman. President Debe Taylor called the meeting to order. Linda Harvey read from 2 Chronicles 7:14 and shared devotional thoughts. An overview of the scheduled events pertaining to the 71st Annual Session of WNAC were reviewed. Honorarium for the Ridgecrest Retreat speaker was set. Motion carried to send recommendations on to the WNAC convention. Tentative plans were discussed for the Little Rock, Arkansas, convention and plans for the Branson Retreat were updated. The committee approved providing an opportunity to give to the Student Scholarship Fund by having an "Open Bible Offering" at the door after the mission service on Tuesday.



2006 WOMEN NATIONALLY ACTIVE FOR CHRIST REPORT

Marjorie Workman, Executive Secretary-Treasurer

SET YOUR HEARTS (Deuteronomy 32:46)

This year's theme challenges us to set our hearts to the obedience of God's Word so that we may draw near to His heart.

ENCOURAGE YOUR HEART IN BIRMINGHAM

We are meeting for our 71st WNAC annual convention here in Birmingham, AL. Members of E-Team Russia 2005 will show how they used puppets in ministry. Missionaries Steve and Becky Riggs will challenge us to set our hearts to win the world for Christ. Seminars by Jennie Blair and Angie Outlaw will offer ideas and principles for the unique challenges of teaching and parenting in today's postmodern world. Ikey Mae Frederick, WNAC Fellowship Luncheon speaker, will share her amazing story of God's provision for her ministry in Haiti. This year's convention will give attendees opportunities to Impact Birmingham with the love of Christ through door to door visitation, prayer walks, and kindness evangelism.

THE HEART OF LAST YEAR'S CONVENTION

Last year's convention delegates increased the Laura Belle Barnard Foreign Student Scholarships from \$3,000 to \$3,500 to be disbursed as follows:

1. \$1,250 to Robert and Philippe in Cote d'Ivoire;
2. \$950 for the five students at the Volena Wilson Bible Institute in Conoor, Tamil Nadu, South India
3. \$500 to students at the Cuban Cedars of Lebanon Seminary.
4. \$800 for a student at the Seminary of the Cross, in Reynosa, Mexico.

Also, delegates voted to increase membership fees (dues) from \$10 to \$15 per member. Local delegate fees to the WNAC Convention increased from \$5 to \$10.

ENLARGE YOUR HEART FOR THE WORLD

Join us in sharing Christmas Joy with children in Central Asia. Each \$15 gift will provide a Christmas box containing a children's Bible, t-shirt, warm socks, toothbrush, toothpaste, soap, pencils and a notebook, instant chocolate drink, fruit tea, cookies, chocolate and other candies and a stuffed animal.

SET YOUR HEART FOR GROWTH

A total of **19 states** and **two districts** (with no state organization) **plus four local groups** (with no district or state organization) reported a total of 6254 members last year. Since January of this year we have had **14 new groups** interested in organizing.

Subscribe to and read **CoLaborer** magazine. It is written with Free Will Baptist women on our hearts. Articles are relevant, informative, and inspiring.

THANK YOU FOR YOUR GENEROUS HEART

Thank you for sharing in the ministry of WNAC. Your partnership in this Kingdom work will reap eternal rewards. You gave more than \$500,000 to missions or missions-related causes last year. Your gifts and the volunteer services of Mrs. Wanda Powell made it possible for WNAC to operate in the black—to God be the glory.

SET YOUR HEART TO ATTEND AND/OR PRAY FOR:

2006 NATIONAL RETREAT RIDGECREST, NC, SEPTEMBER 21-23

Missionary Lynette Morgan Will Challenge Your Heart

2007 NATIONAL RETREAT BRANSON, MO, FEBRUARY 22-24

Guest Gail MacDonald Will Stir Your Heart

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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, 2005 and 2004, 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, 2005 and 2004 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 6, 2006

WOMEN NATIONALLY ACTIVE FOR CHRIST (An Auxiliary of the National Association of Free Will Baptists) Statements of Financial Position December 31, 2005 and 2004

ASSETS

	2005	2004
Cash	\$244,612	\$238,339
Accounts receivable - Note 1	11,694	11,483
Inventory - Note 1	5,446	5,904
Notes receivable, net of allowance for doubtful accounts of \$2,333 (\$1,357 in 2004)	6,263	1,870
Accrued interest receivable	1,951	1,770
Property and equipment at cost, less accumulated depreciation of \$21,369 (\$37,391 in 2004) - Notes 1 & 2	7,012	5,832
Total assets	\$276,978	\$265,198

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$29,268	\$39,469
Deferred revenue - Note 7	41,014	41,563
Total liabilities	70,282	81,032
Commitments - Notes 4 & 9		
Net assets		
Unrestricted - (deficit)	(2,785)	(18,488)
Temporarily restricted	190,613	184,796
Permanently restricted	18,868	17,858
	206,696	184,166
Total liabilities and net assets	\$276,978	\$265,198

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, 2005 and 2004

	2005	2004
<u>Unrestricted</u>		
Revenue and other support:		
Dues and fees	\$ 62,440	\$ 66,065
Designated contributions	375,932	345,465
Magazine and literature sales	92,041	107,422
Convention and retreat income	31,541	20,504
Gifts and offerings	72,046	77,274
Interest income	7,326	6,620
Rent income	3,564	3,240
Gain (loss) on value of investment	1,370	1,988
Net assets released from restrictions:		
Satisfaction of program restrictions	6,336	23,529
Total revenue and other support	<u>652,596</u>	<u>652,107</u>
Expenses:		
Salaries and wages	99,726	119,818
Payroll taxes and employee benefits	23,167	30,634
Cost of magazine and literature printing	37,354	44,387
Travel and promotion	1,896	2,800
Conventions and retreats	34,309	22,498
Office expense	12,898	13,568
Postage	3,622	3,807
Rent expense	27,060	24,600
Professional fees	10,850	3,510
Administrative expense	300	304
Depreciation	1,556	1,648
Bad debts	976	(328)
Insurance expense	929	974
Dues and subscriptions	52	16
Special projects	5,166	23,196
Continuing education	50	
Designated contributions	<u>376,982</u>	<u>345,479</u>
	<u>636,893</u>	<u>636,911</u>
Increase (decrease) in unrestricted net assets	<u>\$ 15,703</u>	<u>\$ 15,196</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, 2005 and 2004
(Continued)

	2005	2004
<u>Temporarily restricted</u>		
Gifts and offerings	\$ 11,922	\$ 10,437
Interest income	231	920
Net assets released from restrictions:		
Satisfaction of program restrictions	(6,336)	(23,529)
Increase (decrease) in temporarily restricted net assets	<u>5,817</u>	<u>(12,172)</u>
<u>Permanently restricted</u>		
Gifts and offerings	<u>1,010</u>	<u>672</u>
Increase in permanently restricted net assets	<u>1,010</u>	<u>672</u>
Total increase in net assets	<u>22,530</u>	<u>3,696</u>
Net assets - beginning of year	<u>184,166</u>	<u>180,470</u>
Net assets - end of year	<u>\$206,696</u>	<u>\$184,166</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, 2005 and 2004

	2005	2004
<u>Operating activities</u>		
Increase in net assets	\$ 22,530	\$ 3,696
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,556	1,648
Bad debts	976	(328)
Loss on disposition of property & equipment	62	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(211)	(2,417)
(Increase) decrease in inventory	458	6,185
(Increase) decrease in accrued interest receivable	(181)	335
Increase (decrease) in accounts payable	(10,201)	6,739
Increase (decrease) in deferred revenue	(549)	(4,511)
Net cash provided by operating activities	<u>14,440</u>	<u>11,347</u>
<u>Investing activities</u>		
Collection of loans receivable	631	455
New note made	(6,000)	
Purchases of property and equipment	(2,798)	(555)
Net cash used by investing activities	<u>(8,167)</u>	<u>(100)</u>
Increase in cash and cash equivalents	6,273	11,247
Cash and cash equivalents at beginning of years	<u>238,339</u>	<u>227,092</u>
Cash and cash equivalents at end of years	<u>\$244,612</u>	<u>\$238,339</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, 2005 and 2004

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 2005 and 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 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, 2005 and 2004

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.

WOMEN NATIONALLY ACTIVE FOR CHRIST
 (An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
 December 31, 2005 and 2004

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

Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required for accounts receivable. Management considers the notes receivable that are overdue to be only partially collectible and accordingly has recorded an allowance for doubtful accounts in the amount of \$2,333 (\$1,357 in 2004).

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:

	2005	2004
Equipment	\$ 28,381	\$ 43,223
Less: Accumulated depreciation	(21,369)	(37,391)
	<u>\$ 7,012</u>	<u>\$ 5,832</u>

Note 3 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2005	2004
Student Loan	\$ 99,202	\$ 98,986
Foreign scholarship	3,408	5,381
Provision Closet	76,543	67,763
Free Will Baptist Bible College Mission House	11,460	12,666
	<u>\$190,613</u>	<u>\$184,796</u>

Permanently restricted assets are restricted to:

Endowment Trust	<u>\$ 18,868</u>	<u>\$ 17,858</u>
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WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2005 and 2004

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 \$27,060 (\$24,600 for the year ended December 31, 2004).

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 \$3,815 (\$5,252 in 2004). 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, 2005 and 2004, the cash deposits were fully insured.

The Organization also has \$187,823 (\$185,077 in 2004) on deposit with the Free Will Baptist Foundation. These funds are uninsured.

Note 7 - Deferred revenue

Deferred revenue resulted from magazine subscriptions received for 2006 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.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of the National Association of Free Will Baptists)
Notes to the Financial Statements
December 31, 2005 and 2004

Note 8 - Fair values of financial instruments (Continued)

Notes receivable: Based on current interest rates, the carrying value approximates the fair value of the notes receivable at December 31, 2005 and 2004.

Note 9 - Commitments

The Organization entered into a lease for office equipment. The lease began on November 1, 2005, and will expire on October 31, 2008. The lease has a fixed monthly payment of \$165. The lease expense for 2005 was \$330.

Future minimum rental payments required are as follows:

<u>Year ended December 31</u>	<u>Amount</u>
2006	\$1,982
2007	1,982
2008	1,651
Total	<u>\$5,615</u>

Note 10 - Correction of an error

The Organization determined that revenue and expenses related to the Provision Closet program should have been classified as temporarily restricted net assets rather than unrestricted net assets. The Organization also determined that interest earned on investments of the Student Loan Program should be classified as unrestricted net assets rather than temporarily restricted net assets. This correction was made by restating the temporarily restricted net assets and the unrestricted net assets at the beginning of 2004 and by restating the 2004 temporarily restricted revenue and unrestricted revenue. As a result, temporarily restricted net assets increased \$18,051 and unrestricted net assets decreased \$18,051 at the beginning of 2004 and 2004 temporarily restricted revenue decreased \$402 and unrestricted revenue increased \$402. There was no effect on the total increase in net assets for 2004.

2005 TOP TEN CONTRIBUTORS TO WNAC

GENERAL FUND

1. Tennessee	\$8,644.87
2. Missouri	\$5,655.35
3. Arkansas	\$3,359.48
4. North Carolina	\$3,164.86
5. Kentucky	\$3,160.00
6. Alabama	\$2,647.00
7. Georgia	\$2,360.55
8. Oklahoma	\$1,624.75
9. Arizona	\$1,575.00
10. Ohio	\$1,052.82

EMPHASIS OFFERING

1. North Carolina	\$1,625.38
2. Tennessee	\$1,357.00
3. Missouri	\$ 900.48
4. Arkansas	\$ 888.05
5. Kentucky	\$ 610.00
6. Alabama	\$ 479.86
7. Georgia	\$ 425.00
8. South Carolina	\$ 422.00
9. Oklahoma	\$ 376.00
10. Virginia	\$ 146.34

PER CAPITA GIVING

1. Arizona	\$49.22
2. Tennessee	\$23.05
3. Kentucky	\$14.12
4. Missouri	\$13.66
5. Indiana	\$10.67
6. Washington	\$ 8.34
7. Alabama	\$ 8.25
8. North Carolina	\$ 7.41
9. Georgia	\$ 6.99
10. Arkansas	\$ 5.63

2005 CASH AND NON-CASH GIFTS TO MISSIONS/MISSIONARY OBJECTIVES

Cash Gifts Sent Through WNAC	\$501,878.67
Sent Direct to International Missions	\$ 37,959.50
Sent Direct to Home Missions	\$ 15,598.32
Provision Closet (Non-Cash)	\$ 38,515.36
TOTAL	\$593,951.85

WNAC RECEIPTS 2005

STATES	General Fund	Dues	Faith Promise	Emphasis	Provision Closet	Intern'l Missions	Home Missions	State Programs	Children's Homes	Colleges	Student Loan Fd	Foreign Student Scholars	Mission Objectives	Rest of Family	Endowm	TOTAL
AL	2,647.00	3,140.00	15.00	479.86	85.00	2,985.97	4,966.46	16,369.57	2,207.39	468.00	185.00	123.00	652.50	150.00	100.00	34,574.75
AZ	1,575.00	350.00	50.00			1,026.13	420.00							15.00		3,436.13
AR	3,359.48	7,290.00	405.00	888.05	609.00	4,854.95	9,504.63	16,422.60	398.25	435.00	160.00	50.00				44,376.96
CA	561.31	1,550.00		20.00	115.00	5,296.09	2,578.54	60.00	540.00	1,647.98	10.00					12,378.92
CAN						50.00					158.30					208.30
FL	351.00	1,270.00				2,931.00	20.00	3,820.00	748.50						100.00	10,189.50
GA	2,360.55	3,940.00	1,010.00	425.00	380.00	10,398.63	2,421.00	9,770.29	630.00		98.30	151.75		30.00		31,615.52
IL	569.98	1,670.00	75.00	63.95		979.00	74.00		30.00							3,461.93
IN	330.65	540.00			277.31	6,888.00	50.00									8,085.96
KS		165.00					100.00									265.00
KY	3,160.00	2,550.00		610.00	260.00	21,743.90	10,299.50		5,313.82	20.00						43,957.22
MD															15.00	15.00
MI	460.00	2,560.00		25.00	1,466.50	1,704.08	3,469.75		338.45							10,023.78
MS	192.00	1,610.00			275.00	1,621.00	2,929.00	30.00	835.00						500.00	7,992.00
MO	5,655.35	4,910.00	370.00	900.48		10,100.94	7,320.74		1,463.05	526.65	144.90	280.00	160.00	50.00	85.00	31,967.11
NM	51.20	120.00				451.25	105.35									727.90
NC	3,164.86	5,870.00	150.00	1,625.38	425.50	32,664.77	11,390.23	340.00	1,970.00	5,845.56	245.00	75.00	100.00			63,866.30
OH	1,052.80	1,920.00			160.00	6,257.78	3,434.67	4.86	440.00							13,270.11
OK	1,624.75	7,810.00	150.00	376.00	1,139.05	4,935.22	3,491.05		888.68		35.00	100.00		190.00		20,639.75
SC	368.30	5,030.00		422.00	1,594.55	55,632.87	5,092.42	270.00	2,501.00	1,097.00	231.50	289.00	1,468.00			73,996.64
TN	8,644.87	4,630.00	1,173.98	1,357.00	802.50	15,988.71	4,483.80		1,262.05	986.00	92.00	720.28	50.00	211.50	20.00	40,422.69
TX	431.65	1,810.00	40.00	50.00	30.00	525.50	875.00		610.00	200.00						4,572.15
UT		105.00														105.00
VI		90.00														90.00
VA	669.20	1,610.00		146.34	302.00	4,407.32	7,819.21		745.00	54.00		25.00	220.00	20.00		16,018.07
WA	50.00	70.00														120.00
WV	20.00	1,340.00			340.00	4,030.07	20.00									5,750.07
WY		90.00														90.00
Ref/Conv	2,891.22															15,373.66
Rest Fam	2,543.66															2,543.66
Totget Way	1,744.69															1,744.69
TOTAL	44,479.52	62,040.00	3,438.98	7,395.06	9,204.41	204,165.37	84,555.60	47,087.32	20,921.19	11,280.19	1,360.00	1,814.03	2,650.50	476.50	1,010.00	501,878.67

2007 WNAC SALARY BREAKDOWN

	2006	2007
Executive Secretary-Treasurer		
Salary	\$ 41,485.00	\$ 42,728.00
Social Security/Medicare	\$ 3,234.63	\$ 3,331.55
Retirement	\$ 2,114.14	\$ 2,136.40
Insurance	\$ 6,305.00	\$ 5,575.00
Travel/Life	\$ 225.00	\$ 225.00
Hospital	\$ 5,730.00	\$ 5,000.00
Dental	\$ 350.00	\$ 350.00
Christmas Bonus	\$ 797.80	\$ 821.70
Total Salary and Benefits	\$ 53,936.57	\$ 54,592.65
Executive Assistant		
Salary	\$ 31,067.00	\$ 32,310.00
Social Security/Medicare	\$ 2,422.33	\$ 2,496.30
Retirement	\$ 1,583.22	\$ 1,615.50
Insurance	\$ 6,255.00	\$ 5,525.00
Life	\$ 175.00	\$ 175.00
Hospital	\$ 5,730.00	\$ 5,000.00
Dental	\$ 350.00	\$ 350.00
Christmas Bonus	\$ 597.44	\$ 621.35
Total Salary and Benefits	\$ 41,924.99	\$ 42,568.15
Editor		
Salary	\$ 27,146.00	\$ 28,389.00
Social Security/Medicare	\$ 2,116.61	\$ 2,213.52
Retirement	\$ 830.04	\$ 1,182.93
Insurance	\$ 6,255.00	\$ 5,525.00
Life	\$ 175.00	\$ 175.00
Hospital	\$ 5,730.00	\$ 5,000.00
Dental	\$ 350.00	\$ 350.00
Christmas Bonus	\$ 522.04	\$ 545.95
Total Salary and Benefits	\$ 36,869.69	\$ 37,856.40
Bookkeeper		
Salary	\$ 10,400.00	\$ 10,400.00
Social Security/Medicare	\$ -	\$ -
Retirement	\$ -	\$ -
Insurance	\$ -	\$ -
Life	\$ -	\$ -
Hospital	\$ -	\$ -
Dental	\$ -	\$ -
Christmas Bonus	\$ 200.00	\$ 200.00
Total Salary and Benefits	\$ 10,600.00	\$ 10,600.00
Grand Total of Salary and Benefits	\$ 143,331.25	\$ 145,617.20

(Editor's hospital insurance [\$5,000.]) is presently not a WNAC incurred expense.)

WOMEN NATIONALLY ACTIVE FOR CHRIST 2007 PROPOSED BUDGET

	2006	2007
Estimated Income:		
General Fund Offering	\$ 50,000.00	\$ 50,000.00
Convention Offering	\$ 3,500.00	\$ 3,000.00
Convention Expense Gift	\$ 12,000.00	\$ 12,000.00
Delegate Fees	\$ 300.00	\$ 200.00
Dues	\$ 70,000.00	\$ 80,000.00
Interest Income	\$ 3,000.00	\$ 4,000.00
Literature Sales	\$ 22,000.00	\$ 14,500.00
Magazine Subscriptions	\$ 90,000.00	\$ 80,000.00
Miscellaneous	\$ 5,500.00	\$ 1,088.00
Rest of the Family Offering	\$ 3,000.00	\$ 3,000.00
Emphasis Offering	\$ 14,000.00	\$ 9,500.00
Postage & Handling		\$ 1,000.00
Together Way		\$ 2,000.00
Endowment Trust Interest		\$ 1,000.00
Convention Luncheon Tickets		\$ 9,000.00
Travel Income		\$ 1,000.00
Total Income	\$ 273,300.00	\$ 271,288.00
Estimated Expense:		
Salaries	\$ 110,098.00	\$ 113,827.00
Employee Benefits	\$ 33,233.25	\$ 31,790.20
Payroll Tax Expense	\$ 7,773.57	\$ 8,041.37
Employee Retirement	\$ 4,527.40	\$ 4,934.83
Health, dental, life insurance	\$ 18,815.00	\$ 16,625.00
Christmas Bonus	\$ 2,117.28	\$ 2,189.00
Insurance: General & Workers' Comp.	\$ 2,000.00	\$ 1,000.00
Legal and Professional Services	\$ 4,800.00	\$ 5,500.00
Convention Expense	\$ 20,000.00	\$ 20,000.00
Executive Committee Expense	\$ 5,000.00	\$ 5,000.00
CoLaborer Magazine Expense	\$ 38,500.00	\$ 36,600.00
Mailing	\$ 3,500.00	\$ 3,000.00
Writers	\$ 500.00	\$ 600.00
Printing	\$ 30,000.00	\$ 30,000.00
Postage	\$ 4,500.00	\$ 3,000.00
Miscellaneous Expense	\$ 368.75	\$ 470.80
Office Rent	\$ 28,600.00	\$ 28,600.00
Office Supplies and Materials	\$ 4,000.00	\$ 6,000.00
Phone	\$ 3,500.00	\$ 3,000.00
Postage	\$ 4,000.00	\$ 3,500.00
Printing	\$ 5,500.00	\$ 4,000.00
Service Contracts	\$ 4,000.00	\$ 4,000.00
Subscriptions	\$ 200.00	\$ 200.00
Travel and Promotion	\$ 4,000.00	\$ 2,500.00
Continuing Education	\$ 2,000.00	\$ 1,800.00
Equipment (additions and repairs)	\$ 3,000.00	\$ 3,000.00
Special Projects	\$ 500.00	\$ 500.00
Total Expenses	\$ 273,300.00	\$ 271,288.00

Registration Report

The 2006 Birmingham Convention registered the following:

National Convention	3,439
International Missionary	35
Home Missionary	62
Licensed Minister	42
Local Church Delegate	10
Visitor	2,361
State Delegate	78
Ordained Minister	616
Ordained Deacon	130
Board/Commission Member	51
Personnel	54

National Youth Conference	3,527
NYC Visitor	1,685
NYC Personnel	102
NYC Child Visitor	185
Preschool Worship	106
NYC Grades 1-3	297
NYC Grades 4-6	344
NYC Grades 7-8	271
NYC Grades 9-12	537

Women Nationally Active For Christ	953
WNAC Visitor	727
Local WNAC Delegate	33
WNAC Missionary	35
WNAC National Officer	6
WNAC State Delegate	124
WNAC State Field Worker	10
WNAC State President	11
WNAC Personnel	7

Total Unduplicated Attendance: 5,913

Budget Committee Report

The National Association of Free Will Baptists, Inc., has approved in this convention these budgets for 2007:

Executive Office (Includes:)	\$ 782,862.00
Administrative	\$ 463,962.00
Convention	318,900.00
Free Will Baptist Bible College	6,173,364.00
(Includes \$1,300,000.00 in unrestricted gifts)	
Free Will Baptist Foundation	430,264.00
Home Missions	4,800,000.00
International Missions	7,598,041.00
Master's Men	144,747.00
Retirement and Insurance	492,063.34
Sunday School and Church Training	4,207,000.00
Commission for Theological Integrity	4,025.00
Historical Commission	3,100.00
Media Commission	3,600.00
Music Commission	5,025.00
TOTAL	\$ 24,644,091.34

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%
TOTAL	100.0%

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

Arkansas

Justin Barnett, deacon
John Barrick, minister
Thomas Holliman, deacon
Herman Jennings, deacon
Glenn Jones, minister
Eugene Marston, minister
M.C. Parrish, minister
Avaugh Vaughn, minister
Clarence Woodrome, deacon

Georgia

O.B. Ebenson, deacon
R.D. Folsom, deacon
Jack Lysaker, home missionary
Ted Myers, deacon
Bill Robinson, minister
Carlis Wilson, deacon
Rudy Woods, minister
Warren Wyatt, minister

Illinois

James Butcher, minister
Hall Cherry, deacon
Denzil Cockrum, deacon
Dennis Maynard, deacon
Leon McBride, minister
Rollie Smith, deacon

Indiana

Kenneth Robins, minister

Mississippi

Lynn Columns, deacon
George Culver, deacon
Bobby Hargett, deacon
William E. Jones, deacon
Alvin Lambert, deacon
Kelly Terry, deacon
Charles Walden, deacon

Missouri

Paul Ambro, minister
Marion Bailey, deacon
Edward Climer, minister
Paul Kitch, minister
J.W. King, minister
Fred Oxendine, deacon

North Carolina

Lester House, deacon
Milton "Bill" Pratt, deacon

Ohio

Dr. Calvin Evans, minister

Oklahoma

Tony Adams, minister
Wilmont Chamberlain, deacon
Howard Gage, minister
Louis Maxwell, minister
Charles Pendergrass, deacon

South Carolina

Johnnie Bullman, minister
Richard Conyers, minister
Haywood Drew, minister
Neil Harrelson, minister
Cornelius (Neal) Harting, minister
Ernest Lawson, minister
Marshall Nichols, minister
LaVerne Poston, deacon

Tennessee

Terry Boyd, minister
Ronald Creech, minister
Glen Hall, minister

Virginia

Clarence Fortner, minister
Thomas Slemph, minister

West Virginia

Arley Joe Ball, minister
Joe Bryant, deacon
Forest Cooper, minister
Everet Mills, minister
William Sandy, minister
Hubert Stevens, deacon

Obituary Committee:

George Harvey (AZ), chairman
Jay Baines (Mid-Atlantic)
Jim Cox (WV)
Ed Hutchinson (FL)
Gene Outland (IL)

Resolutions Committee Report

WHEREAS, the Alabama State Association has done an excellent job in preparing for and hosting the 70th session of the National Association of Free Will Baptists, therefore be it

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

Respectfully submitted,

Resolutions Committee:

Fred Hanson (Atl-Can), Chairman
Danny Thompson (AL)
Mike Jones (SC)
Chris Clay (IN)
Jim Williams (MO)

Reports

The Executive Secretary's Report 2005

Three years ago the Executive Office faced extraordinary challenges. At that time I outlined bold, drastic measures to address those challenges and expressed confidence in the denomination's ability and willingness to help. Looking back we know the appropriate steps were taken and you have proven our confidence was well-placed.

- As of March 2006, the Executive Office is officially out of debt! Through the sacrificial efforts of my staff and the consistent, generous support of our churches and states, the office closed 2005 in a strong financial position. The majority of our support comes through cooperative giving. We appreciate everyone who supports the Executive Office.
- *ONE Magazine* continues to meet with widespread approval among Free Will Baptists. Thanks to the leadership of Eric Thomsen and his editorial team, the quality of the publication continues to improve with each issue. A brief report of the magazine, its financial statement and proposed budget will be presented separately.
- *The Free Will Baptist Hymn Book: Rejoice* has been reprinted and is now available through Randall House. Copyright and royalty issues have been resolved. Revenue for royalties has been set aside and is available for advance payment.
- The 2005 Leadership Conference registration was one of the highest ever. Attendees consistently gave the program high marks. Dates for the 2006 conference are December 4-5 at the Millennium Maxwell House Hotel in Nashville.
- To date, six regional Building Kingdom Stewards seminars have been conducted featuring Dr. Stan Toler. Others are scheduled. These are made possible through the combined efforts of the FWB Foundation, Randall House and the Executive Office. Interest in the Forward in Faith capital campaign program is increasing.
- The Executive Office received more than \$206,000 in disaster relief contributions in 2005. A recommendation will be presented during this convention for a contingency plan that will help coordinate future relief efforts.
- Dean Jones' tenure as convention manager comes to a close at the end of this meeting. We are indebted to him for his leadership and years of service as a meeting planner.
- On May 1, 2006, Roy Harris assumed duties as Executive Administrator. He will serve as convention manager and assist the office in expanding services that aid local congregations and pastors.

The Executive Office has moved from being *reactive* to our circumstances to being *proactive* to new challenges and opportunities. We exist to serve FWB churches and promote the ministry of each national agency. Thank you for the honor and privilege to represent Christ and you.

Your Partner in Ministry,

Keith Burden
Executive Secretary

Statistical Summary 1991 - 2005						
Year	Beginning Membership Totals	Baptisms	Members Added	Members Lost	Net Increase	Ending Membership Totals
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
2005	303,891	7,779	9,954	5,629	4,325	308,216
Totals		133,837	183,068	96,385	86,683	

Tracking The Together Way Totals					
	Designated		Co-op		Total
1999	3,066,552.21	2.06%	676,020.36	11.13%	3,742,572.57
	82%		18%		3.59%
2000	3,289,076.32	7.26%	708,470.54	4.80%	3,997,546.86
	82%		18%		6.81%
2001	3,170,082.84	-3.62%	736,040.45	3.89%	3,906,123.29
	81%		19%		-2.29%
2002	3,253,772.40	2.64%	738,744.13	0.37%	3,992,516.53
	81%		19%		2.21%
2003	3,515,300.09	8.04%	770,780.99	4.34%	4,286,081.08
	82%		18%		7.35%
2004	3,631,305.92	3.30%	782,642.76	1.54%	4,413,948.68
	82%		18%		2.98%
2005	3,946,786.84	8.69%	813,333.89	3.92%	4,760,120.73
	83%		17%		7.84%

HHH Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

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

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

We have audited the accompanying statements of financial position of Executive Office of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 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 Executive Office's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Executive Office of the National Association of Free Will Baptists, Inc. as of December 31, 2005 and 2004, 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

April 27, 2006

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

Statements of Financial Position

December 31, 2005 and 2004

		2005	2004
Assets			
Current assets:			
Cash and cash equivalents		\$ 207,845	197,984
Funds held by Free Will Baptist Foundation		-	1,937
Receivables:			
Hymnal sales		5,846	1,068
Other departmental and agency charges		261	3,007
Total receivables		6,107	4,075
Inventory, at lower of cost (first-in, first-out method) or market		14,545	28,356
Prepaid expenses		14,376	12,679
Total current assets		242,873	245,031
Fixed assets:			
Office equipment and furniture		128,535	128,535
Automobile		8,220	-
Less accumulated depreciation		136,755	128,535
Net fixed assets		129,781	126,813
		6,974	1,722
		\$ 249,847	246,753
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		\$ 2,186	17,968
Note payable		-	91,953
Convention revenues collected in advance		30,000	49,596
Relief contributions payable to beneficiaries		14,721	-
Total current liabilities		46,907	159,517
Net assets:			
Executive Office		220,564	182,260
Net investment in equipment		6,974	1,722
Special Projects		71,927	67,404
Convention Fund		(96,525)	(164,150)
Total net assets		202,940	87,236
		\$ 249,847	246,753

See accompanying notes to financial statements.

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

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2005 and 2004

	Executive Office	Special Projects	Convention Fund	2005 Totals	2004 Totals
Revenues:					
The Together Way Plan Disbursed to agencies and departments	\$ 4,760,120 (4,374,875) 385,245	- - -	- - -	4,760,120 (4,374,875) 385,245	4,413,948 (4,042,773) 371,175
Subscriptions to Contact Magazine	-	-	-	-	65,428
Sales of hymnals	-	29,756	-	29,756	35,411
Gifts and offerings	1,704	-	8,636	10,340	11,315
Investment earnings (losses)	-	-	-	-	2,733
Convention fees	-	-	310,138	310,138	322,922
Other income	8,758	931	22,086	31,775	19,225
Total revenues	395,707	30,687	340,860	767,254	828,209
Cost of hymnal sales:					
Beginning inventory	-	28,356	-	28,356	50,447
Other costs	-	7,834	-	7,834	7,943
Total cost of inventory	-	36,190	-	36,190	58,390
Less ending inventory	-	14,545	-	14,545	28,356
Cost of hymnal sales	-	21,645	-	21,645	30,034
Gross profit	395,707	9,042	340,860	745,609	798,175
Expenses of operations:					
Executive Office	352,151	-	-	352,151	348,712
Contact Magazine	-	-	-	-	103,369
Special Projects	-	4,519	-	4,519	32,746
Convention Fund	-	-	273,235	273,235	268,527
Total expenses	352,151	4,519	273,235	629,905	753,354
Increase in net assets	43,556	4,523	67,625	115,704	44,821
Net assets, beginning of year	183,982	67,404	(164,150)	87,236	63,415
Net assets, end of year	\$ 227,538	71,927	(96,525)	202,940	87,236

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended December 31, 2005 and 2004

	Executive Office	Special Projects	Convention Fund	2005 Totals	2004 Totals
Expenses of operations:					
Salaries	\$ 110,421	330	34,279	145,030	163,594
Housing allowance	20,000	-	-	20,000	49,000
Employee fringe benefits and health insurance	27,208	-	722	27,930	43,573
Payroll taxes	10,371	25	1,969	12,365	15,946
Travel	17,257	-	36,057	53,314	38,577
Executive Committee and General Board	2,340	-	5,334	7,674	17,751
Office rental	32,881	-	-	32,881	29,892
Depreciation	2,968	-	-	2,968	3,351
Legal and audit	3,099	-	2,268	5,367	6,529
Equipment maintenance	-	-	-	-	-
Supplies, office expense	4,794	69	4,105	8,968	22,844
Printing and promotion	4,395	-	36,104	40,499	108,479
Postage / mail services	902	6	262	1,170	18,912
Telephone	2,446	-	251	2,697	2,440
Writer's fees	-	-	-	-	1,833
Auditorium and other convention services	-	-	146,475	146,475	133,799
International Fellowship	240	-	-	240	240
Educational Task Force	-	-	-	-	6,937
The Together Way Plan	147	-	-	147	139
Auto and copier leases	9,969	-	-	9,969	18,858
Auto lease cost for former Executive Secretary	-	-	-	-	13,357
Severance compensation for Executive Assistant	-	-	-	-	16,777
Church directory	-	425	-	425	1,341
Publications Committee	-	-	-	-	1,186
Interest expense	164	364	2,471	2,999	6,166
Tempo Music bad debt	-	-	-	-	21,509
Building Kingdom Stewards Seminars	-	3,270	-	3,270	-
Support to One Magazine	100,000	-	-	100,000	-
Other	2,549	30	2,938	5,517	10,324
Total expenses	\$ 352,151	4,519	273,235	629,905	753,354

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Increase in net assets	\$ 115,704	44,821
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	2,968	3,351
(Increase) decrease in:		
Receivables	(2,032)	24,511
Inventories	13,811	22,091
Prepaid expenses	(1,697)	(7,679)
Increase (decrease) in:		
Convention revenues collected in advance	(19,596)	4,687
Deferred subscription revenues	-	(18,902)
Relief contributions payable to beneficiaries	14,721	-
Accounts payable and accruals	(15,782)	(39,418)
Net operating activities	108,097	33,462
Cash Flows from Investing Activities		
Funds held by Free Will Baptist Foundation transferred to One Magazine	-	(21,000)
Purchase of automobile from lease	(8,220)	-
Net investment in funds held by Free Will Baptist Foundation	1,937	16,453
Net investing activities	(6,283)	(4,547)
Cash Flows from Financing Activities		
Proceeds from debt	8,220	-
Repayments of debt	(100,173)	25,362
Net financing activities	(91,953)	25,362
Increase in cash and cash equivalents	9,861	54,277
Cash and cash equivalents, at beginning of year	197,984	143,707
Cash and cash equivalents, at end of year	\$ 207,845	197,984
Supplemental disclosures:		
Interest paid	\$ 12,747	-

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2005 and 2004

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 7)

Fixed Assets

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 2004 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 \$10,845 and \$24,656 at December 31, 2005 and 2004, 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 \$6,181 in 2005 and \$10,969 in 2004. 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 \$9,969 in 2005 and \$41,872 (including purchase of lease vehicles for former employees) for 2004. The minimum annual payments required are \$4,744 for 2006, 2007, 2008; and \$3,558 for 2009.

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 \$32,881 in 2005 and \$29,892 for 2004. Annual office lease expense will increase to \$33,479 in 2006.

(5) Note payable

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

	2005	2004
6.5% note payable, for payment of royalties on hymnals	\$ -	24,591
7% note payable, for cash shortfall of previous conventions	-	67,362
	\$ -	91,953

(6) One Magazine of the National Association of Free Will Baptists

The denomination began the publication - One Magazine - during the year to combine the publications of certain Free Will Baptist agencies and organizations. One Magazine is funded by contributions from each of these agencies and organizations. The Executive Office provided \$100,000 as their share of the funding requirement during 2005.

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

(7) **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, 2005 as compared to 2004 totals.

Receipts:	2005			2004
	Designated	Cooperative	Total	Total
Alabama	\$ 6,412	1,762	8,174	7,435
Arkansas	547,014	203,429	750,443	401,654
California	243	13,642	13,885	16,198
Florida	573	15,000	15,573	17,233
Georgia	442,320	18,055	460,375	454,056
Illinois	178,342	28,033	206,375	195,593
Indiana	24,150	1,611	25,761	27,129
Kentucky	5,562	13,859	19,421	11,994
Michigan	220,699	27,300	247,999	256,942
Mississippi	15,169	9,645	24,814	152,591
Missouri	587,008	222,651	809,659	784,719
New Mexico	3,477	261	3,738	5,540
North Carolina	19,694	43,693	63,387	64,297
Ohio	177,188	36,011	213,199	244,208
Oklahoma	689,023	139,855	828,878	768,556
South Carolina	658,257	605	658,862	670,099
Tennessee	219,158	27,664	246,822	172,565
Texas	109,705	4,653	114,358	137,671
Virginia	14,148	1,364	15,512	2,361
West Virginia	7,123	1,307	8,430	6,659
Canada	18,983	436	19,419	13,162
Contributions totaling \$2,500 or less	2,539	2,497	5,036	3,286
Total receipts	\$ 3,946,787	813,333	4,760,120	4,413,948
Disbursements:				
Executive Office	\$ 19,245	366,000	385,245	371,175
Foreign Missions	2,597,368	102,887	2,700,255	2,356,274
Free Will Baptist Bible College	281,439	102,887	384,326	389,426
Home Missions	884,562	80,520	965,082	1,015,181
Retirement & Insurance	6,748	62,627	69,375	64,486
Master's Men	13,835	62,627	76,462	67,352
Commission for Theological Integrity	1,009	2,237	3,246	2,844
Foundation	2,923	26,840	29,763	28,219
Historical Commission	741	2,236	2,977	2,773
Music Commission	1,404	2,236	3,640	3,026
Media Commission	804	2,236	3,040	3,731
Hillsdale Free Will Baptist College	35,950	-	35,950	25,516
Other	100,759	-	100,759	83,945
Total disbursements	\$ 3,946,787	813,333	4,760,120	4,413,948

SALARY BREAKDOWN

	2005	2006	2007
Executive Secretary			
Salary	\$41,943.50	\$41,000.00	\$42,525.00 (2.5%)
Housing and Utilities	20,000.00	20,000.00	20,000.00
Social Security	9,477.36 (15.30%)	9,333.00 (15.30%)	9,566.33 (15.30%)
Retirement	0.00	2,050.00 (5%)	2,126.25 (5%)
Insurance (Health/Dental/Life)	7,047.69	5,799.02	5,518.46
Disability/Travel	449.47	439.47	418.90
NOTE: Office car furnished.			
	78,918.02	78,621.49	80,154.94
Executive Administrator			
Salary	26,481.69 (2%)	0.00	35,037.91 (2.5%)
Housing and Utilities	24,000.00 (2%)	0.00	20,000.00
Social Security	7,723.70 (15.30%)	0.00	8,420.80 (15.30%)
Retirement	1,324.08 (5%)	0.00	1,751.89 (5%)
Insurance (Health/Dental/Life)	9,400.00	0.00	5,494.22
Disability/Travel	460.45	0.00	374.72
	69,389.92	0.00	71,079.54
Executive Accountant			
Salary	36,521.32 (2%)	37,434.35 (2.5%)	42,848.93 (2.5%)
Social Security	2,793.88 (7.65%)	2,918.80 (7.65%)	3,340.98 (7.65%)
Retirement	1,826.07 (5%)	1,871.72 (5%)	2,142.45 (5%)
Insurance	9,400.00	6,011.04	5,730.50
Health/Life		5,399.52	5,138.18
Dental		611.52	592.32
Disability	215.48	220.86	252.81
Christmas Bonus		719.89	824.02
	50,756.75	49,176.66	55,139.69
Yearbook Coordinator/ Registration Coordinator			
Salary	30,708.56 (2%)	31,476.27 (2.5%)	36,025.45 (2.5%)
Social Security	2,349.20 (7.65%)	2,454.24 (7.65%)	2,808.95 (7.65%)
Retirement	1,535.43 (5%)	1,573.81 (5%)	1,801.27 (5%)
Insurance	5,963.40	6,011.04	5,730.50
Health/Life	5,389.07	5,399.52	5,138.18
Dental	574.33	611.52	592.32
Disability	181.18	185.71	212.55
Christmas Bonus		605.31	692.80
	40,737.77	42,306.38	47,271.52

**2007
EXECUTIVE OFFICE
ADMINISTRATIVE BUDGETS
FINANCIAL REPORT**

PROJECTED EXPENSES	2005 Budget	2005 Actuals	2006 Budget	2007 Budget
Salaries	\$135,655.07	\$106,046.52	\$98,910.62	\$156,437.29
Housing	44,000.00	20,000.04	20,000.00	40,000.00
Social Security	22,344.14	10,396.09	13,856.04	24,137.06
Retirement	4,685.58	5,458.56	5,495.53	7,821.86
Employees Insurance (Dental/Disability/Health/Life/Travel)	33,117.67	19,584.36	18,667.14	23,732.66
Auditing/Legal	3,500.00	3,098.95	4,000.00	3,500.00
Automobile Lease (1 Car)	5,110.32	21,188.38	5,110.00	0.00
Copier Lease	7,000.00	5,384.11	8,500.00	4,800.00
Equipment Maintenance	1,000.00	0.00	1,000.00	500.00
Computer Supplies	4,000.00	1,903.42	4,000.00	2,500.00
Executive Committee	2,500.00	2,340.00	3,000.00	2,600.00
General Insurance	3,200.00	2,165.47	3,200.00	2,750.00
Int'l. Fellowship of FWB Churches	240.00	240.00	240.00	240.00
Leadership Conference	500.00	0.00	500.00	250.00
Office Rental (\$1.12 per sq. ft. x 2,491)	32,881.20	32,881.20	33,479.00	33,479.00
Office Supplies/Expense	3,000.00	1,665.92	3,000.00	2,250.00
Other	3,000.00	1,113.57	3,000.00	1,500.00
Postage	1,700.00	902.23	1,700.00	1,500.00
Printing	2,500.00	2,039.12	2,500.00	2,500.00
Promotion	1,250.00	2,355.67	1,500.00	1,500.00
Books/Dues/Registrations	1,700.00	1,224.73	2,000.00	1,700.00
Telephone	3,250.00	2,446.38	3,500.00	3,000.00
Tog. Way Plan/Stewardship Education	1,000.00	147.36	1,000.00	300.00
Travel	22,500.00	19,307.79	25,000.00	27,500.00
Christmas Bonus (Extra Week's Salary)	1,292.88	3,299.66	1,325.20	1,516.82
Extra Week Ret. in lieu of 4th week vacation beginning 16th year of service	702.33	1,404.66	1,325.20	1,516.82
One Magazine	30,596.00	99,999.96	110,406.80	110,406.80
Contact Magazine	0.00	1,411.86	0.00	0.00
Contingency Fund	<u>6,510.26</u>	<u>0.00</u>	<u>8,618.07</u>	<u>6,023.53</u>
Totals	<u>\$378,735.45</u>	<u>\$368,006.01</u>	<u>\$384,833.60</u>	<u>\$463,961.84</u>

PROJECTED INCOME

The Together Way Plan	\$353,788.53	\$366,000.02	\$360,864.30	\$368,081.59
Cooperative Gifts	18,349.09	19,245.94	20,469.30	20,878.69
Designated Gifts	0.00	0.00	0.00	71,431.57
Convention Reimbursement	0.00	3,317.38	0.00	0.00
Printing Income	0.00	2,050.70	0.00	0.00
Travel Reimbursement	0.00	0.00	0.00	0.00
Other Income	<u>6,597.83</u>	<u>6,173.88</u>	<u>3,500.00</u>	<u>3,569.99</u>
Totals	<u>\$378,735.45</u>	<u>\$396,787.92</u>	<u>\$384,833.60</u>	<u>\$463,961.84</u>

**CONVENTION BUDGET
Financial Report
National Association of Free Will Baptists, Inc.
July 16-19, 2006
Birmingham, Alabama**

PROJECTED RECEIPTS	2005 Budget	2005 Actuals	2006 Budget
Booth Fees	\$29,000.00	\$29,500.00	\$29,000.00
Host State (Alabama)	26,000.00	36,609.95	30,000.00
Local Church Representation Fees (\$100)	1,500.00	1,100.00	1,000.00
Offerings	8,000.00	8,636.22	8,000.00
Printing Income	5,000.00	7,068.80	6,500.00
Reimbursements	2,500.00	12,579.73	2,500.00
State Representation Fees (\$100 per church)	242,000.00	235,859.03	235,000.00
Truck Reimbursements	1,900.00	2,845.64	1,900.00
Other	<u>4,500.00</u>	<u>6,661.10</u>	<u>5,000.00</u>
TOTALS	<u>320,400.00</u>	<u>340,860.47</u>	<u>318,900.00</u>
PROJECTED EXPENDITURES			
Auditorium	109,900.00	123,340.66	77,700.00
Printing and Promotion	34,536.02	36,163.91	28,350.00
Convention Office	58,230.35	52,565.07	79,241.01
Convention Personnel			
Meals	3,856.00	4,208.00	4,036.00
Travel	3,175.75	2,821.22	3,083.70
Lodging	4,901.48	4,029.45	5,922.75
Convention Officials	4,471.74	4,364.22	4,725.10
Volunteer Staff	3,605.88	4,095.51	5,345.25
Honorariums	2,504.95	2,179.12	1,400.00
Decorator Services	12,300.00	13,245.91	8,130.00
Meal Functions	2,283.30	2,580.73	2,764.90
Executive Committee	3,375.00	3,375.00	3,375.00
Meal and Motel Expenses			
Pre-Convention Expenses	<u>6,000.00</u>	<u>12,450.81</u>	<u>17,500.00</u>
Sub-Totals	249,140.47	265,419.61	241,573.71
National Committee Expenses	10,800.00	5,345.98	11,200.00
Surplus Revenue	<u>60,459.53</u>	<u>0.00</u>	<u>66,126.29</u>
(Operating Capital/Payment on Conv. Loan)			
TOTALS	<u>320,400.00</u>	<u>270,765.59</u>	<u>318,900.00</u>

CONVENTION BUDGET
Financial Report
National Association of Free Will Baptists, Inc.
July 16-19, 2006
Birmingham, Alabama

	2005 Budget	2005 Actuals	2006 Budget
PROJECTED RECEIPTS			
Booth Fees	\$29,000.00	\$29,500.00	\$29,000.00
Host State (Alabama)	26,000.00	36,809.95	30,000.00
Local Church Representation Fees (\$100)	1,500.00	1,100.00	1,000.00
Offerings	8,000.00	8,636.22	8,000.00
Printing Income	5,000.00	7,068.80	8,500.00
Reimbursements	2,500.00	12,579.73	2,500.00
State Representation Fees (\$100 per church)	242,000.00	235,859.03	235,000.00
Truck Reimbursements	1,900.00	2,845.64	1,900.00
Other	4,500.00	6,661.10	5,000.00
TOTALS	320,400.00	340,860.47	318,900.00
PROJECTED EXPENDITURES			
AUDITORIUM			
Rental	37,500.00	35,059.79	0.00
Flowers	500.00	410.00	500.00
Other			
First Aid Staff	2,200.00	2,277.00	2,500.00
Liability, ASCAP, BMI, CCLI Insurance	1,000.00	416.16	1,000.00
Music/Equipment	3,000.00	5,713.64	7,000.00
Offering Buckets	100.00	0.00	100.00
Signs	500.00	1,094.02	1,000.00
Sound System/AV Equipment	50,000.00	69,489.72	50,000.00
Union Personnel	6,000.00	2,400.00	6,000.00
Usher Badges	100.00	559.57	600.00
Police Security/Badge Checkers	9,000.00	5,920.76	9,000.00
TOTALS	109,900.00	123,340.66	77,700.00
PRINTING AND PROMOTION			
Convention Brochure	9,100.00	8,824.56	0.00
Convention Materials			
Digest of Reports	6,675.00	7,770.97	8,000.00
Programs	2,150.00	2,042.39	2,250.00
Photos	50.00	59.99	100.00
Pre-Convention Printing/Art	1,561.02	2,466.00	3,000.00
ONE Magazine	15,000.00	15,000.00	15,000.00
TOTALS	34,536.02	36,163.91	28,350.00

CONVENTION OFFICE

	2005 Budget	2005 Actuals	2006 Budget
Audit	\$2,750.00	2,743.24	3,250.00
Convention Manager	21,664.76	23,537.12	24,482.92
Payroll Taxes	1,657.35	1,147.42	1,219.76
Retirement	1,083.24	722.16	0.00
Executive Office Reimbursement	0.00	0.00	18,538.33
Courtesy Car	100.00	19.00	100.00
Equipment Rentals			
Computers, Printers	600.00	375.00	600.00
Copiers (2)/Paper	2,500.00	1,580.44	3,500.00
Tables/Chairs/Trash Cans, etc.	800.00	311.00	800.00
Office Expense/Supplies	2,750.00	1,920.19	2,750.00
Postage	350.00	262.18	350.00
Pre-Registration Salaries	11,000.00	9,094.48	10,100.00
Payroll Taxes	850.00	695.74	800.00
Pre-Registration Staff	2,500.00	1,647.56	2,500.00
Payroll Taxes	200.00	126.05	200.00
Pre-Registration (Supplies, Postage)	5,500.00	4,367.71	5,000.00
Registration (Supplies)	500.00	894.52	1,000.00
Registration Computers/Printers	2,250.00	1,800.00	2,500.00
Telephone	275.00	251.40	650.00
Two-Way Radios	900.00	1,069.86	900.00
TOTALS	58,230.35	52,565.07	79,241.01

CONVENTION PERSONNEL

MEALS

Debbie Burden (27 meals @ \$12.00 each)	324.00	324.00	324.00
Keith Burden (33 meals @ \$12.00 each)	396.00	396.00	396.00
Dari Goodfellow (27 meals @ \$12.00 each)	324.00	324.00	324.00
Melody Hood (27 meals @ \$12.00 each)	324.00	324.00	324.00
Dean Jones (33 meals @ \$12.00 each)	396.00	396.00	396.00
Steve Pate (18 meals @ \$12.00 each)	216.00	216.00	216.00
Eric Thomsen (21 meals @ \$12.00 each)	252.00	252.00	252.00
Roy Harris (33 meals @ \$12.00 each)	216.00	216.00	396.00
Convention Interns (8)	1,408.00	1,760.00	1,408.00
TOTALS	3,856.00	4,208.00	4,036.00

TRAVEL

Debbie Burden	0.00	0.00	0.00
Keith Burden	182.25	50.00	169.10
Dari Goodfellow	182.25	182.25	169.10
Melody Hood	182.25	182.25	169.10
Dean Jones	182.25	182.25	169.10
Steve Pate	182.25	182.25	169.10
Eric Thomsen	182.25	182.25	169.10
Roy Harris	182.25	182.25	169.10
Convention Truck (Fuel/Meals/Trailer Rental)	1,900.00	1,677.72	1,900.00
TOTALS	3,175.75	2,821.22	3,083.70

LODGING

Keith Burden	0.00	195.55	0.00
Dari Goodfellow (8 nights @ \$111.75)	801.28	694.40	894.00
Melody Hood (8 nights @ \$111.75)	801.28	763.39	894.00
Dean Jones	0.00	113.98	0.00
Steve Pate (7 nights @ \$111.75)	647.22	624.66	782.25
Eric Thomsen (6 nights @ \$111.75)	600.96	54.00	670.50
Roy Harris (5 nights @ \$111.75)	462.30	443.40	1,117.50
Convention Interns (14 nights @ \$111.75)	1,588.44	1,140.07	1,564.50
TOTALS (Includes applicable tax and parking)	4,901.48	4,029.45	5,922.75

CONVENTION OFFICIALS	2005 Budget	2005 Actuals	2006 Budget
Moderator - Tim York			
Travel	\$153.90	\$153.90	\$169.10
Meals	216.00	216.00	216.00
(18 meals @ \$12.00 each)			
Lodging (6 nights @ \$111.75)	600.96	588.06	670.50
Honorarium	<u>400.00</u>	<u>400.00</u>	<u>400.00</u>
	1,370.86	1,357.96	1,455.60
Clerk - Randy Bryant			
Travel	250.00	261.60	210.00
Meals	216.00	216.00	216.00
(18 meals @ \$12.00 each)			
Lodging (6 nights @ \$111.75)	600.96	533.80	670.50
Honorarium	<u>400.00</u>	<u>400.00</u>	<u>400.00</u>
	1,466.96	1,411.40	1,496.50
Assistant Moderator - William Smith			
Meals	216.00	216.00	216.00
(18 meals @ \$12.00 each)			
Lodging (6 nights @ \$111.75)	<u>600.96</u>	<u>520.80</u>	<u>670.50</u>
	816.96	736.80	886.50
Assistant Clerk - Ernie Lewis			
Meals	216.00	216.00	216.00
(18 meals @ \$12.00 each)			
Lodging (6 nights @ \$111.75)	<u>600.96</u>	<u>642.06</u>	<u>670.50</u>
	816.96	858.06	886.50
TOTALS (Includes applicable tax and parking)	4,471.74	4,364.22	4,725.10
VOLUNTEER STAFF			
Music Coordinator - Chris Truett			
Lodging (6 nights @ \$111.75)	554.76	569.66	670.50
News Coordinator - Deanna Hollifield			
Lodging (5 nights @ \$111.75)	462.30	647.65	558.75
Organist - Deena Armstrong			
Lodging (5 nights @ \$111.75)	462.30	406.90	558.75
Photographers (3)			
Meals (45 meals @ \$12.00)	500.80	526.00	540.00
Pianist - Brian Floyd			
Lodging (5 nights @ \$111.75)	462.30	488.28	558.75
Taping - Mike Anderson			
Lodging (7 nights @ \$111.75)	701.12	661.60	782.25
Usher Coordinator - Billy Walker			
Lodging (5 nights @ \$111.75)	462.30	441.90	558.75
Translator Rooms			
Lodging (10 nights @ \$111.75)	<u>0.00</u>	<u>353.52</u>	<u>1,117.50</u>
TOTALS (Includes applicable tax and parking)	3,605.88	4,095.51	5,345.25
HONORARIUMS			
Jerry Williams	175.00	175.00	175.00
Tim Campbell	175.00	175.00	175.00
Len Blanchard	175.00	175.00	175.00
David Potete	175.00	175.00	175.00
Jim Puckett	175.00	175.00	175.00
Richard Hendrix	175.00	175.00	175.00
Stephen Ashby	175.00	175.00	175.00
Burt Hall	0.00	0.00	175.00
TOTALS	<u>1,454.95</u> *	<u>1,129.12</u> *	<u>1,750.00</u>
	2,504.95	2,179.12	1,400.00

*Stan Toler Honorarium/Expenses

DECORATOR SERVICES	2005 Budget	2005 Actuals	2006 Budget
Booth (80) Installation/Draped Tables	\$3,400.00	\$4,617.30	\$2,880.00
Exhibitor Badges	100.00	301.66	300.00
Registration			
Chairs, Counters, Skirted Tables, Carpet	2,500.00	5,428.75	3,000.00
Electricity/Masking Drape	500.00	340.00	350.00
Stage			
Carpet	1,500.00	1,747.20	1,000.00
Risers	2,000.00	0.00	0.00
Skirted Tables/Chairs	300.00	411.00	100.00
Skirting/Draping/Stage Set-Up	<u>2,000.00</u>	<u>400.00</u>	<u>500.00</u>
TOTALS	12,300.00	13,245.91	8,130.00
MEAL FUNCTIONS			
Executive Committee			
Breakfast (14 people @ \$14.10)	197.40	240.19	0.00
Luncheon (30 people @ \$20.50)	615.00	630.04	0.00
Dinner (30 people @ \$36.56)	0.00	0.00	1,096.80
General Board Breakfast	818.40	951.39	863.50
(55 people @ \$15.70)			
State Leaders Breakfast	562.50	669.11	706.50
(45 people @ \$15.70)			
Presidents' Breakfast	<u>90.00</u>	<u>90.00</u>	<u>98.10</u>
(6 people @ \$16.35)			
TOTALS	2,283.30	2,580.73	2,764.90
EXECUTIVE COMMITTEE			
MEAL AND MOTEL EXPENSES			
(For the Executive Committee Meeting prior to the 2006 National Convention)			
Gene Norris	375.00	375.00	375.00
Nathan Ruble	375.00	375.00	375.00
Rick Cash	375.00	375.00	375.00
Glen Johnson	375.00	375.00	375.00
Tim Campbell	375.00	375.00	375.00
Keith Woody	375.00	375.00	375.00
J.L. Gore	375.00	375.00	375.00
Ernest Harrison, Jr.	375.00	375.00	375.00
Fred Hanson	<u>375.00</u>	<u>375.00</u>	<u>375.00</u>
TOTALS	3,375.00	3,375.00	3,375.00
PRE-CONVENTION EXPENSES			
Impact Birmingham	0.00	0.00	2,500.00
Pre-Convention Meetings/Site Inspections	<u>6,000.00</u>	<u>12,450.81</u>	<u>15,000.00</u>
TOTALS	6,000.00	12,450.81	17,500.00
NATIONAL COMMITTEE EXPENSES			
Executive Committee	10,700.00	5,345.98	10,700.00
Nominating Committee	<u>100.00</u>	<u>0.00</u>	<u>500.00</u>
TOTALS	10,800.00	5,345.98	11,200.00
SURPLUS REVENUE			
(Operating Capital for Future Conventions)	<u>60,459.53</u>	<u>0.00</u>	<u>66,126.29</u>
GRAND TOTALS	\$320,400.00	\$270,765.59	\$318,900.00

2005
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	\$64.59	\$79.05	\$128.63	\$60.93	\$0.00	\$68.98	\$55.31	\$73.87	\$55.65	\$65.87	\$75.50	\$64.74	\$793.12
Arizona	0.00	0.00	26.55	0.00	0.00	46.17	0.00	0.00	72.77	0.00	0.00	26.55	172.04
Arkansas	14,966.23	5,794.86	4,057.92	7,479.19	10,879.91	7,975.98	9,229.67	6,812.18	7,351.22	4,691.39	6,883.56	5,421.11	91,543.22
California	621.93	446.50	445.48	645.31	441.12	518.42	495.11	623.93	477.52	539.76	469.65	414.07	6,138.80
Canada	13.87	15.48	13.52	13.10	18.89	18.66	13.69	16.37	17.73	13.31	24.47	17.01	196.10
Florida	0.00	1,125.00	0.00	1,687.50	0.00	0.00	1,687.50	0.00	0.00	1,687.50	0.00	562.50	6,750.00
Georgia	727.42	553.51	789.71	781.07	637.87	807.90	641.98	852.64	656.67	496.51	740.22	439.26	8,124.76
Illinois	958.31	1,301.80	983.81	1,300.40	1,146.11	934.83	927.27	955.06	1,040.58	741.61	1,172.24	1,153.01	12,615.03
Indiana	0.00	91.80	67.50	199.24	88.20	67.50	0.00	0.00	67.50	21.60	54.00	67.50	724.84
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	70.47	49.00	0.00	0.00	169.46	0.00	0.00	0.00	0.00	51.00	0.00	0.00	339.93
Kentucky	226.95	365.49	1,054.28	993.56	243.21	865.49	135.00	491.12	322.68	1,184.58	162.59	191.77	6,236.72
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	675.57	2,013.93	813.44	1,004.66	1,442.90	1,031.09	355.19	783.92	1,254.64	1,207.85	764.22	937.59	12,285.00
Mississippi	0.00	289.66	730.77	0.00	740.07	0.00	660.60	0.00	447.72	795.68	0.00	675.67	4,340.17
Missouri	8,907.64	7,139.00	11,073.22	6,959.23	7,203.74	8,754.23	8,300.00	8,492.76	8,429.79	6,563.43	7,425.27	10,944.76	100,193.07
New Mexico	5.91	7.03	13.36	17.15	6.63	8.23	17.25	0.00	6.51	21.30	14.30	0.00	117.67
North Carolina	2,277.95	1,431.51	1,519.42	2,803.01	1,750.77	2,026.04	1,677.13	459.23	2,021.93	2,066.53	470.48	1,157.67	19,661.67
Northeast Assoc.													0.00
Northwest Assoc.	11.25	0.00	11.25	11.25	0.00	0.00	22.50	33.75	22.50	33.75	22.50	11.25	180.00
Ohio	587.73	2,107.14	1,283.54	1,018.23	2,531.31	988.36	743.59	2,258.38	935.45	723.88	1,872.09	1,155.11	16,204.81
Oklahoma	5,198.99	5,141.97	5,312.25	4,662.98	7,124.24	5,776.53	3,700.38	6,172.52	5,037.20	4,494.57	5,036.77	5,276.23	62,834.63
South Carolina	13.08	16.74	14.69	15.54	20.21	18.56	15.97	73.41	40.65	9.00	25.59	9.00	272.44
Tennessee	3,399.06	777.11	27.00	1,703.13	268.36	798.15	1,574.13	460.27	1,034.35	1,043.10	232.48	1,131.46	12,448.60
Texas	318.59	0.00	133.64	170.29	0.00	151.08	221.80	265.63	246.82	191.78	0.00	394.11	2,093.74
Utah	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	54.00	54.00	54.00	162.00
Virginia	115.39	0.00	0.00	95.55	0.00	45.28	47.30	0.00	86.67	46.91	75.54	100.97	613.61
West Virginia	34.30	14.56	66.58	47.15	0.00	61.01	0.00	95.24	141.30	53.79	29.26	44.86	588.05
Virgin Islands	45.00	22.50	22.50	22.50	22.50	22.50	22.50	22.50	0.00	22.50	22.50	22.50	270.00
TOTALS	\$39,240.23	\$28,783.64	\$28,589.06	\$31,690.97	\$34,735.50	\$30,984.99	\$30,543.87	\$28,942.78	\$29,767.85	\$26,821.20	\$25,627.23	\$30,272.70	\$366,000.02

2005
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	\$171.14	\$259.54	\$209.49	\$336.23	\$160.92	\$321.01	\$223.40	\$221.72	\$166.08	\$334.19	\$253.63	\$207.69	\$2,865.04
Arizona	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arkansas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
California	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	243.16	0.00	0.00	0.00	243.16
Canada	6.06	6.02	6.10	5.95	5.83	6.00	6.05	6.20	6.30	6.32	6.33	6.38	73.54
Delaware	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
Florida	0.00	0.00	145.28	0.00	0.00	111.44	0.00	0.00	121.84	0.00	0.00	152.92	531.48
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	0.00	0.00	0.00	0.00	182.50	188.32	198.58	145.17	161.76	0.00	0.00	1,668.96
Indiana	131.12	182.26	328.42	150.83	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	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
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	200.00	0.00	0.00	0.00	0.00	0.00	200.00
Mississippi	0.00	116.00	232.00	0.00	232.00	0.00	232.00	0.00	191.00	157.00	0.00	232.00	1,392.00
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	100.00	198.29	248.04	189.67	98.00	203.67	191.67	943.17	93.00	146.67	155.67	204.67	2,772.52
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	35.00	10.00	10.00	35.00	10.00	10.00	10.00	220.00
Oklahoma	29.05	32.08	0.00	60.52	0.00	68.13	237.31	622.39	316.78	105.66	603.05	348.06	4,384.36
South Carolina	139.45	428.70	547.52	431.92	127.44	476.08	237.31	173.69	330.28	523.23	0.00	360.36	2,989.37
Tennessee	0.00	95.94	360.14	408.83	74.31	662.59	70.45	67.96	59.19	31.93	0.00	97.59	603.04
Texas	160.57	0.00	41.49	39.56	0.00	34.30	70.45	111.09	47.37	0.00	107.25	0.00	574.10
Virginia	51.90	0.00	159.38	48.96	0.00	48.15	0.00	0.00	73.41	0.00	0.00	0.00	427.33
West Virginia	39.72	34.29	35.40	31.68	0.00	34.05	33.15	0.00	0.00	0.00	0.00	0.00	279.63
TOTALS	\$839.01	\$1,388.12	\$2,323.26	\$1,739.13	\$708.50	\$2,180.92	\$1,392.35	\$2,415.29	\$1,828.58	\$1,595.55	\$1,135.93	\$1,699.30	\$19,245.94

2005 Gifts to National Ministries

States	Executive	FWBCC	FWB Foundation	Home Missions	International Missions	Master's Men	Retirement & Insurance	WNAC	Theological Integrity	Historical Commission	Media Commission	Music Commission	Totals
Alabama	\$3,792.96	\$72,014.26	\$421.28	\$495,136.22	\$411,056.42	\$1,950.49	\$135.71	\$7,019.36	\$51.00	\$50.58	\$50.83	\$5.20	\$991,600.37
Alaska	0.00	0.00	0.00	11,401.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,401.51
Arizona	172.04	2,227.83	12.60	49,124.70	8,247.26	29.12	29.43	2,009.35	1.04	0.00	0.00	0.00	11,401.51
Arkansas	91,552.18	72,572.93	6,113.15	255,902.53	572,697.88	16,739.93	15,864.05	12,711.53	1.04	559.50	559.50	559.51	1,046,798.30
California	6,381.96	3,730.87	450.18	114,032.65	52,012.89	1,417.11	1,050.42	2,254.21	37.52	37.52	37.52	37.52	188,525.47
Canada	0.00	1,121.98	14.39	0.00	6,071.15	4,000.67	33.55	50.00	1.35	1.27	1.31	1.27	18,958.53
Colorado	0.00	1,500.00	0.00	0.00	1,717.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50,585.00
Connecticut	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Florida	1,400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,981.00
Georgia	7,281.48	42,578.37	495.00	37,358.60	3,581.00	1,100.75	1,135.00	1,752.00	41.25	41.25	41.25	41.25	291,805.89
Hawaii	8,305.62	105,815.18	495.82	89,285.78	343,720.59	2,335.12	1,300.24	1,050.55	50.98	50.98	50.98	50.98	561,805.89
Idaho	0.00	0.00	0.00	1,576.21	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,601.21
Illinois	12,615.03	42,171.87	925.00	3,647.42	5,572.47	2,465.82	2,198.55	2,453.93	0.00	0.00	0.00	0.00	376,209.89
Indiana	5,993.80	5,943.81	292.87	94,096.05	219,811.37	990.07	475.38	920.81	77.10	77.10	77.10	77.10	114,993.12
Iowa	0.00	3,000.00	0.00	44,820.20	58,611.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,438.17
Kansas	339.93	1,077.91	24.93	1,260.00	1,820.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	63.81
Kentucky	6,236.72	20,303.85	765.76	94,573.32	2,527.02	58.17	1,769.00	105.00	2.08	2.08	2.08	2.08	17,874.01
Louisiana	0.00	953.00	0.00	1,291.00	114,734.52	2,080.81	0.00	6,100.00	83.81	83.81	83.81	83.81	24,352.51
Maine	0.00	150.00	0.00	0.00	75.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,309.60
Maryland	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,395.00
Massachusetts	0.00	0.00	0.00	4,245.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39,287.13
Michigan	12,523.18	20,937.84	900.90	130,136.49	163,801.48	0.00	0.00	15.00	0.00	0.00	0.00	0.00	75.36
Mid Atlantic Association	0.00	0.00	0.00	24,637.20	0.00	3,939.41	2,102.11	3,145.00	0.00	0.00	0.00	0.00	75.36
Minnesota	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	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
Missouri	5,732.17	32,512.49	318.27	149,944.52	69,021.20	688.12	742.63	2,352.00	26.53	26.53	26.53	26.53	280,417.92
Montana	100,193.07	53,708.49	7,347.50	175,412.35	612,249.42	16,802.49	17,144.16	14,948.33	612.30	612.30	612.30	612.30	1,000,285.01
Nebraska	0.00	0.00	0.00	630.00	582.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,212.36
Nevada	0.00	0.00	0.00	0.00	12,050.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,050.00
New Hampshire	0.00	0.00	0.00	6,732.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,732.00
New Jersey	0.00	13,050.00	0.00	1,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,050.00
New Mexico	0.00	186.46	8.62	27,222.37	1,183.09	22.91	20.13	171.20	0.72	0.72	0.72	0.72	14,050.00
New York	117.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,050.00
North Carolina	22,735.87	163,021.53	1,441.80	335,667.22	740,980.09	3,631.59	3,364.33	11,926.65	252.77	248.98	131.64	122.87	1,293,526.50
Northwest Association	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	275.00
Ohio	337.06	0.00	0.00	0.00	225.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	337.06
Oklahoma	19,565.09	20,044.98	1,188.36	3,622.70	3,622.70	4,021.28	2,772.86	3,022.80	100.69	99.76	100.32	99.95	398,492.52
Oregon	30,967.07	30,967.07	4,615.19	142,472.68	206,843.95	11,840.60	11,268.83	10,750.75	385.45	384.97	385.28	385.07	1,065,400.62
Pennsylvania	0.00	60.10	13.23	337,479.68	593,716.81	36.60	30.83	0.00	0.00	0.00	0.00	0.00	12,350.99
South Carolina	0.00	10.00	12,210.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,350.99
South Dakota	4,757.05	94,137.43	19.98	199,696.70	3,509.59	971.11	787.13	6,462.00	3.38	2.43	2.43	2.43	208,254.07
Tennessee	15,591.87	238,350.56	2,906.79	412,417.17	937,037.04	10,522.40	5,060.36	16,158.64	403.57	243.46	344.36	50.00	808,257.25
Texas	2,926.80	8,079.56	171.63	169,898.12	82,377.58	551.45	392.35	2,701.32	24.64	26.51	35.70	77.50	1,639,382.72
Utah	162.00	30.36	11.98	108.24	0.00	18.48	27.72	105.00	0.99	0.99	0.99	0.99	267,200.26
Virginia	1,227.21	20,939.56	45.00	194,084.80	7,396.91	297.83	1,149.53	2,535.54	4.42	4.05	4.27	4.13	320,440.47
West Virginia	0.00	1,211.97	0.00	93,206.19	0.00	0.00	0.00	120.00	0.00	0.00	0.00	0.00	8,288.88
Wisconsin	1,015.38	7,742.35	43.13	25,211.00	145,545.07	215.06	527.96	1,410.00	217.28	3.59	217.29	2.59	250,421.90
Wyoming	0.00	205.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,416.00
Puerto Rico	0.00	0.00	0.00	485.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Countries	270.00	619.62	19.80	43,271.85	4,330.95	42.35	46.20	90.00	1.88	0.00	0.00	0.00	48,697.40
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,230.36
Foundation	0.00	0.00	0.00	213,146.08	147,936.14	0.00	0.00	0.00	0.00	0.00	1.68	1.68	369,457.10
WNAC	0.00	946.55 *	0.00	0.00	0.00	0.00	74,226.33	0.00	0.00	0.00	0.00	0.00	42,984.84
TOTAL	\$306,963.44	\$1,080,227.46	\$29,763.26	\$4,180,926.80	\$6,639,910.91	\$83,739.74 *	\$69,524.41	\$1,129,304.00 *	\$3,289.51	\$2,987.68	\$3,050.77	\$2,249.60	\$12,620,915.94
*FWBCC-Other includes state gift. *WNAC-Other includes interest, miscellaneous sources and state gift. *Other-Other includes miscellaneous sources and state gift.													



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

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

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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, 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 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, 2005 and 2004, 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.

Wm. Harper & Associates

April 19, 2006

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

Statements of Financial Position

December 31, 2005 and 2004

	<u>Assets</u>		
	<u>2005</u>	<u>2004</u>	
Current assets:			
Cash and interest bearing deposits	\$ 128,337	59,016	
Accounts receivable	2,281	15,248	
Prepaid expenses	-	1,830	
Total current assets	<u>130,618</u>	<u>76,094</u>	
Property, plant and equipment:			
Land and land improvements	214,296	214,296	
Building	1,479,813	1,477,588	
Building services equipment	94,422	94,422	
Departmental workstations	77,228	77,228	
	<u>1,865,759</u>	<u>1,863,534</u>	
Less accumulated depreciation	1,023,483	943,731	
Net property, plant and equipment	<u>842,276</u>	<u>919,803</u>	
	\$ <u>972,894</u>	<u>995,897</u>	
	<u>Liabilities and Net Assets</u>		
Liabilities:			
Accounts payable	\$ 19,634	18,659	
Notes payable and long-term debt	10,703	26,451	
Total liabilities	<u>30,337</u>	<u>45,110</u>	
Net assets:			
Operations	110,984	57,435	
Net investment in property, plant and equipment	831,573	893,352	
Total net assets	<u>942,557</u>	<u>950,787</u>	
	\$ <u>972,894</u>	<u>995,897</u>	

See accompanying notes to financial statements.

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

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2005 and 2004

	<u>2005</u>			<u>2004</u>
	<u>Operations</u>	<u>Services for Departments</u>	<u>Totals</u>	<u>Total Funds</u>
Revenues:				
Building rental	\$ 268,343	-	268,343	243,948
Reimbursement from departments	-	452,754	452,754	454,520
Other	1,926	-	1,926	2,320
Net assets released from departmental reimbursements	452,754	(452,754)	-	-
Net revenues	<u>723,023</u>	<u>-</u>	<u>723,023</u>	<u>700,788</u>
Expenses:				
Expenses incurred for departments:				
Employee benefits	286,339	-	286,339	293,018
Stewardship office expense	5,305	-	5,305	6,213
Leadership Conference	23,325	-	23,325	24,654
Property and liability insurance	43,406	-	43,406	39,169
Telephone	22,406	-	22,406	19,181
Mailroom and other	68,392	-	68,392	74,875
	<u>449,173</u>	<u>-</u>	<u>449,173</u>	<u>457,110</u>
Building operating expenses:				
Salaries	59,606	-	59,606	59,243
Payroll taxes	4,637	-	4,637	4,536
Employee benefits	21,275	-	21,275	16,531
Janitorial services	28,321	-	28,321	26,534
Depreciation	79,751	-	79,751	77,932
Audit and legal	3,943	-	3,943	4,694
General insurance	17,784	-	17,784	14,642
Supplies and office expense	9,538	-	9,538	8,293
Utilities / telephone	28,808	-	28,808	26,506
Repairs and maintenance	13,578	-	13,578	30,177
Interest expense	1,963	-	1,963	1,514
Mailroom and other	12,876	-	12,876	10,635
	<u>282,080</u>	<u>-</u>	<u>282,080</u>	<u>281,237</u>
Total expenses	<u>731,253</u>	<u>-</u>	<u>731,253</u>	<u>738,347</u>
Decrease in net assets	<u>(8,230)</u>	<u>-</u>	<u>(8,230)</u>	<u>(37,559)</u>
Net assets at beginning of year	<u>950,787</u>	<u>-</u>	<u>950,787</u>	<u>988,346</u>
Net assets at end of year	\$ <u>942,557</u>	<u>-</u>	<u>942,557</u>	<u>950,787</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Decrease in net assets	\$ (8,230)	(37,559)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	79,752	77,932
(Increase) decrease in:		
Receivables	12,967	(7,725)
Prepaid expenses	1,830	(1,268)
Increase (decrease) in accounts payable and accruals	975	(8,950)
Net operating activities	87,294	22,430
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,225)	(4,625)
Net investing activities	(2,225)	(4,625)
Cash Flows from Financing Activities		
Proceeds from debt	-	-
Repayment of debt	(15,748)	(12,797)
Net financing activities	(15,748)	(12,797)
Increase in cash and cash equivalents	69,321	5,008
Cash and cash equivalents, at beginning of year	59,016	54,008
Cash and cash equivalents, at end of year	\$ 128,337	59,016
Supplemental disclosures:		
Interest paid	\$ 1,963	1,405
Equipment acquisition through installment debt agreement:		
Basis of equipment	\$ -	13,146
Installment debt assumed	\$ -	13,146

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2005 and 2004

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 2004 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:

	2005	2004
Free Will Baptist Foundation:		
6.5% unsecured installment note, which requires monthly payments of \$800 including principal and interest with final payment made during 2005	\$ -	9,141
6.5% installment note secured by truck, which requires monthly payments of \$282 including principal and interest which was repaid in March 2006	2,203	5,332
Equipment provider:		
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.	8,500	11,978
	10,703	26,451
Less current portion of notes payable and long-term debt	6,558	16,087
	<u>\$ 4,145</u>	<u>10,364</u>

Notes payable and long-term debt mature \$6,558 in 2006 and \$4,145 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 \$2,669 in 2005 and \$2,616 in 2004. 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 2005 and \$5,688 for 2004. 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 \$268,343 in 2005 and \$243,948 for 2004. The lease agreement has been renegotiated, effective January 1, 2006 rents will be increased 2% from base rental rates. This rental increase will result in rental income for 2006 to approximate \$275,000.

**2007
BUILDING SERVICES BUDGETS
FINANCIAL REPORT**

	2005 Budget	2005 Actuals	2006 Budget	2007 Budget
PROJECTED INCOME				
Square Footage (20,329 @ \$1.12 = \$22,768.48 mo.)	\$268,342.80	\$268,342.80	\$273,221.76	\$273,221.76
Total Income	<u>\$268,342.80</u>	<u>\$268,342.80</u>	<u>\$273,221.76</u>	<u>\$273,221.76</u>

PROJECTED EXPENSES

Audit & Legal	\$6,500.00	\$3,942.74	\$6,500.00	\$6,500.00
General Supplies	4,500.00	2,805.24	4,500.00	4,500.00
Insurance (Employee)	19,267.18	18,523.87	20,595.29	22,630.62
Insurance (Plant)	20,000.00	17,784.43	22,000.00	24,200.00
Janitorial Services	30,000.00	28,321.15	32,000.00	35,000.00
Janitorial Supplies	3,500.00	2,543.73	3,500.00	3,500.00
Mail Room	9,500.00	10,324.21	11,000.00	12,500.00
Mail Truck	6,500.00	5,293.74	4,755.82	2,000.00
General Maintenance/Contingency Fund	47,043.98	13,578.19	55,650.91	40,078.12
Network Expense	10,000.00	4,026.63	7,500.00	7,500.00
Payroll Taxes (Employer's S.S.)	4,556.45	4,719.41	4,760.17	4,869.96
Postage Meter/UPS	500.00	162.63	500.00	500.00
Retirement	2,668.46	2,668.56	2,735.17	2,803.55
Salaries	59,561.32	58,580.13	61,050.36	62,581.15
Telephone	3,000.00	4,084.27	3,000.00	5,000.00
Telephone Lease	0.00	4,908.75	0.00	3,980.07
Utilities	27,500.00	24,679.28	30,000.00	32,000.00
Christmas Bonus/Extra Week's Salary	1,145.41	1,026.34	1,174.04	1,078.29
Debt Service Payments/FWB Foundation Loan	9,600.00	10,262.37	0.00	0.00
Other	3,000.00	641.71	2,000.00	2,000.00
Total Expenses	<u>\$268,342.80</u>	<u>\$218,877.38</u>	<u>\$273,221.76</u>	<u>\$273,221.76</u>

**BUILDING SERVICES
SALARY BREAKDOWN**

	2005	2006	2007
Maintenance Superintendent/ Mail Room Supervisor			
Salary	\$28,026.24 (2%)	\$28,726.90 (2.5%)	\$29,445.07 (2.5%)
Social Security	2,144.01 (7.65%)	2,239.87 (7.65%)	2,295.87 (7.65%)
Insurance (Health/Dental/Life)	13,250.00	14,000.00	15,400.00
Disability	165.35	169.49	173.73
Retirement	1,401.31 (5%)	1,436.34 (5%)	1,472.25 (5%)
Christmas Bonus		552.44	566.25
	44,986.91	47,125.04	49,353.17
Receptionist/Phone System Administrator/ Assistant Bookkeeper			
Salary	25,343.08 (2%)	25,976.66 (2.5%)	26,626.08 (2.5%)
Social Security	1,938.75 (7.65%)	2,025.43 (7.65%)	2,076.07 (7.65%)
Insurance	5,702.31	6,272.54	6,899.80
Dental	313.24	344.56	379.02
Health/Life	5,389.07	5,927.98	6,520.78
Disability	149.52	153.26	157.09
Retirement	1,287.15 (5%)	1,298.83 (5%)	1,331.30 (5%)
Christmas Bonus		499.55	512.04
	34,400.81	36,226.27	37,602.38
Part-time Worker			
Salary	75 days	75 days	75 days
Social Security	6,192.00 (2%/10.32 hr.)	6,346.80 (2.5%/10.58 hr.)	6,510.00 (2.5%/10.85 hr.)
Christmas Bonus	473.69 (7.65%)	494.87 (7.65%)	498.02 (7.65%)
		122.05	0.00
	6,665.69	6,963.72	7,008.02

**ONE Magazine Report
2005**

Your denominational magazine completed its first full year of publication with the release of the 2006 February/March issue. In view of this milestone the following observations can be made:

- The publication is being enthusiastically received among Free Will Baptists. When the 2005 April/May issue came out 3,308 new subscribers had been added to the mailing list (an average of 9.06 new homes per day).
- The magazine is having a far-reaching impact. *ONE Magazine* is currently delivered to more than 58,000 individual or family mailboxes bi-monthly. More people are receiving more information about our national ministries than ever.
- The quality of *ONE Magazine* consistently improves. The response of its readers confirms this. Clearly, there will always be room for improvement. Managing Editor Eric Thomsen and his editorial team are working hard to address readers' concerns and make the magazine better.
- The first year's auditor's statement indicates *ONE Magazine* is on solid financial footing. The magazine ended the year with a healthy fund balance. Consequently, the 2007 proposed budget calls for *no increase* in contributions from participating agencies. We remain committed to practicing good stewardship.

God has given Free Will Baptists a powerful tool of communication in *ONE Magazine*. It is proving to be one of the most effective means of sharing the exciting story of what God is doing among us. It is *YOUR* magazine. Thank you for making its first year of publication a success.

Grateful for your support,

Keith Burden
Editor-In-Chief

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

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

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We have audited the accompanying statements of financial position of One Magazine of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 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 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 One Magazine of the National Association of Free Will Baptists, Inc. as of December 31, 2005 and 2004, 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, 2006

**ONE MAGAZINE
OF THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Statements of Financial Position

December 31, 2005 and 2004

	<u>Assets</u>	
	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and interest bearing deposits	\$ 79,622	10,000
Funds held by Free Will Baptist Foundation	22,291	21,000
Total current assets	<u>101,913</u>	<u>31,000</u>
Fixed assets:		
Furniture and equipment	6,688	-
Less accumulated depreciation	(669)	-
Net fixed assets	<u>6,019</u>	<u>-</u>
	<u>\$ 107,932</u>	<u>31,000</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable	\$ 36,292	-
Deferred revenue - start up contribution	-	10,000
Total liabilities	<u>36,292</u>	<u>10,000</u>
Net assets:		
Unrestricted operations	50,640	-
Endowment funds	21,000	21,000
Total net assets	<u>71,640</u>	<u>21,000</u>
	<u>\$ 107,932</u>	<u>21,000</u>

See accompanying notes to financial statements.

**ONE MAGAZINE
OF THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2005 and 2004

	2005			
	Unrestricted Operations	Endowment Funds	Total	2004
Revenues:				
Assessments to publish One Magazine from Free Will Baptist departments and agencies	\$ 366,450	-	366,450	-
Contributions	10,000	-	10,000	-
Investment earnings	1,837	-	1,837	-
Other	491	-	491	-
Total revenues	<u>378,778</u>	<u>-</u>	<u>378,778</u>	<u>-</u>
Expenses:				
Direct cost of publication:				
Printing	139,369	-	139,369	-
Postage and mailing services	86,800	-	86,800	-
Design	26,334	-	26,334	-
Graphics expense	1,961	-	1,961	-
Writer's fees	971	-	971	-
Total direct cost of publication	<u>255,435</u>	<u>-</u>	<u>255,435</u>	<u>-</u>
Employee compensation:				
Salary	51,963	-	51,963	-
Payroll Taxes	3,975	-	3,975	-
Retirement	2,549	-	2,549	-
Other employee benefits	6,223	-	6,223	-
Total employee compensation	<u>64,710</u>	<u>-</u>	<u>64,710</u>	<u>-</u>
Operating expenses:				
Supplies and other office expense	4,421	-	4,421	-
Travel	2,903	-	2,903	-
Depreciation	669	-	669	-
Total operating expenses	<u>7,993</u>	<u>-</u>	<u>7,993</u>	<u>-</u>
Total expenses	<u>328,138</u>	<u>-</u>	<u>328,138</u>	<u>-</u>
Increase in net assets	<u>50,640</u>	<u>-</u>	<u>50,640</u>	<u>-</u>
Transfer of assets from Contact Magazine	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Net assets at beginning of year	<u>-</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Net assets at end of year	<u>\$ 50,640</u>	<u>21,000</u>	<u>71,640</u>	<u>21,000</u>

See accompanying notes to financial statements.

**ONE MAGAZINE
OF THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Increase in net assets	\$ 50,640	-
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	669	-
Earnings credited to Funds Held by Free Will Baptist Foundation	(1,291)	-
Increase (decrease) in:		
Accounts payable	36,292	-
Deferred revenue	(10,000)	10,000
Net operating activities	<u>76,310</u>	<u>10,000</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(6,688)	-
Net investing activities	<u>(6,688)</u>	<u>-</u>
Increase in cash and cash equivalents	<u>69,622</u>	<u>10,000</u>
Cash and cash equivalents, at beginning of year	<u>10,000</u>	<u>-</u>
Cash and cash equivalents, at end of year	<u>\$ 79,622</u>	<u>10,000</u>

See accompanying notes to financial statements.

**ONE MAGAZINE
OF THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Notes to Financial Statements

December 31, 2005 and 2004

One Magazine operates under the auspices of the National Association of Free Will Baptists, Inc. and is governed by an oversight committee chaired by the Executive Secretary of the National Association of Free Will Baptists, Inc. The oversight committee is composed of the directors of the Departments which participate in One Magazine.

One Magazine was formed as follows:

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 One Magazine to provide information for the denomination regarding the activities of the various ministries of Free Will Baptists.

Further, effective December 31, 2004, the Executive Office of the National Association of Free Will Baptists, Contact Magazine division, transferred funds amounting to \$21,000 held by Free Will Baptist Foundation which were designated as Endowment funds.

One Magazine is funded by monthly assessments to the various Free Will Baptist organizations as indicated at note 2.

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

Basis of Presentation

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

One Magazine 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, a statement of cash flows is required.

Fixed Assets

Furniture and equipment 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

One Magazine 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, all cash funds, cash bank accounts and highly liquid debt instruments purchased with an original maturity of three months or less are considered 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 One Magazine 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.

**ONE MAGAZINE
OF THE NATIONAL ASSOCIATION OF
FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(2) **Assessments to publish One Magazine from Free Will Baptist departments and agencies**
The following assessments were made:

	2005	Projected 2006
Executive Office of the National Association of Free Will Baptists:		
Administrative budget	\$ 100,000	110,407
Convention budget	15,000	16,561
Free Will Baptist Foundation	40,000	44,163
Free Will Baptist Bible College	40,700	49,021
Board of Home Missions of the National Association of Free Will Baptists	61,000	67,348
International Missions of the National Association of Free Will Baptists	43,750	57,964
Master's Men	6,000	7,949
Sunday School and Church Training Board and Randall House Publications	40,000	44,163
Board of Retirement and Insurance of the National Association of Free Will Baptists	20,000	22,081
	<u>\$ 366,450</u>	<u>419,657</u>

(3) **Related Party Transactions**

The Executive Office of the National Association of Free Will Baptists, Inc. provided office space and certain administrative services to One Magazine at no cost.

Randall House Publications provides printing and related services to One Magazine. During 2005, One Magazine paid \$157,259 for such services.

(4) **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 \$2,549 in 2005 and \$ -0- in 2004. 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.

(5) **Concentration of Credit Risk**

One Magazine has an accounting risk of loss relating to the amount of funds held by Free Will Baptist Foundation. Further, cash balances maintained in financial institutions are insured up to \$100,000. Cash balances did not exceed the insurable limit in 2005 and 2004.

**2007
ONE MAGAZINE
BUDGETS
FINANCIAL REPORT**

REVENUE	2005 Budget	2005 Actuals	2006 Budget	2007 Budget
Convention	\$15,000.00	15,000.00	\$16,561.02	\$16,561.02
Executive Office	100,000.00	99,999.96	110,406.80	110,406.80
Free Will Baptist Bible College	44,400.00	40,700.00	49,020.62	49,020.62
Free Will Baptist Foundation	40,000.00	39,999.96	44,162.72	44,162.72
Home Missions	61,000.00	60,999.96	67,348.15	67,348.15
International Missions	52,500.00	43,750.00	57,963.57	57,963.57
Master's Men	7,200.00	6,000.00	7,949.29	7,949.29
Randall House Publications	40,000.00	39,999.96	44,162.72	44,162.72
Retirement & Insurance	20,000.00	20,000.08	22,081.36	22,081.36
Endowment	500.00	546.68	500.00	500.00
Graphics	3,000.00	(50.00)	3,000.00	3,000.00
Subscription Revenue	0.00	540.50	0.00	0.00
Total Revenue	\$383,600.00	\$367,487.10	\$423,156.25	\$423,156.25
EXPENSES				
Salary & Benefits	\$64,000.00	\$64,710.92	\$65,600.00	\$67,240.00
Auto Allowance	0.00	0.00	0.00	4,000.00
Capital Asset Additions	0.00	6,688.32	0.00	0.00
Computer Services	0.00	184.70	0.00	500.00
Design	30,000.00	13,373.71	33,000.00	34,320.00
Graphics	5,000.00	1,960.94	5,000.00	5,000.00
Mail Services	7,500.00	3,470.95	8,250.00	10,000.00
Mailing List Maintenance	2,000.00	559.33	2,000.00	1,500.00
Miscellaneous	1,000.00	467.51	1,320.25	2,646.25
Postage	120,000.00	75,750.00	139,986.00	115,000.00
Postal Returns	6,000.00	1,622.22	6,000.00	4,500.00
Printing	140,000.00	121,434.47	154,000.00	169,400.00
Promotions	0.00	173.15	0.00	400.00
Supplies	2,500.00	3,520.57	2,500.00	2,500.00
Telephone	0.00	74.83	0.00	150.00
Travel	2,500.00	2,903.00	2,500.00	3,000.00
Writer's Fees	3,000.00	970.99	3,000.00	3,000.00
Total Expenses	\$383,500.00	\$297,865.61	\$423,156.25	\$423,156.25



Home Missions North America Report

Dear Friends,

The year 2005 was a tremendous time of harvest for our mission. Our church planters won many precious families to Jesus. Thank you for your support of our efforts in sharing the message of salvation with lost people for whom Jesus died in Mexico, Canada, the islands and all the United States.

These Church Planters went Self-Supporting in 2005

Frank and Brenda Bratcher, Carthage, TN
Joel and Hope Nason, Laconia, NH
Bill and Debbie Pitts, Lancaster, OH

These Home Missionaries were approved for service, 2005

Chad and Paula Kivette, Grand Junction, CO
Dana and Betty Booth, Rochester, NY
Tommy and Pam Jones, Greensburg, PA
Nate and Jenna Altom, Greensburg, PA
Alfredo and Ruth Bottello, Bartlesville, OK
Robert and Holly Ketchum, Seattle, WA
Freddy and Katherine Gillentine, Abilene, TX

Seminaries

Our seminaries in Mexico continue to have great success. Many graduates are now serving in our missions and churches all across this great country. We are extremely grateful for the excellent work of our associations in Mexico.

The Gwen Hendrix Seminary, Inman, SC has 31 graduates involved in Hispanic ministries all across the United States. The seminary continues to make a great contribution to the Hispanic outreach.

Cross Cultural Ministries

Our mission has seen significant growth in our Russian, Hispanic and Korean ministries. Our work with the Ojibwa Tribe in Ogema, MN at the White Earth Reservation continues to develop.

Mission To the Military

Our chaplains continue to have a fruitful ministry around the world with the Army, Navy Air Force, Reserve Forces and National Guard. At the present, we have five (5) Free Will Baptist candidates in preparation for this ministry to the military.

Financial Blessings

This past year CELF loaned a record of \$5,038,068.00 for church building efforts. Thank you Free Will Baptist for gifts totaling 4.3 million for 2005.

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

Rev. Larry A. Powell,
General Director
Home Missions Department

A Synopsis of Minutes of Home Mission Board Meeting for 2005

April 26, 2005

M/S/C to approve Chad and Paula Kivette as National Home Missions to go to Grand Junction, Colorado.

M/S/C to send \$1,000.00 a month beginning may 2005 through April 2006 to the Altamira, Mexico work for the Bible Institute and the Convention Center.

A new program called, Missionary Intern Program was introduced to the Board. This program is designed for a married couple or single men students who have completed their studies at a Free Will Baptist Bible College and desires to become a full time church planter with the National Home Missions Department. Single men students must be married before becoming a full-time missionary/church planter with the department. The graduating couple or single male applicant who has not had pastoral experience will work with one of our church planters for two years, learning the skills of church planting and then will be qualified to apply for full time missionary/church planter status.

December 5 -7, 2005

A motion was made to hire Allen and Jenny Hall as National Home Missionaries to establish a Free will Baptist church in York, Pennsylvania. M/S/C to accept them as missionaries to York, Pennsylvania.

A motion was made to hire Robert and Holly Ketchum as National Home Missionaries. M/S/C to accept them as our missionaries to Seattle, Washington.

M/S/C to accept Alfredo and Ruth Botello as a Joint Project between the National Home Missions Board and the Oklahoma State Home Missions Board to establish an Hispanic Free Will Baptist church in Oklahoma.

M/S/C to award George Lemlin, missionary to Ogema, MN \$25,000.00 from the CELF endowment fund. Also, to award the Hispanic Institute in Inman, SC with \$25,000.00 from the CELF endowment fund.

WARREN, DENNEY & WALLACE

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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, 2005 and 2004, 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, 2005 and 2004 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 17, 2006

**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, 2005 and 2004

ASSETS

	2005	2004
<u>Assets</u>		
Cash - Note 7	\$ 362,169	\$ 380,692
Investments	11,718	13,459
Investments in Church Extension		
Loan Fund - Note 4	409,849	715,640
Accounts receivable - related party - Note 4	241,878	100,000
Accounts receivable - employees		658
Inventory - Note 1	16,956	22,262
Property and equipment, at cost		
less accumulated depreciation of \$68,586		
(\$145,015 in 2004) - Notes 1 & 2	158,801	161,738
	<u>\$1,201,371</u>	<u>\$1,394,449</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 25,589	\$ 6,862
Total liabilities	<u>25,589</u>	<u>6,862</u>
<u>Commitments - Note 5</u>		
<u>Net assets</u>		
Unrestricted		
Operating	828,922	1,017,826
Board designated - Note 6	343,255	165,000
	<u>1,172,177</u>	<u>1,182,826</u>
Temporarily restricted - Note 3	3,605	204,761
Total net assets	<u>1,175,782</u>	<u>1,387,587</u>
Total liabilities and net assets	<u>\$1,201,371</u>	<u>\$1,394,449</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, 2005 and 2004

	2005	2004
<u>Unrestricted</u>		
Revenue:		
Cooperative program	\$ 168,585	\$ 223,599
Designated contributions	640,567	560,955
Management fees - Note 4	185,000	180,000
Interest income	32,424	24,966
Dividend income	4	2
Gain (loss) on sale of property & equipment	(7,839)	(392)
Unrealized gain (loss) on value of investment	(1,745)	(7,799)
Net assets released from restrictions:		
Restrictions satisfied by payments	3,606,561	3,092,984
Total revenue	4,623,557	4,074,315
Expenses:		
Administrative expenses	1,027,645	926,594
Missionary expenses	2,926,681	2,840,081
Missionary land & building	679,880	252,903
Total expenses	4,634,206	4,019,578
Increase (decrease) in unrestricted net assets	(10,649)	54,737
<u>Temporarily restricted</u>		
Revenue:		
Cooperative program	796,497	791,582
Designated contributions	2,608,908	2,435,038
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	(2,926,681)	(2,840,081)
Missionary land & building	(679,880)	(252,903)
Increase (decrease) in temporarily restricted net assets	(201,156)	133,636
Total increase (decrease) in net assets	(211,805)	188,373
Net assets - beginning of year	1,387,587	1,199,214
Net assets - end of year	\$ 1,175,782	\$ 1,387,587

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, 2005 and 2004

	2005	2004
<u>Operating activities</u>	(\$ 211,805)	\$ 188,373
Increase (decrease) in net assets		
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	16,505	19,923
(Gain) loss on sale of property & equipment	7,839	392
(Gain) loss on value of investment	1,745	7,799
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(141,220)	(39,313)
(Increase) decrease in inventories	5,306	2,766
Increase (decrease) in accounts payable and accrued expenses	18,727	2,438
Net cash provided (used) by operating activities	(302,903)	182,378
<u>Investing activities</u>	452,654	220,891
Redemption of investments	(146,867)	(633,328)
Acquisition of investments	1,500	2,300
Proceeds from the sale of property & equipment	(22,907)	(23,834)
Purchases of property and equipment	284,380	(433,971)
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	(18,523)	(251,593)
Cash and cash equivalents at beginning of years	380,692	632,285
Cash and cash equivalents at end of years	\$ 362,169	\$ 380,692

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, 2005 and 2004

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 2005 or 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, 2005 and 2004.

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, 2005 and 2004

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, 2005 and 2004

Note 2 - Property and equipment

A summary of property and equipment is as follows:

	2005	2004
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	54,530	61,645
Office furniture & equipment	67,857	140,108
	227,387	306,753
Less: Accumulated depreciation	(68,586)	(145,015)
	<u>\$ 158,801</u>	<u>\$ 161,738</u>
Depreciation for the year	<u>\$ 16,505</u>	<u>\$ 19,923</u>

Note 3 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2005	2004
Missionaries	\$ -0-	\$ 201,156
Church Extension Loan Fund	3,605	3,605
	<u>\$ 3,605</u>	<u>\$ 204,761</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 \$185,000 (\$180,000 at December 31, 2004) 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 \$409,849 (\$715,640 at December 31, 2004). 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 \$241,878 (\$100,000 at December 31, 2004).

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, 2005 and 2004

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 \$55,242 (\$50,220 for the year ended December 31, 2004).

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. During 2005 the Board designated \$178,255 in unrestricted net assets to reduce deficits in missionary accounts. The total amount of Board designated unrestricted net assets is \$343,255.

Note 7 - Concentration of credit risk

The Board maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2005, the excess amount over the federally insured limit was \$262,169 (\$280,692 in 2004). The Board has not experienced any losses in such cash deposits and management believes it is not exposed to any significant credit risk related to cash.

The Board also has \$409,849 (\$715,640 in 2004) 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, 2005 and 2004

Note 9 - Investments

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

	<u>December 31, 2005</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity securities	<u>\$144,684</u>	<u>\$ 11,718</u>	<u>(\$ 132,966)</u>
Investment return is summarized as follows:			
Net realized and unrealized income (loss)			<u>(1,745)</u>

	<u>December 31, 2004</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity securities	<u>\$144,684</u>	<u>\$ 13,459</u>	<u>(\$ 131,225)</u>
Investment return is summarized as follows:			
Net realized and unrealized income			<u>(7,799)</u>

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 \$48,724 (\$36,765 in 2004). The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase one of several types of annuity contracts.

WARREN, DENNEY & WALLACE

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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

Our report on our audits of the basic financial statements of the Board of Home Missions for 2005 and 2004 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 17, 2006

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, 2005 and 2004

	2005	2004
<u>Administrative expenses</u>		
Salaries and wages		
Payroll taxes	\$ 332,794	\$ 312,731
Housing allowance and employee benefits	13,614	12,931
Retirement	99,623	97,187
Cost of literature	10,442	9,917
Promotion expense	20,888	5,019
Utilities	91,142	69,842
Office expense	15,263	13,898
Printing and postage	31,972	22,502
Rent expense	56,855	117,154
Professional fees	55,242	50,220
Auto and travel expense	4,606	4,400
Board meeting expense	107,926	71,515
Insurance expense	13,430	16,217
Telephone	78,003	74,070
Together Way Office	4,338	3,951
Scholarships	1,750	1,674
Flowers and gifts	3,500	6,000
Bank service charges	1,524	2,401
Miscellaneous	3,973	4,789
One magazine	3,255	10,253
Depreciation	61,000	
	<u>16,505</u>	<u>19,923</u>
Total administrative expenses	<u>1,027,645</u>	<u>926,594</u>
<u>Missionary expenses</u>		
Salary and wages		
Retirement	2,377,468	2,287,721
Promotion expense	38,282	26,848
Printing and postage	4,884	1,369
Literature	96,357	95,954
Auto and travel expense	69,631	78,236
Insurance expense	157,989	155,096
Designated contributions	44,558	36,662
Miscellaneous other expense	77,616	86,319
	<u>59,896</u>	<u>71,876</u>
Total missionary expenses	<u>2,926,681</u>	<u>2,840,081</u>
<u>Missionary land & buildings</u>	<u>679,880</u>	<u>252,903</u>
Total expenses	<u>\$4,634,206</u>	<u>\$4,019,578</u>

See accountants' report on supplementary information.

	2005	2006	2007
General Director:			
Salary	\$49,693.65	\$51,184.46	\$53,259.99
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$2,600.00	\$2,700.00	\$2,800.00
Retirement	\$3,384.69	\$3,459.22	\$3,562.99
Insurance *	\$10,500.00	\$11,500.00	\$12,500.00
TOTALS	\$84,178.34	\$86,843.68	\$90,122.98
Office car furnished			
Director of Development:			
Salary	\$34,530.05	\$36,213.95	\$37,948.36
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$2,600.00	\$2,700.00	\$2,800.00
Retirement	\$2,806.51	\$2,858.30	\$2,977.41
Insurance *	\$6,500.00	\$7,000.00	\$8,000.00
TOTALS	\$68,036.56	\$70,372.25	\$73,325.77
Office car furnished			
Director of Missionary Assistance:			
Salary	\$34,530.05	\$36,213.95	\$37,948.36
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$3,500.00	\$3,600.00	\$3,700.00
Retirement	\$2,806.51	\$2,858.30	\$2,977.41
Insurance *	\$14,000.00	\$15,000.00	\$16,000.00
TOTALS	\$76,436.56	\$79,272.25	\$82,225.77
Office car furnished			
Director of Church Growth:			
Salary	\$38,130.05	\$39,813.95	\$41,548.36
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$3,300.00	\$3,400.00	\$3,500.00
Retirement	\$2,806.51	\$2,858.30	\$2,977.41
Insurance *	\$14,000.00	\$15,000.00	\$16,000.00
TOTALS	\$76,236.56	\$79,072.25	\$82,025.77
Office car furnished			
Insurance*:			
Travel, Life,			
Health, Dental			

Year 2005:	Adm. Budget	Actual Expenses	Missionary Budget	Actual Expenses	Total Budget	Total Expenses
Salaries/Housing	\$400,000.00	\$411,994.01	\$2,500,000.00	\$2,377,467.95	\$2,900,000.00	\$2,789,461.96
Personal Revivals	\$20,000.00	\$20,000.00			\$20,000.00	\$20,000.00
Retirement	\$20,000.00	\$10,441.88	\$40,000.00	\$38,281.60	\$60,000.00	\$48,723.48
Insurance	\$85,000.00	\$78,988.22	\$50,000.00	\$44,558.11	\$135,000.00	\$123,546.33
Health Spending	\$10,000.00	\$23.02			\$10,000.00	\$23.02
Auto and Travel	\$75,000.00	\$108,567.40	\$160,000.00	\$153,590.67	\$235,000.00	\$262,158.07
Postage	\$45,000.00	\$23,337.73	\$50,000.00	\$33,243.39	\$95,000.00	\$56,581.12
Printing	\$75,000.00	\$19,644.22	\$65,000.00	\$63,113.68	\$140,000.00	\$82,757.90
Promotion/Advertising	\$75,000.00	\$89,693.99	\$5,000.00	\$4,884.32	\$80,000.00	\$94,578.31
Office Supplies/Maintenance	\$20,000.00	\$31,803.95			\$20,000.00	\$31,803.95
Utilities	\$15,000.00	\$15,263.49			\$15,000.00	\$15,263.49
Board Expense	\$17,000.00	\$13,492.96			\$17,000.00	\$13,492.96
Literature	\$20,000.00	\$15,581.42	\$50,000.00	\$69,579.42	\$70,000.00	\$85,160.84
Rent	\$55,242.00	\$55,242.00			\$55,242.00	\$55,242.00
Phone and FAX	\$6,000.00	\$4,338.41			\$6,000.00	\$4,338.41
Depreciation	\$20,000.00	\$17,836.12			\$20,000.00	\$17,836.12
Payroll Taxes	\$12,000.00	\$11,033.32			\$12,000.00	\$11,033.32
Medicare Taxes	\$3,000.00	\$2,580.38			\$3,000.00	\$2,580.38
Legal and Audit	\$5,000.00	\$4,605.80			\$5,000.00	\$4,605.80
Together Way	\$2,500.00	\$1,750.08			\$2,500.00	\$1,750.08
Misc.	\$7,758.00	\$3,638.45	\$17,000.00	\$19,146.67	\$24,758.00	\$22,785.12
Scholarships	\$10,000.00	\$4,000.00			\$10,000.00	\$4,000.00
Flowers/Gifts	\$2,000.00	\$1,878.03			\$2,000.00	\$1,878.03
Bank Service Charges	\$2,500.00	\$3,973.28			\$2,500.00	\$3,973.28
Misc. Receipts			\$5,000.00	\$16,320.86	\$5,000.00	\$16,320.86
Build My Church	\$125,000.00	\$77,616.22			\$125,000.00	\$77,616.22
Missionary Land/Building			\$425,000.00	\$367,037.32	\$425,000.00	\$367,037.32
Foreign Missions Exchange			\$5,000.00	\$23,112.65	\$5,000.00	\$23,112.65
ONE Magazine		\$60,999.96				\$60,999.96
TOTALS	\$1,128,000.00	\$1,088,324.34	\$3,372,000.00	\$3,210,336.64	\$4,500,000.00	\$4,298,660.98

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

2007 STATE QUOTAS

Alabama	\$475,000.00
Alaska	\$10,000.00
Arizona	\$50,000.00
Arkansas	\$280,000.00
California	\$130,000.00
Canada	\$6,000.00
CELF	\$130,000.00
Colorado	\$70,000.00
Florida	\$40,000.00
FWB Foundation	\$10,000.00
Georgia	\$130,000.00
Hawaii	\$2,500.00
Idaho	\$5,000.00
Illinois	\$115,000.00
Indiana	\$60,000.00
Iowa	\$5,000.00
Kansas	\$15,000.00
Kentucky	\$95,000.00
Louisiana	\$20,000.00
Maine	\$5,000.00
Massachusetts	\$5,000.00
Michigan	\$160,000.00
Mid-Atlantic	\$35,000.00
Mississippi	\$150,000.00
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	\$375,000.00
Ohio	\$160,000.00
Oklahoma	\$375,000.00
Oregon	\$5,000.00
Other Income	\$250,000.00
Other States	\$20,000.00
Pennsylvania	\$30,000.00
Puerto Rico	\$5,000.00
South Carolina	\$170,000.00
South Dakota	\$1,000.00
Tennessee	\$500,000.00
Texas	\$150,000.00
Utah	\$10,000.00
Virginia	\$190,000.00
Virgin Islands	\$50,000.00
Washington	\$8,000.00
West Virginia	\$105,000.00
Wisconsin	\$35,000.00
WNAC	\$135,000.00
Wyoming	\$5,000.00
TOTAL	\$4,800,000.00

2007 Budget

	Administrative	Missionary	Total
Salaries/Housing	\$450,000.00	\$2,800,000.00	\$3,250,000.00
Personal Revivals	\$20,000.00		\$20,000.00
Retirement	\$15,000.00	\$45,000.00	\$60,000.00
Insurance	\$85,000.00	\$50,000.00	\$135,000.00
Health Spending	\$10,000.00		\$10,000.00
Auto and Travel	\$100,000.00	\$200,000.00	\$300,000.00
Postage	\$20,000.00	\$55,000.00	\$75,000.00
Printing	\$70,000.00	\$70,000.00	\$140,000.00
Promotion/Advertising	\$50,000.00	\$5,000.00	\$55,000.00
Office Supplies/Maintenance	\$20,000.00		\$20,000.00
Utilities	\$15,000.00		\$15,000.00
Board Expense	\$15,000.00		\$15,000.00
Literature	\$25,000.00	\$85,000.00	\$110,000.00
Rent	\$60,000.00		\$60,000.00
Phone and FAX	\$5,000.00		\$5,000.00
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	\$4,000.00		\$4,000.00
Together Way	\$2,000.00		\$2,000.00
Misc.	\$2,000.00	\$25,000.00	\$27,000.00
Scholarships	\$5,000.00		\$5,000.00
Flowers/Gifts	\$2,000.00		\$2,000.00
Misc. Receipts		\$10,000.00	\$10,000.00
Build My Church	\$130,000.00		\$130,000.00
Land/Building		\$300,000.00	\$300,000.00
FM Exchange		\$15,000.00	\$15,000.00
TOTALS	\$1,140,000.00	\$3,660,000.00	\$4,800,000.00

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Church Extension Loan Fund (a nonprofit organization) as of December 31, 2005 and 2004, 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, 2005 and 2004 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 17, 2006

CHURCH EXTENSION LOAN FUND

Statements of Financial Position
December 31, 2005 and 2004

ASSETS

	2005	2004
<u>Assets</u>		
Cash - Note 6	\$ 1,872,850	\$ 1,606,704
Certificate of deposit	1,000,000	
Notes receivable - Notes 1 & 8	21,816,050	19,600,174
Accrued interest receivable	127,260	114,334
Property and equipment - at cost, less accumulated depreciation of \$12,413 (\$16,635 in 2004) - Notes 1 & 2	7,815	9,333
Total assets	<u>\$24,823,975</u>	<u>\$21,330,545</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable - related party - Note 4	\$ 241,878	\$ 100,000
Accrued interest	200	106
Revocable and irrevocable trusts - Note 9	1,667,329	1,636,780
Deferred compensation - Note 10	96,210	166,210
Notes payable - Notes 3, 4 & 8	20,988,329	17,671,063
Accrued unrelated business income tax - Notes 1 & 11	1,347	
Total liabilities	<u>22,995,293</u>	<u>19,574,159</u>
<u>Net assets</u>		
Unrestricted	<u>1,828,682</u>	<u>1,756,386</u>
Total net assets	<u>1,828,682</u>	<u>1,756,386</u>
Total liabilities and net assets	<u>\$24,823,975</u>	<u>\$21,330,545</u>

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

CHURCH EXTENSION LOAN FUND
Statements of Activities
For the Years Ended December 31, 2005 and 2004

	<u>Unrestricted</u>	
	<u>2005</u>	<u>2004</u>
<u>Operating</u>		
<u>Revenue</u>		
Investment income		
Interest income on notes receivable	\$ 25,320	\$ 5,700
Other revenue	1,543,835	1,327,736
		<u>18,105</u>
	<u>1,569,155</u>	<u>1,351,541</u>
<u>Expenses</u>		
Interest expense	1,033,720	916,091
Office expense	7,952	9,775
Auto and travel	35,364	21,821
Management fee - Note 4	185,000	180,000
Promotion	2,931	22,176
Postage	2,656	2,354
Professional fees	5,391	5,090
Depreciation	2,916	2,800
Build My Church Project expense	50,000	50,000
Transfer to Free Will Baptists Home Missions	241,878	150,000
Unrelated business income tax	1,347	
	<u>1,569,155</u>	<u>1,360,107</u>
Increase (decrease) in operating net assets	<u>-0-</u>	<u>(8,566)</u>
<u>Build My Church - Note 5</u>		
<u>Revenue</u>		
Designated contributions	72,296	101,651
<u>Expenses</u>	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in Build My Church net assets	<u>72,296</u>	<u>101,651</u>
Total increase (decrease) in net assets	72,296	93,085
Net assets - beginning of year	<u>1,756,386</u>	<u>1,663,301</u>
Net assets - end of year	<u>\$ 1,828,682</u>	<u>\$ 1,756,386</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating activities</u>		
Increase (decrease) in net assets	\$ 72,296	\$ 93,085
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	2,916	2,800
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(12,926)	(13,829)
Increase (decrease) in accounts payable	141,878	41,405
Increase (decrease) in accrued interest payable	94	(6,580)
Increase (decrease) in deferred compensation	(70,000)	(50,000)
Increase (decrease) in unrelated business income tax	1,347	
Net cash provided (used) by operating activities	<u>135,605</u>	<u>66,881</u>
<u>Investing activities</u>		
Additions to notes and bonds receivable	(4,918,363)	(5,282,810)
Collection on notes receivable	2,702,487	2,912,007
Addition to certificate of deposit	(1,000,000)	
Additions to investment in trusts		(2,340)
Disbursements from investment in trusts		519,612
Purchase of new equipment	(1,398)	
Net cash provided (used) by investing activities	<u>(3,217,274)</u>	<u>(1,853,531)</u>
<u>Financing activities</u>		
Addition to trusts	122,911	84,096
Termination of trusts	(92,362)	(84,945)
Additions to notes payable	6,020,371	4,212,808
Repayment of notes payable	(2,703,105)	(1,831,475)
Net cash provided (used) by financing activities	<u>3,347,815</u>	<u>2,380,484</u>
Increase (decrease) in cash and cash equivalents	266,146	593,834
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>\$ 1,872,850</u>	<u>\$ 1,606,704</u>
<u>Supplemental disclosures</u>		
Interest received	<u>\$ 1,582,081</u>	<u>\$ 1,319,607</u>
Interest paid	<u>\$ 1,033,814</u>	<u>\$ 922,671</u>

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

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2005 and 2004

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. The Fund had \$9,980 unrelated business income for 2005. 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 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, 2005 and 2004

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 2004) 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:

2006	\$ 1,132,324
2007	1,214,180
2008	1,301,953
2009	1,396,072
2010	1,496,994
Thereafter	<u>15,274,527</u>
	<u>\$21,816,050</u>

CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2005 and 2004

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:

	2005	2004
Automobile	\$ 14,000	\$ 14,000
Office equipment	6,228	11,968
	20,228	25,968
Accumulated depreciation	(12,413)	(16,635)
	\$ 7,815	\$ 9,333

Note 3 - Notes payable

Notes payable consist of 3 - 5% (3 - 5% in 2004) 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 \$185,000 (\$180,000 at December 31, 2004) 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 \$241,878 (\$100,000 at December 31, 2004).

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 (\$50,000 at December 31, 2004) 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 \$1,799,198 (\$1,726,902 at December 31, 2004).

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CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2005 and 2004

Note 6 - Concentration of credit risk

The Fund maintains cash deposits in excess of the federally insured amount of \$100,000. At December 31, 2005, the excess amount over the federally insured limit was \$2,772,850 (\$1,506,704 in 2004). The Fund has not experienced any losses in such cash deposits and management believes it is not exposed to any significant credit risk related to cash.

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, 2005 and 2004.

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, 2005 and 2004.

Note 8 - Concentration

Included in notes receivable at December 31, 2005 are thirty-one loans which total \$13,046,133 (twenty-six loans which total \$10,525,983 in 2004). This balance represents 59.80% (53.70% in 2004) of total notes receivable.

Notes payable include eighty-five notes which total \$15,082,845 or 71.86% (seventy-one notes which total \$11,552,229 or 65.37% in 2004) of total notes payable. Of these eighty-five (seventy-one in 2004) notes payable, two total \$1,154,172 or 5.50% (three notes total \$1,220,785 or 6.9% in 2004) 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, 2005 amounted to \$124,195 (\$133,798 at December 31, 2004).

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CHURCH EXTENSION LOAN FUND
Notes to the Financial Statements
December 31, 2005 and 2004

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.

Note 11 - Unrelated business income tax

The Fund was subject to unrelated business tax from interest it collected on a loan that it made to a commercial entity.

The components of the unrelated business income tax are:

	2005	2004
Current payable	\$ 1,347	\$ -0-
Deferred taxes	-0-	-0-
	<u>\$ 1,347</u>	<u>\$ -0-</u>

Master's Men

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

As 2005 began, we started gearing up for what weather forecasters said was going to be a busy year for hurricanes. WOW, did they ever get it right this time. We began to get equipment, recruit volunteers and prepare should the need arise. Well it did. Hurricane Katrina smashed the Gulf Coast with force that few have seen. The Gulf Coast Free Will Baptist Church in Gulfport, MS was damaged. Volunteers from across our denomination stepped up through donations and in person to rise to the occasion. The first week there we had over fifty men and women arrive to help in the rebuilding. But it didn't end there. Over the next several weeks men and women continued to come to Gulfport to help their Free Will Baptist brothers and sisters and their neighbors recover.

Though Disaster Response was the biggest attention getter, there were other things happening. We continued our sports fellowship ministry by holding our two annual golf tournaments and our national softball tournament. We held our National Retreat at Camp Hope in IL with Bro. Tim York as our guest speaker. We held our largest National Rally in Fresno, CA. We partnered with Home Missions and held an Operation Saturation event in Green Bay, WI. In October we joined with WNAC to host our third National Marriage Enrichment Conference.

We continue to grow in numbers as we added ten new chapters in 2005.

We appreciate all those that support Master's Men and ask for your prayers as we continue to help our churches help their men.

Your fellow servant

Kenneth W. Akers, General Director

Synopsis of Board Meetings

May 2, 2005

7 Board members present. Approved Dec. 2004 minutes. Reviewed and approved financial report. Approved 2006 budget.

December 4-5, 2005

8 members present. Approved May 2005 minutes and financial report. Discussed ways to increase Father's Day Offering. Approved 2007 budget. Discussed Disaster Response Team purpose statement and criteria for response.

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

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

I have audited the accompanying statement of financial position of The Master's Men (a nonprofit organization) as of December 31, 2005, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2005, 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 27, 2006
Cookeville, Tennessee

Tamara L. Beckman, CPA

THE MASTER'S MEN STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2005

Current Assets		
Cash	\$ 105,448.13	
Trust Account—Build a House	5,315.77	
Receivable Trust—Build a House	48,406.06	
Trust Account—Lifetime Members	100,625.00	
Interest Receivable	7,510.16	
Inventory	430.00	
Accounts Receivable	10,634.98	
Total Current Assets		\$ 278,370.10
Fixed Assets		
Equipment and Furniture	59,385.82	
Accum. Depreciation—Equip/Furn.	(46,232.16)	
Capitalized Leases	4,017.80	
Accum. Amortization—Cap. Leases	(2,913.56)	
Total Fixed Assets		14,257.90
Total Assets		\$ 292,628.00
Liabilities		
Accounts Payable	5,343.83	
Payroll Tax Payable	123.07	
Accrued Wages	444.00	
Retirement Payable	359.75	
Other Accrued Expenses	87.98	
Total Liabilities		6,358.63
Net Assets		
Temporarily Restricted	250,779.36	
Unrestricted	35,490.01	
Total Net Assets		286,269.37
Total Liabilities and Net Assets		\$ 292,628.00

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

**THE MASTER'S MEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Temporarily Restricted Assets	Unrestricted Net Assets	Total
Revenues & Gains			
Gifts and Donations	\$ 110,838.61	\$ 11,588.84	\$ 122,427.45
Dues from Members	425.00	18,702.32	19,127.32
Cooperative Program	-	76,461.28	76,461.28
Merchandise Sales	-	3,889.80	3,889.80
Special Events	-	9,600.00	9,600.00
Tournament & Conference income	-	35,402.01	35,402.01
Interest Income	-	9,588.72	9,588.72
Gain on Disposal	-	3,550.00	3,550.00
Miscellaneous Income	-	392.20	392.20
Total Revenues & Gains	111,263.61	169,175.17	280,438.78
Net Assets Released from Restrictions			
Disaster Relief	(9,427.67)	9,427.67	-
Missions	(11,422.33)	11,422.33	-
Master's Hands Projects	(13,950.00)	13,950.00	-
Operation Saturation	(678.66)	678.66	-
Total Revenues, Gains & Other Support	\$ 75,784.95	\$ 204,653.83	\$ 280,438.78
Expenses			
Salaries and Wages	-	64,105.50	64,105.50
PR Taxes and Benefits	-	8,597.85	8,597.85
Cost of Sales and Printing	-	2,176.70	2,176.70
Travel Expense	-	7,454.85	7,454.85
Conferences & Conventions	-	4,643.56	4,643.56
Office Expense	-	4,134.18	4,134.18
Telephone	-	2,294.82	2,294.82
Postage	-	1,301.80	1,301.80
Rent Expense	-	24,497.00	24,497.00
Professional Fees	-	1,750.00	1,750.00
Bookkeeping Expense	-	900.00	900.00
Ministry & Resource Development	-	11,868.23	11,868.23
Tournament Expense	-	23,905.08	23,905.08
Social Events	-	9,049.31	9,049.31
Dues, Subscriptions, Fees	-	8,794.35	8,794.35
Depreciation Expense	-	3,536.29	3,536.29
Amortization Expense	-	200.89	200.89
Interest Expense	-	164.96	164.96
Miscellaneous Expense	-	467.23	467.23
Total Expenses	\$ -	\$ 179,842.60	\$ 179,842.60
Change in Net Assets	75,784.95	24,811.23	100,596.18
Net Assets-Beginning of Year	174,994.41	10,678.78	185,673.19
Net Assets-End of Year	\$ 250,779.36	\$ 35,490.01	\$ 286,269.37

The accompanying notes are an integral part of the financial statement.

**THE MASTER'S MEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash Flows from Operating Activities		\$ 100,596.18
Increase in Net Assets		
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 3,536.29	
Amortization	200.89	
Interest on Investments	(9,588.72)	
Interest Expense	164.96	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	47,321.97	
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	4,899.38	
Payroll Tax Payable	(213.42)	
Accrued Wages	(36.25)	
Retirement Payable	19.50	
Total		46,304.60
Net Cash Provided by Operating Activities		146,900.78
Cash Flows from Investing Activities		
Fixed Assets Purchased	(3,610.00)	
Transfers from Trusts & Investments	0.01	
Transfers to Trusts & Investments	(53,298.74)	
Interest Received	11,980.59	
Net Cash Used by Investing Activities		(44,928.14)
Cash Flows from Financing Activities		
Loan Proceeds	5,000.00	
Paid on Principal	(5,000.00)	
Interest Paid	(164.96)	
Net Cash Used by Financing Activities		(164.96)
Net Increase in Cash and Cash Equivalents		101,807.68
Beginning Cash and Cash Equivalents		3,640.45
Ending Cash and Cash Equivalents		\$ 105,448.13

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

**THE MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 and 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, 2005:

Equipment and furniture	\$ 59,385.82
Less: Accumulated Depreciation	<u>< 46,232.16 ></u>
Property and Equipment, Net	<u>\$ 13,153.66</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 2005 and accumulated amortization as of December 31, 2005 were \$200.89 and \$2,913.56, respectively.

Note 4 – Deferred Revenue

There were no deferred revenues for 2005.

Note 5 – Restricted Fund Balance

The restricted fund balance is revenue designated for specific projects and consists of the following as of December 31, 2005.

Build A House campaign	\$ 50,180.59
Lifetime Membership	101,050.00
Disaster Relief	<u>99,548.77</u>
Total	<u>\$250,779.36</u>

Note 6 – Compensated Absences

There was no compensated absence balance at December 31, 2005.

2007 Masters Men Financial Reports

Projected Expenses	2005 Budget	2005 Actuals	2006 Budget	Proposed Budget 2007
Salaries				
Director				
Salary	31,880.00	33,000.00	34,280.00	39,393.00
Housing	20,400.00	20,400.00	20,400.00	20,400.00
Retirement	2,614.00	1,705.00	2,734.00	2,990.00
Insurance	6,500.00	6,051.65	6,500.00	6,500.00
Total	61,394.00	61,156.65	63,914.00	69,283.00
Secretary				
Wages(40hrs/wk@8.50)	17,680.00	10,741.75	17,680.00	17,680.00
FICA	1,097.00	665.94	1,097.00	1,097.00
MED	257.00	155.76	257.00	257.00
Total	19,034.00	11,563.45	19,034.00	19,034.00
Total Salaries	80,428.00	72,720.10	82,948.00	88,317.00
Office Operations				
Rent	22,692.00	22,321.20	22,580.00	22,580.00
Equipment & Supplies	6,000.00	4,835.27	6,000.00	6,000.00
Telephone	3,000.00	2,294.23	3,000.00	3,000.00
Postage	2,500.00	1,301.80	2,500.00	2,500.00
Total	34,192.00	30,752.50	34,080.00	34,080.00
Accounting				
Bookkeeping	900.00	900.00	900.00	900.00
Audit	1,500.00	1,750.00	1,750.00	1,750.00
Total	2,400.00	2,650.00	2,650.00	2,650.00
Resource Development				
Printed Materials	7,200.00	2,176.70	7,200.00	7,200.00
Department Travel	10,000.00	7,454.84	10,000.00	10,000.00
National Association	2,500.00	2,794.35	2,500.00	2,500.00
Total Expenses	136,720.00	118,548.49	139,378.00	144,747.00
Projected Income				
Dues	21,000.00	19,127.32	20,000.00	20,000.00
Father's Day Offering	6,000.00	3,166.43	6,504.00	11,617.00
Together Way	71,720.00	70,783.25	69,874.00	70,130.00
Softball	4,000.00	2,024.02	4,000.00	4,000.00
Golf	4,000.00	7,931.78	4,000.00	4,000.00
Gifts	9,000.00	8,422.41	17,000.00	17,000.00
Sales	6,000.00	3,889.80	5,000.00	5,000.00
Endowment Income	8,000.00	6,622.31	6,000.00	6,000.00
BAH	5,000.00	2,240.77	5,000.00	5,000.00
Master's Men Conference:	2,000.00	-115.89	2,000.00	2,000.00
Total Income	136,720.00	124,092.20	139,378.00	144,747.00

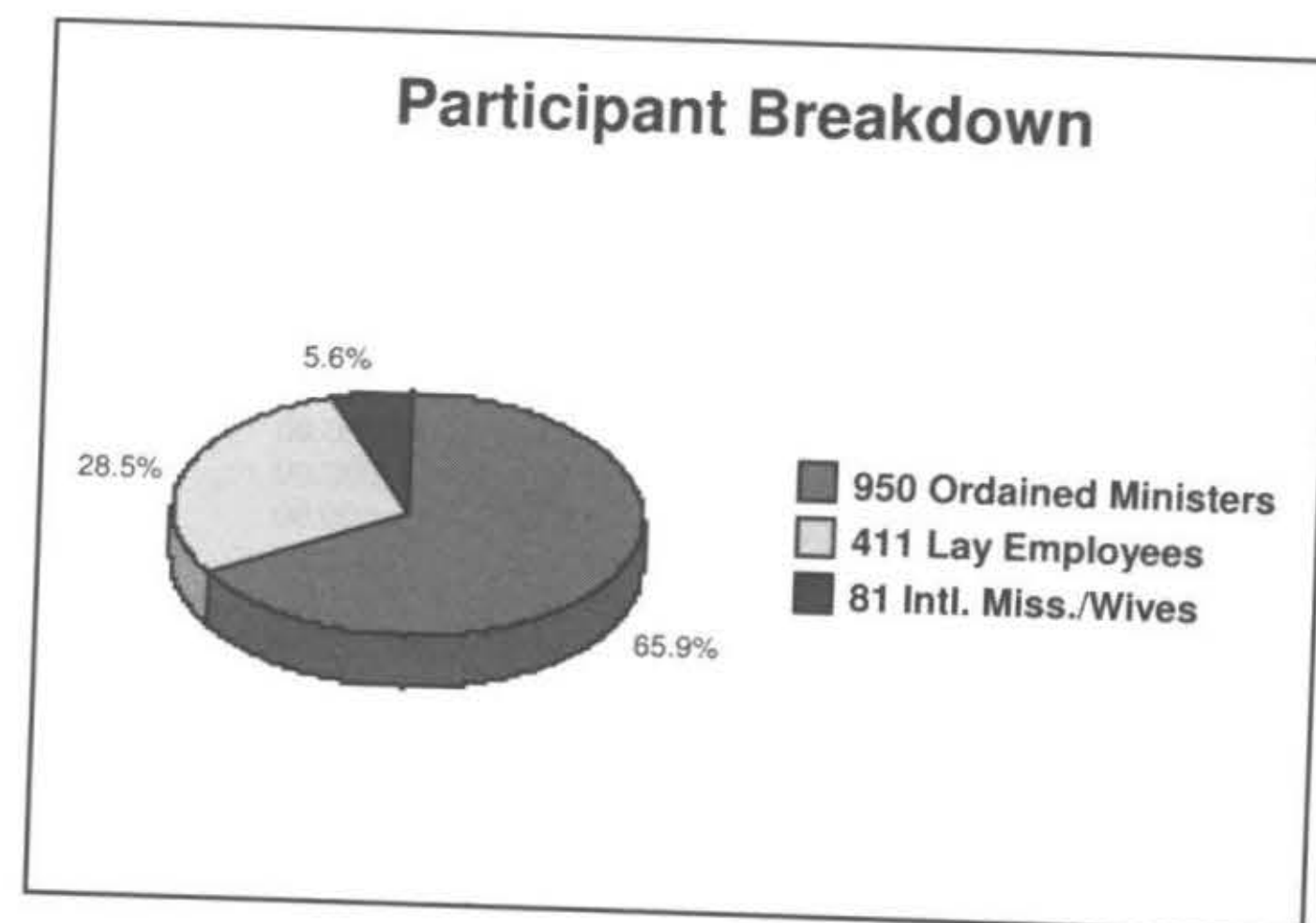


Board of Retirement

August 1, 2005, was an important day in the life of the Board of Retirement and Insurance. On that day, for only the second time in the 36-year history of the board, there was a change in leadership. The first time was August 1, 1993, when Bill Evans took over from Herman Hersey. Twelve years later I took over from Brother Bill. The transition for Bill and me went well.

We come to the national this year with a completely new staff. John Brummitt became our new Business Manager on April 1, 2006, and Marian Pilgrim became our new administrative assistant on May 30. They are both working out well and are a blessing to work with.

2005 was a good year for the Board of Retirement and Insurance. We had 72 new enrollees, bringing our total active participants to 1442. The breakdown of our participant base is shown in the chart below.



From the above chart we see there are 950 ordained ministers enrolled in our plan. At least 201 of them are not pastoring one of the 2470 churches listed in the 2006 *Free Will Baptist Yearbook*. Some of these 201 are no longer employed by a Free Will Baptist church or agency while others serve as Associate Pastors or in other non-pastoral staff positions. Some teach in one of our five colleges, work in our bookstores, Christian Schools, state offices, etc.

This means that out of that 950, only 749 (31%) are pastoring Free Will Baptist churches. At least 1721 of our pastors are not enrolled in the denominational retirement program.

There are 426 of those 749 pastors who have received no retirement contributions from their church so far this year. Only 323 (13%) of our 2470 churches are contributing anything toward their pastor's retirement through the retirement plan adopted by the national association.

My goal as the director is to get as many of the remaining 2147 churches accepting their responsibility for their pastor's future needs as well as present ones. I want to see every FWB pastor enrolled in our program. I believe it is the best thing going for our pastors and we ought to take care of them.

Last year was a record year for contributions. We received \$2,777,001.96 in total contributions. We processed over 18,000 transactions.

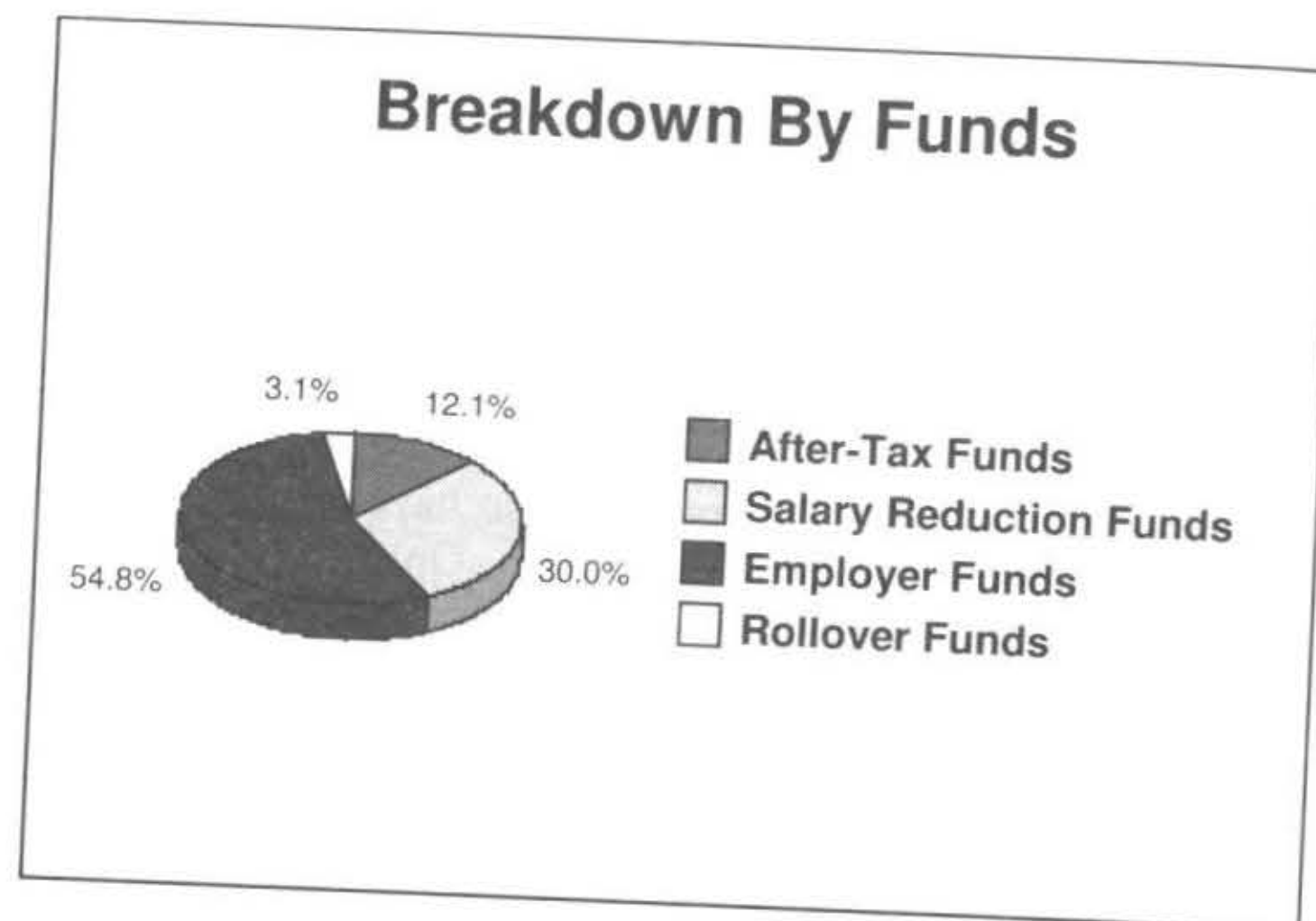
The IRS has expanded the rules concerning contribution limits. The first contribution limit relates to the total Salary Reduction Contributions allowed. For 2006 that dollar amount is \$15,000.

There are two special annual "catch-up" contribution limits that apply in limited cases.

- Age-50 Catch-Up (\$5,000 per year)
- 15-Years of Service Catch-Up (\$3,000 per year)

If a participant qualifies for both of the catch-up contribution limits, he/she can contribute a total of \$23,000 in Salary Reduction Contributions in 2006. Total contributions, including after-tax, pre-tax and employer, cannot exceed the lesser of \$44,000 or 100% of salary.

We now manage \$29,523,885.93 in retirement funds for our participants. As you can see from the chart below, more and more of our people are taking advantage of the tax deferred benefit.



In 2005 we had total withdrawals from the plan of \$1,302,335.32. This was down \$400,000 over 2004.

Also in 2005 we had three participants settle their accounts by taking an annuity. We now have 53 annuity contracts totaling \$20,937.56 per month.

In addition to these 53, there are 49 participants who made settlements for a specified period of months from 12-120. The total monthly payments to these contracts is \$35,917.61.

That means that every month we are paying out \$56,855.17 monthly retirement benefits.

Participant loans are still popular. Last year we made new loans totaling \$250,189.49 bringing our total participant loans to \$475,945.25.

We were able to pay 3% dividends to our participants in Plan 1 the first half of 2005 and 9.25% the second half. Our average earnings over the 37-year history of our plan is 8.72%. Average returns are:

1 year - 2005	6.125%
3 years - 2003-2005	12.708%
5 years - 2001-2005	5.155%
10 years - 1996-2005	8.278%
Life of plan - 1969-2005	8.72%

During the last quarter of 2005 we began the long and involved process of developing a newly revised Plan Document. Danny Miller and Erica Summers, attorneys who specialize in 403(b) retirement plans, have worked very closely with our office to confirm that our retirement program meets all guidelines set down under the 1986 Internal Revenue Code Section 403(b)(9). Their firm, Connor & Winters, is the legal council for the Church Benefits Association and the Church Alliance that the Board of Retirement has belonged to for many years.

If you are a participant in the retirement program and have not received your copy of the Summary Plan Document, please let us know.

The new plan document brings some changes to the plan. Some are dictated by the IRS Code, some were made by our board in order to make it a better plan for our participants. Some of the changes are:

1. All participants, except those receiving a monthly distribution, receive the same rate of earnings, no matter their plan number.
2. There is no longer a vesting schedule earnings.
3. All earnings will be tax deferred beginning January 1, 2006. No more 1099-Div.

Our staff is here to serve you and we look forward to helping you prepare for your retirement years. Give us a call @ 1-877-767-7738 (toll-free) and let us help you develop a plan suited for your needs.

Summary of Board Meetings

April 26-27, 2005

In attendance: Ron Barber, Jack Ward, Milburn Wilson, Craig Cook, Jack Daniel, Bobby Bowers, Jim Lowe, Henry VanKluyve, and Bill Ferguson.

The audit, the first quarter 2005 financial reports and the 2006 budget were presented and approved.

Recommendations were made and approved to release the annuity pool investments to Manning and Napier for management. Also, a recommendation was made and approved to move the funds invested with Harris Bretall to Manning and Napier to create the "Integrated Advisors Portfolio."

Ray Lewis, Director of the Board of Retirement, effective August 1, 2005, named "priorities for consideration: a planned document, new literature/brochures, and to start a college outreach."

Henry VanKluyve was commended for his many years of loyal and faithful service to the Board.

December 6, 2005

In attendance: Jack Daniel, Bobby Bowers, Tim Hall, Milburn Wilson, and Jim Lowe.

The Board reviewed and approved the financial statements for 2005. Revised guidelines for participant loans were approved.

The life insurance carrier was changed from Unum Provident to Guardian Insurance Company.

WARREN, DENNEY & WALLACE

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CERTIFIED PUBLIC ACCOUNTANTS
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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, 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 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, 2005 and 2004, 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 31, 2006

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Statements of Financial Position
December 31, 2005 and 2004

ASSETS

	December 31,	
	2005	2004
<u>Operating Assets</u>		
Cash and cash equivalents		
Funds invested with the Free Will Baptist Foundation	\$	\$ 11,871
Total operating assets	<u>72,723</u>	<u>72,523</u>
	<u>72,723</u>	<u>84,394</u>
<u>Retirement Assets</u>		
Cash and cash equivalents	3,750,512	1,545,767
Investment in marketable securities and instruments, at fair market value - Note 3	27,968,723	26,884,773
Accrued investment income receivable		85,289
Notes receivable, net of allowance for doubtful accounts - Note 2	<u>673,788</u>	<u>755,810</u>
Total retirement assets	<u>32,393,023</u>	<u>29,271,639</u>
<u>Office Furniture, Equipment and Automobiles,</u> at cost, net of accumulated depreciation - Notes 1 & 4	<u>45,636</u>	<u>20,702</u>
Total assets	<u>\$32,511,382</u>	<u>\$29,376,735</u>

LIABILITIES & NET ASSETS

	December 31,	
	2005	2004
<u>Liabilities</u>		
Annuities payable - Note 6	\$ 3,375,172	\$ 3,352,379
Accounts payable, accrued expenses and other liabilities	<u>26,034</u>	<u>19,805</u>
Total liabilities	<u>3,401,206</u>	<u>3,372,184</u>
<u>Net Assets</u>		
Unrestricted:		
Operations:		
Operating funds (deficit)	(26,303)	(3,414)
Designated for future asset purchases	<u>72,723</u>	<u>72,523</u>
Net invested in equipment	<u>45,636</u>	<u>20,702</u>
Operating net assets	<u>92,056</u>	<u>89,811</u>
Retirement accounts:		
Net assets available for participants	29,006,417	26,043,108
Designated as reserve funds (deficit)	<u>11,703</u>	<u>(145,368)</u>
Designated as annuity reserve funds	<u>29,018,120</u>	<u>25,914,740</u>
Retirement net assets	<u>29,110,176</u>	<u>26,004,551</u>
Total net assets	<u>29,110,176</u>	<u>26,004,551</u>
Total liabilities and net assets	<u>\$32,511,382</u>	<u>\$29,376,735</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, 2005 and 2004

	2005		
	Retirement Accounts	Operations	Total
<u>Support, Revenue and Other Additions</u>			
Contributions from participants	\$ 2,997,716	\$	\$ 2,997,716
Investment income:			
Gains of investment portfolio:			
Net realized gains (losses)	910,510		910,510
Net unrealized gains (losses)	<u>256,365</u>		<u>256,365</u>
	1,166,875		1,166,875
Interest and dividends from investments (net of investment fees)	<u>984,456</u>		<u>984,456</u>
Total investment income	<u>2,151,331</u>		<u>2,151,331</u>
Income earned from interest bearing notes:			
Interest income	56,206		56,206
Gain on sale of property		<u>1,540</u>	<u>1,540</u>
Total income earned from interest and sale of property	<u>56,206</u>	<u>1,540</u>	<u>57,746</u>
Forfeitures and late charges	531		531
Gifts		72,810	72,810
Reimbursement from Free Will Baptist Foundation			
Miscellaneous income		<u>170</u>	<u>170</u>
Total other income	<u>531</u>	<u>72,980</u>	<u>73,511</u>
Total additions	5,205,784	74,520	5,280,304
Allocation for operations	(329,625)	<u>329,625</u>	
Net additions after allocation for operations	<u>4,876,159</u>	<u>404,145</u>	<u>5,280,304</u>

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

	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			
Miscellaneous income		<u>7,500</u>	<u>7,500</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)	<u>284,444</u>	
Net additions after allocation for operations	<u>5,408,347</u>	<u>363,883</u>	<u>5,772,230</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, 2005 and 2004

	2005		
	Retirement Accounts	Operations	Total
Net additions after allocation for operations	\$ 4,876,159	\$ 404,145	\$ 5,280,304
<u>Expenses and Other Deductions</u>			
Withdrawals by participants	1,312,580		1,312,580
Transfers to annuities by participants	239,911		239,911
Insurance deductions from participant's accounts	39,368		39,368
Income allocated to annuitant obligations	180,830		180,830
Salaries		119,949	119,949
Housing		47,925	47,925
Fringe benefits		68,574	68,574
Travel and promotional		27,074	27,074
Office supplies and expense		65,070	65,070
Occupancy		24,875	24,875
Board members expense		13,117	13,117
Legal and auditing		22,169	22,169
Depreciation		12,110	12,110
Miscellaneous	90	1,037	1,127
Total deductions	<u>1,772,779</u>	<u>401,900</u>	<u>2,174,679</u>
Increase (decrease) in net assets	3,103,380	2,245	3,105,625
Net assets at beginning of year	<u>25,914,740</u>	<u>89,811</u>	<u>26,004,551</u>
Net assets at end of year	<u>\$29,018,120</u>	<u>\$ 92,056</u>	<u>\$29,110,176</u>

	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	<u>\$25,914,740</u>	<u>\$ 89,811</u>	<u>\$26,004,551</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 Cash Flows
For the Years Ending December 31, 2005 and 2004

	2005		
	Retirement Accounts	Operations	Total
<u>Cash flows from operating activities</u>			
Cash received from:			
Contributions from participants and employers	\$ 2,997,716	\$	\$ 2,997,716
Gifts		72,810	72,810
Income earned from interest and sale of loan property	56,206		56,206
Investment income	1,069,745		1,069,745
Forfeitures and late charges	531		531
Reimbursement from Free Will Baptist Foundation			
Miscellaneous income		170	170
Cash paid for:			
Supplies and employees	(44,247)	(378,772)	(423,019)
Withdrawal of funds by participants	(1,552,491)		(1,552,491)
Income allocated to annuitant obligations	(180,830)		(180,830)
Net cash provided (used) by operating activities	<u>2,346,630</u>	<u>(305,792)</u>	<u>2,040,838</u>
<u>Cash flows from investing activities</u>			
Purchases of office furniture and equipment		(43,004)	(43,004)
Investments:			
Purchases of investment securities	(16,523,784)		(16,523,784)
Funds invested with Free Will Baptist Foundation		(200)	(200)
Proceeds from sale of investment securities	16,606,709		16,606,709
Proceeds from sale of equipment		7,500	7,500
Notes receivable:			
New loans made	(250,293)		(250,293)
Collection of notes receivable	<u>332,315</u>		<u>332,315</u>
Net cash provided (used) by investing activities	<u>164,947</u>	<u>(35,704)</u>	<u>129,243</u>

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

	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			
Miscellaneous income		7,500	7,500
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
Proceeds from sale of equipment			
Notes receivable:			
New loans made	(229,761)		(229,761)
Collection of notes receivable	<u>341,351</u>		<u>341,351</u>
Net cash provided (used) by investing activities	<u>(1,497,062)</u>	<u>(27,129)</u>	<u>(1,524,191)</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, 2005 and 2004

	2005		
	Retirement Accounts	Operations	Total
<u>Cash flows from financing activities</u>			
Allocation for operations	(\$ 329,625)	\$ 329,625	\$
Net additions to (withdrawals from) annuities payable	22,793		22,793
Repayment of loan from Foundation			
Net cash provided (used) by financing activities	(306,832)	329,625	22,793
Net increase (decrease) in cash	2,204,745	(11,871)	2,192,874
Cash and cash equivalents at beginning of year	1,545,767	11,871	1,557,638
Cash and cash equivalents of end of year	\$3,750,512	\$ -0-	\$ 3,750,512
<u>Reconciliation of increase (decrease) in net assets to cash flows from operating activities</u>			
Increase (decrease) in net assets	\$3,103,380	\$ 2,245	\$ 3,105,625
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization		12,110	12,110
Allocation for operations	329,625	(329,625)	
Collection of bad debts			
Loss (gain) on sale of property and equipment		(1,540)	(1,540)
Loss (gains) on investment transactions	(1,166,875)		(1,166,875)
Decrease (increase) in accrued investment income	85,289		85,289
Decrease (increase) in accounts receivable			
Increase (decrease) in accounts payable, accrued expenses and other	(4,789)	11,018	6,229
Total adjustments	(756,750)	(308,037)	(1,064,787)
Net cash provided (used) by operating activities	\$ 2,346,630	(\$ 305,792)	\$ 2,040,838

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

	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	160,423	284,444	444,867
Net increase (decrease) in cash	(154,625)	11,871	(142,754)
Cash and cash equivalents at beginning of year	1,700,392	-0-	1,700,392
Cash and cash equivalents of end of year	\$1,545,767	\$ 11,871	\$1,557,638
<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 (gain) on sale of property and equipment			
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	(2,100,082)	(269,485)	(2,369,567)
Net cash provided (used) by operating activities	\$1,182,014	(\$ 245,444)	\$ 936,570

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

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, 2005 and 2004.

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

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

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.

The Board contributes to this Plan on behalf of its employees. Contributions for 2005 amounted to \$10,863 (\$9,293 for 2004).

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.

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

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>2005</u>	<u>2004</u>
Participant notes (net) secured by retirement account balances	\$ 6,325	\$ 4,267
Churches and agency notes secured by related real property	<u>667,463</u>	<u>751,543</u>
	<u>\$ 673,788</u>	<u>\$ 755,810</u>

The notes bear interest at various rates from 3.0% to 11.25% and mature at various dates from 2006 through 2012.

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

Note - 3 Investments in marketable securities and instruments

	<u>2005</u>		
	<u>Market</u>		<u>(Depreciation)</u>
	<u>Value</u>	<u>Cost</u>	<u>Appreciation</u>
Investments:			
Mutual funds	\$ 4,606,249	\$ 4,408,122	\$ 198,127
Common stocks	14,307,431	12,705,694	1,601,737
U.S. Government issues	5,630,612	5,525,292	105,320
Corporate bonds	2,408,811	2,340,546	68,265
Real estate trust	<u>1,015,620</u>	<u>1,000,010</u>	<u>15,610</u>
Total Investments	<u>\$ 27,968,723</u>	<u>\$ 25,979,664</u>	<u>\$ 1,989,059</u>

For 2005, total investment gain relating to marketable securities and instruments amounted to \$2,151,331 and consisted of investment gains of \$1,166,875 and interest and dividends of \$984,456 (net of investment fees of \$52,671). Investment income (loss) represented yields of 7.84% and 8.57% based on the average market value and average cost of such investments for 2005.

	<u>2004</u>		
	<u>Market</u>		<u>(Depreciation)</u>
	<u>Value</u>	<u>Cost</u>	<u>Appreciation</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.

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

Note - 4 Office furniture, equipment and automobiles

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

	2005	2004
Office furniture and fixtures	\$ 48,531	\$ 41,723
Computer equipment	19,524	24,794
Automobiles	40,428	54,174
	108,483	120,691
Accumulated depreciation	(62,847)	(99,989)
	<u>\$ 45,636</u>	<u>\$ 20,702</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 \$1.10 (\$1.00 in 2004) per square foot per month. In addition, the Board pays additional expenses related to their share of operating and maintenance costs of the building. The Board shares the office with the Free Will Baptist Foundation. Beginning in 2005 the Foundation began paying one-half of the rent. Total lease payments, additional operating, and maintenance costs related to the lease were \$24,875 and \$45,287 for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, the recorded liability amounted to \$3,375,172 and \$3,352,379. The actuary has determined that the reserve account exceeded the current periodic benefit at December 31, 2005 by \$84,463 (the current periodic benefit exceeded the reserve account by \$159,521 at December 31, 2004). Management has determined that there will be no pension benefit increases for 2005.

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.

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

Note - 7

Information regarding financial instruments - continued

The following table summarizes the Board's accounting risk of loss as of December 31, 2005 and 2004:

	2005		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 673,788	\$ 673,788	\$
Cash and cash equivalents	898,754	100,000	798,754
Funds invested with the Free Will Baptist Foundation	72,723	72,523	200
Short-term liquid investments	2,851,758	1,761,899	1,089,859
Corporate bonds	2,408,811		2,408,811
Mutual funds	4,606,249		4,606,249
Common stocks	14,307,431		14,307,431
U.S. Treasury notes and bills	5,630,612	5,630,612	
Real estate investment trust	1,015,620		1,015,620
	<u>\$32,465,746</u>	<u>\$ 8,238,822</u>	<u>\$24,226,924</u>

	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	1,187,557		1,187,557
	<u>\$29,270,744</u>	<u>\$ 9,444,909</u>	<u>\$19,825,835</u>

BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
Notes to Financial Statements
December 31, 2005 and 2004

Note - 8

Related party transactions

The Board provided office space and certain administrative services to the Free Will Baptist Foundation, Inc. The foundation reimbursed the Board \$-0- and \$7,500 for these services during the years ended December 31, 2005 and 2004, respectively.

The Board had \$72,723 and \$72,523 invested with the Free Will Baptist Foundation, Inc. at December 31, 2005 and 2004, respectively.

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Board of Retirement and Insurance
Salary and Benefits Breakdown

	2005	2006	2007
Director:			
Salary	36,354.76	33,896.00	36,558.96
Housing/Utilities	28,672.20	31,200.00	31,200.00
Social Security/Medicare	11,746.31	11,758.78	12,239.81
Christmas Check	1,476.41	1,477.97	1,538.44
Retirement	4,524.00	4,660.18	4,850.82
Insurance	6,759.78	6,803.24	6,887.43
Life	756.12	829.56	829.56
Medical	5,176.38	5,585.88	5,585.88
Disability	341.64	387.80	471.99
Note: Office Car Furnished			
Total	89,533.46	89,796.17	93,275.46
Business Manager:			
Salary	45,000.00	46,800.00	40,560.00
Social Security/Medicare	3,727.67	3,876.77	3,162.51
Christmas Check	865.38	900.00	780.00
Retirement	3,210.58	3,339.00	2,893.80
Insurance	13,664.62	14,676.12	5,958.98
Life	400.00	400.00	133.80
Hospitalization	13,052.22	14,000.00	5,585.88
Disability	212.40	276.12	239.30
Note: Office Car Furnished			
Total	66,468.25	69,591.89	53,355.29
Secretary:			
Salary	18,720.00	28,080.00	28,080.00
Social Security/Medicare	1,459.62	2,148.12	2,189.43
Christmas Check	360.00	540.00	540.00
Retirement	1,335.60	2,003.40	2,003.40
Insurance	6,317.70	5,844.76	5,876.63
Life	133.80	133.80	165.67
Hospitalization	5,078.04	5,585.88	5,585.88
Disability	112.57	125.08	125.08
Total	28,192.92	38,616.28	38,689.46
Member Services Manager:			
Salary		45,000.00	45,000.00
Social Security/Medicare		3,727.67	3,727.67
Christmas Check		865.38	865.38
Retirement		3,210.58	3,210.58
Insurance		14,665.50	14,665.50
Life		400.00	400.00
Hospitalization		14,000.00	14,000.00
Disability		265.50	265.50
Total		67,469.13	67,469.13

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

**Disability Insurance is .059 per \$100

Board of Retirement and Insurance
Proposed Budget for 2007

	2004 Budget	2004 Actual	2005 Budget	2005 Actual	2006 Budget	2007 Proposed
INCOME						
Service Fees		\$284,443.72		\$329,624.63		413,463.34
Insurance Administrative Fees		1,960.32		343.50		500.00
The Together Way		64,603.37		68,546.28		70,000.00
Other State Gifts		197.31		318.32		300.00
Rest of the Family Offering		2,660.52		3,585.51		3,800.00
Interest Income		2,516.44		1,131.64		2,500.00
Miscellaneous Income		7,500.02		1,726.53		1,500.00
TOTAL		\$363,881.70		\$405,276.41		\$492,063.34
EXPENSES						
Salaries	\$82,949.81	\$75,010.01	139,931	119,949	150,139	153,923
Employee Benefits	60,000	52,529	87,134	68,574	75,668	67,667
Housing	57,569	57,569	79,125	47,925	31,200	31,200
Travel/Promotion	22,000	16,271	22,000	17,963	22,000	30,000
Auto Maintenance	4,500	3,242	5,500	9,110	5,500	7,500
Future Purchases/Auto	7,200	6,600	7,200	7,200	7,200	7,200
Hardware/Software Future Purchases	12,000	11,000	12,000	12,000	12,000	12,000
Plant Fund	50,000	48,291	30,000	24,875	50,000	40,000
Office Expense	28,000	35,035	30,000	28,981	40,000	40,000
Equipment	5,000	3,927	10,000	16,352	10,000	10,000
Education/Training	8,500	6,189	9,000	9,600	10,000	10,000
Publications	10,000	10,000	24,000	23,732	35,000	30,000
Board Expense	12,500	17,939	13,500	13,117	18,000	15,000
Legal	10,000	4,395	12,000	16,003	12,000	17,500
Auditing	10,500	6,777	11,000	6,166	9,000	8,000
Offsite Backup Storage	0	0	0	0	2,400	2,400
Website Development/Hosting/Mainte.	0	0	0	0	5,000	5,000
Software Maintenance	3,000	0	3,000	1,155	2,000	2,000
Board Insurance	12,000	0	0	0	0	0
Miscellaneous	2,000	1,142	2,000	1,037	2,000	2,674
TOTAL	\$397,719.16	\$355,916.34	\$497,390.46	\$423,739.51	\$499,107.75	\$492,063.34

FREE WILL BAPTIST Foundation

The journey of a thousand miles begins with the first step.

Thankfully, not only the first step, but many others have already been taken. Looking backward over the past 26 years to the action of and responses to the Foundation, it appears we have come a long way. However, when I look forward, there is so much yet to do the past achievements seem small.

As a denomination, we face the challenge of evangelizing the world, helping churches and agencies to build facilities and program to move into the future. Connecting the generosity of our people with these challenges and opportunities is a major part of the Foundation's work. How do we do that?

Late last year, a senior couple invited the Foundation to help them accomplish some of their family's financial goals. They have invested in a number of rental properties. Over the years, they have been successful; but looking ahead, they saw some challenges -- property management liquidity, capital gains taxes, and eventually transfer to their children. They have also been strong supporters of our Free Will Baptist ministries and wanted to continue that funding. We were able to guide them to a solution meeting their desires.

Another lay family came to us wanting to create a retirement stream of income from investments in the stock market. To achieve that goal on their own would have subjected their assets to capital gain taxes thereby reducing their income stream. A personally designed plan through the Foundation protected them from capital gains taxes, provided regular monthly income and even gave them a significant charitable gift tax deduction.

Gift plans of many types are available to our Free Will Baptist family; however, they are like clothes. The store racks may be full and even be sold at a great value; but, we want items that fit us. That is the job of the Foundation -- tailoring IRS approved plans to fit you and your family's needs.

Overall growth in the Foundation was \$5,872,672 during 2005. This was down from 2004; however, we did maintain a strong growth pattern in both revocable and permanent type arrangements.

Your election of a totally separate Foundation Board was a very good thing. With two meetings under their belts, they each appear to be an outstanding choice. In light of their rapid grasp of the concepts of our work, I gave them notice of my retirement effective July 31, 2007. They will receive resumes and/or declarations of interest in the position of Director beginning now and continuing through October 15, 2006. Resumes should be mailed to the Foundation office, clearly marked "confidential".

Please pray for the program, the Board and staff, and the selection process.

Synopsis of Free Will Baptist Foundation Board Meetings 2005

The Foundation met for its annual board meeting with the Board of Retirement and Insurance on April 25, 2005. Absent were Ron Barber, Ron Hunter, Matt Pinson, and Larry Powell. Candidates for the upcoming Foundation Board were named. The financial reports were presented and 2006 budget was adopted.

On December 5, 2005, the Foundation board met for the first time as a separate board. Board officers were elected and corporate officers were reelected. The Model Standards of Practice of the Charitable Gift Planner was adopted. Board committees were established. AmSouth and Sun Trust Banks were approved as Foundation banking institutions and a one million dollar line of credit was established.

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CERTIFIED PUBLIC ACCOUNTANTS
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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, 2005 and 2004, 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 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 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, 2005 and 2004, 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 27, 2006

FREE WILL BAPTIST FOUNDATION, INC.
Statements of Financial Position
December 31, 2005 and 2004

ASSETS

	2005	2004
Cash and cash equivalents	\$ 1,227,536	\$ 453,909
Accrued earnings receivable	342,836	248,330
Other accounts receivable	718	582
Loan origination fees	4,000	
Office equipment and automobiles, net of accumulated depreciation - Notes 1 & 9	31,698	
Investments, at fair market value - Note 2		
Certificates of deposit	1,431,527	1,878,444
U.S. Government instruments	23,881,857	19,787,167
Common Stocks	1,854,142	1,638,422
Real estate investments	2,432,415	1,799,415
Mutual funds	1,331,944	746,365
Corporate bonds	292,056	414,726
Trusts	181,181	45,448
Total investments	<u>31,405,122</u>	<u>26,309,987</u>
Notes receivable - Note 3	<u>30,705</u>	<u>156,552</u>
Total assets	<u>\$33,042,615</u>	<u>\$27,169,360</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Operating liabilities:		
Accrued expenses	\$ 1,598	\$ 2,013
Liabilities to beneficial owners:		
Interest bearing revocable and savings trusts - Note 4	24,392,695	19,805,475
Future gift interests payable - Note 5	2,177,074	1,635,004
Funds held in trust - Note 6	<u>6,163,080</u>	<u>5,439,339</u>
Total liabilities	<u>32,734,447</u>	<u>26,881,831</u>
<u>Net Assets</u>		
Unrestricted	<u>308,168</u>	<u>287,529</u>
Total net assets	<u>308,168</u>	<u>287,529</u>
Total liabilities and net assets	<u>\$33,042,615</u>	<u>\$27,169,360</u>

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

FREE WILL BAPTIST FOUNDATION, INC.
Statements of Activities
For the Years Ended December 31, 2005 and 2004

	2005	2004
<u>Revenue and Support</u>		
Investment income:		
Interest and dividends, net of investment fees	\$ 1,875,594	\$ 1,125,267
Realized net gains (losses) on sale of investments	272,794	228,164
Unrealized net gains (losses) from investments	<u>(454,910)</u>	<u>318,388</u>
Total investment income	1,693,478	1,671,819
Support through "The Together Way"		
Plan and other contributions	31,283	29,295
Interest income - note receivable	3,251	7,384
Endowment income	<u>273</u>	<u>260</u>
Total revenue and support	1,728,285	1,708,758
Allocations of earnings to revocable trusts, savings trust, beneficiaries and annuitants	<u>(1,379,069)</u>	<u>(1,430,497)</u>
Revenue and support after allocations	<u>349,216</u>	<u>278,261</u>
<u>Expenses</u>		
Reimbursement to the Board of Retirement of National Association of Free Will Baptists		5,000
Salaries and benefits	140,525	103,961
Equipment expense	5,343	13,061
Travel and promotion	53,633	33,186
Board expense	6,499	1,407
Office expense	10,303	8,728
Rent expense	25,958	
Printing and publications	4,310	10,310
One magazine	43,550	
Training and education	23,387	12,944
Legal and auditing	6,913	7,678
Depreciation	6,374	
Amortization of loan origination fees	1,000	
Miscellaneous	<u>782</u>	<u>190</u>
Total expenses	<u>328,577</u>	<u>196,465</u>
Increase (decrease) in net assets	20,639	81,796
Net assets at beginning of year	<u>287,529</u>	<u>205,733</u>
Net assets at end of year	<u>\$ 308,168</u>	<u>\$ 287,529</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, 2005 and 2004

	2005	2004
<u>Cash flows for operating activities</u>		
Cash received for:		
Contributions	\$ 31,147	\$ 30,341
Interest and dividends	1,781,088	1,066,525
Other income	3,524	7,644
Cash paid to suppliers and employees	(326,618)	(203,499)
Allocations of earnings to revocable trusts, savings trusts, beneficiaries and annuitants	(1,379,069)	(1,430,497)
Net cash provided (used) by operating activities	<u>110,072</u>	<u>(529,486)</u>
<u>Cash flows from investing activities</u>		
Purchases of office equipment and automobiles	(38,072)	
New loans made	(8,220)	(31,754)
Principal payments received on notes receivable	134,067	126,910
Proceeds from sale of investment securities	4,930,099	6,953,950
Purchases of investment securities	(10,207,350)	(14,678,717)
Net cash provided (used) by investing activities	<u>(5,189,476)</u>	<u>(7,629,611)</u>
<u>Cash flows from financing activities</u>		
Proceeds from additions, net of withdrawals, to future gift interest, revocable and savings trusts	(3,786,288)	(3,098,649)
Contributions to funds held in trust	9,639,319	11,047,697
Net cash provided (used) by financing activities	<u>5,853,031</u>	<u>7,949,048</u>
Net increase (decrease) in cash	773,627	(210,049)
Cash and cash equivalents at beginning of year	<u>453,909</u>	<u>663,958</u>
Cash and cash equivalents at end of year	<u>\$ 1,227,536</u>	<u>\$ 453,909</u>
<u>Reconciliation of increase in net assets to cash flows from operating activities</u>		
Increase (decrease) in net assets	\$ 20,639	\$ 81,796
Depreciation	6,374	
Realized and unrealized (gains) losses on investment transaction	182,116	(546,552)
Decrease (increase) in accrued investment income	(94,642)	(57,696)
Decrease (increase) in loan origination fees	(4,000)	
Increase (decrease) in operating liabilities	(415)	(7,034)
Net cash provided (used) by operating activities	<u>\$ 110,072</u>	<u>(\$ 529,486)</u>

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

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FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

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 statements 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, 2005 and 2004.

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 2005 and 2004.

Cash and Cash Equivalents

For purposes of the statements 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.

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FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

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 statements 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.

Office equipment and automobiles

Office 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 3-5 years for automobiles and 5 years for equipment.

Note 2 - Investments

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

	2005		
	Market/ Stated Value	Cost	Appreciation (depreciation)
Investments:			
Marketable Securities:			
Certificate of deposits	\$ 1,431,527	\$ 1,492,704	(\$ 61,177)
U.S. Government instruments	23,881,857	24,528,505	(646,648)
Common stocks	1,854,142	1,582,407	271,735
Mutual funds	1,331,944	1,249,857	82,087
Corporate bonds	292,056	325,183	(33,127)
Trusts	181,181	181,181	
Real estate investment trust	1,932,415	1,932,415	
Real estate	500,000	500,000	
Total Investments	<u>\$31,405,122</u>	<u>\$31,792,252</u>	<u>(\$ 387,130)</u>

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

Note 2 - Investments (continued)

	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>

Total investment income amounted to \$1,693,478 for 2005, consisting of investment losses of \$182,116 and interest and dividends of \$1,875,594. This investment income represents yields of 5.87% and 5.83% based on the average market value and average cost of such investments for 2005.

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.

Note 3 - Notes Receivable

Notes receivable consist of obligations from related parties as follows:

	2005	2004
6.5% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	\$ -0-	\$ 27,892
6.5% demand note receivable by the National Association of Free Will Baptists Building Services Fund.	-0-	9,895
7.0% demand note receivable by the Executive Office of the National Association of Free Will Baptists.	-0-	74,182
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.	2,205	5,583

FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

Note 3 - Notes Receivable (continued)

	2005	2004
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 International Missions of the National Association of Free Will Baptists.		
	28,500	39,000
	<u>\$ 30,705</u>	<u>\$ 156,552</u>

Note 4 - Interest Bearing Revocable and Saving Trusts

The Foundation maintains revocable trusts and savings trusts which totaled \$24,392,695 and \$19,805,475 at December 31, 2005 and 2004, 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.

Note 5 - Future Gift Interests Payable

The foundation maintains charitable trusts amounting to \$1,234,011 and \$675,339 and gift annuities amounting to \$943,053 and \$959,665 as of December 31, 2005 and 2004, 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, 2005 and 2004, the permanently restricted endowment funds totaled \$6,163,080 and \$5,439,339, 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 \$-0- and \$5,000 for 2005 and 2004, 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, 2005 and 2004:

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FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

Note 8 - Information Regarding Financial Instruments (continued)

	December 31, 2005		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 776,536	\$ 100,000	\$ 676,536
Short term liquid investments	451,000	451,000	
Certificates of deposit	1,431,527	1,258,004	173,523
U.S. Government instruments	23,881,857	23,881,857	
Common stock	1,854,142		1,854,142
Mutual funds	1,331,944		1,331,944
Corporate bonds	292,056		292,056
Real estate investment	2,432,415		2,432,415
Trusts	181,181		181,181
Receivables	374,259		374,259
	<u>\$33,006,917</u>	<u>\$25,690,861</u>	<u>\$ 7,316,056</u>

	December 31, 2004		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
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	405,464		405,464
	<u>\$27,169,360</u>	<u>\$21,660,797</u>	<u>\$ 5,508,563</u>

Note 9 - Office equipment and automobiles

A summary of office equipment and automobiles is as follows:

	2005	2004
Office equipment	\$ 11,203	\$ -0-
Automobiles	26,869	-0-
	38,072	-0-
Accumulated depreciation	(6,374)	(-0-)
	<u>\$ 31,698</u>	<u>\$ -0-</u>

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FREE WILL BAPTIST FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2005 and 2004

Note 10 - Lease and occupancy expense

The Foundation shares the office with the Free Will Baptist Board of Retirement. Under the terms of a lease agreement with an affiliate, they lease 3,933 feet of office and storage space for \$1.10 (\$1.00 in 2004) per square foot per month. In addition, they pay additional expenses related to their share of operating and maintenance costs of the building. Beginning in 2005 the Foundation began paying one-half of the rent. Total lease payments, additional operating, and maintenance costs related to the lease were \$25,958 for the year ended December 31, 2005.

Note 11 - Commitments

The Foundation obtained a \$1,000,000 line of credit with a local institution during the year ended December 31, 2005. The line is unsecured and carries an interest rate of 1.5% below the institution's prime rate. This line of credit is open ended and there are no advances payable at December 31, 2005.

FREE WILL BAPTIST FOUNDATION
SALARIES AND BENEFITS 2006 - 2007

2006		2007	
<u>William Evans</u>		<u>William Evans (7 months)</u>	
Salary	\$37,250	Salary	\$22,381
Housing/Utilities	\$29,534	Housing/Utilities	\$17,745
Soc Security / Medicare	\$11,716	Soc Security / Medicare	\$7,039
Retirement	\$4,627	Retirement	\$2,745
Hospitalization Insurance	\$4,775	Hospitalization Insurance	\$2,785
Life Insurance	\$756	Life Insurance	\$441
Dental Insurance	\$303	Dental Insurance	\$177
<u>Disability Insurance</u>	\$389	<u>Disability Insurance</u>	\$227
<i>*Office Car Provided</i>		<i>*Office Car Provided</i>	
	\$89,350		\$53,540
<u>David Brown</u>		<u>David Brown</u>	
Salary	\$ 52,530	Salary	\$54,106
Soc Security / Medicare	\$ 4,019	Soc Security / Medicare	\$4,140
Retirement	\$ 3,677	Retirement	\$3,787
Hospitalization Insurance	\$ 12,739	Hospitalization Insurance	\$13,121
Life Insurance	\$ 198	Life Insurance	\$198
Dental Insurance	\$ 750	Dental Insurance	\$750
<u>Disability Insurance</u>	\$ 313	<u>Disability Insurance</u>	\$313
<i>*Office Car Provided</i>		<i>*Office Car Provided</i>	
	\$ 74,226		\$76,415
<u>Dotty Moore</u>		<u>Dotty Moore</u>	
Salary	\$26,960	Salary	\$27,769
Soc Security / Medicare	\$2,062	Soc Security / Medicare	\$2,124
Retirement	\$1,348	Retirement	\$1,388
Hospitalization Insurance	\$4,775	Hospitalization Insurance	\$4,775
Life Insurance	\$134	Life Insurance	\$134
Dental Insurance	\$303	Dental Insurance	\$303
<u>Disability Insurance</u>	\$161	<u>Disability Insurance</u>	\$161
	\$35,743		\$36,654
		<u>New Employee</u>	
		Salary	\$36,887
		Soc Security / Medicare	\$2,346
		Retirement	\$1,533
		Hospitalization Insurance	\$3,183
		Life Insurance	\$89
		Dental Insurance	\$101
		<u>Disability Insurance</u>	\$183
			\$44,322
Annual Total	\$199,319	Annual Total	\$210,931

FOUNDATION BUDGET

	Actual 2004	Actual 2005	Approved 2005	Approved 2006	Proposed 2007
INCOME					
The Together Way	\$ 28,377	\$ 29,320	\$ 29,500	\$ 29,500	\$ 29,500
Gifts	\$ 919	\$ -	\$ 750	\$ 950	\$ 1,200
Interest Income	\$ 19	\$ -	\$ 5,000	\$ 50	\$ -
Endowments	\$ 260	\$ 273	\$ 250	\$ 275	\$ 275
Miscellaneous	\$ -	\$ 313	\$ 100	\$ -	\$ 100
Management Fees	\$ 242,292	\$ 319,310	\$ 275,000	\$ 370,000	\$ 375,000
Total	\$ 271,867	\$ 349,216	\$ 310,600	\$ 400,775	\$ 406,075
EXPENSES					
Salaries	\$ 65,992	\$ 90,943	\$ 92,330	\$ 169,274	\$ 147,683
Salaries Part-Time	\$ 8,759	\$ -	\$ 5,000	\$ -	\$ -
Housing	\$ -	\$ 11,947	\$ 11,948	\$ -	\$ 17,745
Employee Benefits	\$ 29,210	\$ 37,636	\$ 39,679	\$ 58,947	\$ 45,503
Auto Depreciation	\$ -	\$ 6,374	\$ 9,500	\$ 8,090	\$ 6,374
Travel	\$ 12,216	\$ 24,234	\$ 22,000	\$ 37,500	\$ 35,000
Magazine Expense	\$ 10,310	\$ 43,550	\$ 40,000	\$ 55,000	\$ 48,000
Board Expense	\$ 1,406	\$ 6,500	\$ 12,000	\$ 12,000	\$ 14,000
Promotion	\$ 20,971	\$ 29,399	\$ 18,000	\$ 22,000	\$ 30,000
Office Expense	\$ 6,471	\$ 6,689	\$ 5,000	\$ 7,000	\$ 7,000
Rent	\$ 5,000	\$ 25,958	\$ 25,958	\$ 26,424	\$ 27,059
Printing	\$ -	\$ 3,354	\$ 3,000	\$ 3,000	\$ 4,500
Publication	\$ -	\$ 956	\$ 1,000	\$ 1,000	\$ 1,000
Training & Education	\$ 12,944	\$ 23,683	\$ 16,000	\$ 38,000	\$ 24,000
Auditing	\$ 7,080	\$ 6,868	\$ 8,000	\$ 8,000	\$ 8,000
Legal	\$ 598	\$ 45	\$ 50	\$ 1,500	\$ 1,000
Bank Fees	\$ 486	\$ 1,000	\$ 100	\$ 100	\$ 1,000
Telephone Expense	\$ 577	\$ 2,007	\$ -	\$ 600	\$ 2,400
Postage	\$ 1,193	\$ 1,311	\$ 2,000	\$ 2,000	\$ 1,500
Equipment	\$ 13,061	\$ 5,342	\$ 5,000	\$ 5,000	\$ 7,500
Miscellaneous	\$ 190	\$ 782	\$ 2,500	\$ 1,000	\$ 1,000
Total	\$ 196,464	\$ 328,578	\$ 319,065	\$ 456,435	\$ 430,264
	\$ 75,403	\$ 20,638	\$ (8,465)	\$ (55,660)	\$ (24,189)



Randall House Publications Sunday School and Church Training Department General Director's Report

INTRODUCTION

One major lesson that my kids teach me, is when they come and tell me, "My leg hurts." Knowing that God has so wonderfully created bones and muscles that grow with our bodies, I remind them that this is just growing pains and it will pass. Why should we expect anything less in ministry and business? We too, experience growing pains and there are times we wish they will go away but without them our structure cannot be significantly stretched into what God intends.

No publisher has undertaken what we have done without significant growing pains. In comparison to other publishers who have revised or launched a new line of curriculum, we are tracking extremely well. I have spoken with some of the key leaders of our competitors and they are amazed and even a little envious at all that we have accomplished especially considering we are a denominational publisher. One who I had a strategy meeting with about six weeks ago said, "Most denominational publishers never get to do real ministry because of politics and select groups that have scared them from doing anything significant for God." They are familiar with our denomination and are amazed at the new curriculum and how it is being accepted so well.

Most publishers have to invest one to two million dollars per line (age group) when a revision or launch is made and many times, it is never truly recovered. We have had to invest in this launch, and more than expected. I am encouraged that we have invested in growth rather than expediting a slow decline. I am not aware of any "successful" business that does not have to continue to reinvent itself regularly which means growing pains, wise risks, and some failures. Coffee shops bring us new flavors and accessories, car companies have new models and revisions to existing models every year, pharmaceuticals are always exploring new solutions. In fact, I cannot think of anyone who produces the exact same item without any changes for more than five or ten years.

I can remember looking at our slow but all too rapid decline in literature sales three years ago. I knew that we would not have the luxury of waiting two or three years to make the changes needed. We would have lost too much revenue, lost too much cash needed for the investment, and lost too much opportunity for vision casting before our denomination.

As a result, the year **2004 was a tough hard press forward** into new areas and new directions. I have tried to allow 2005 to be a year we settle in before making advancements that are more significant. **Nehemiah teaches** us that you pioneer a while and then you manage or settle what you have just stretched to obtain. In the military, the terms are **advance, occupy, and regroup**. We are regrouping and taking

care to manage what we have just occupied. It is like the slinky dog with a spring for a body. The head is the visionary who goes ahead on the path and stretches the body. Then the back half has to catch up with the head. That is a very true example of what leadership does. We stretch the organization and then allow it to catch up and then stretch again. That is the only way you move forward is with such strides.



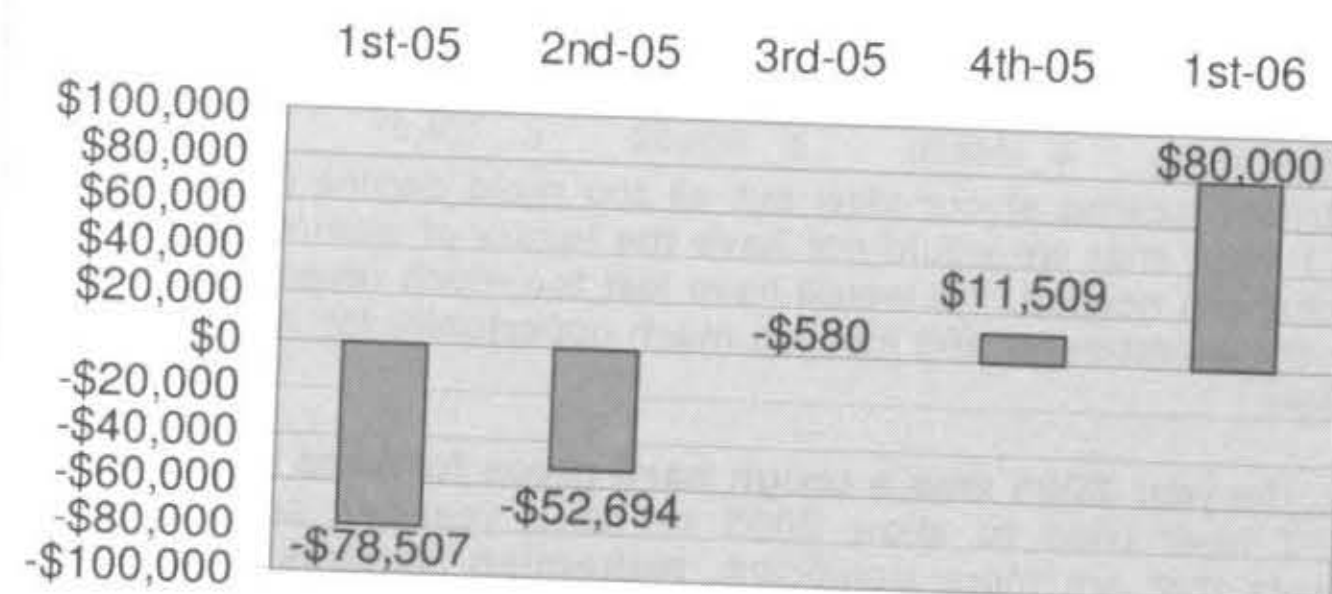
The slinky dog has stretched and stretched and we have been waiting for things to catch up so we can continue the path of our journey. I am happy to report to you that the backside has caught up and you will find the documentation showing what it has taken to make this happen.

The slinky dog shows that when the back catches up with the front, everyone is happier and is certainly less stretched. **We are back in the black** and have been now for three quarters. The first quarter of this year 2006 is our first solid quarter and the one I would like to count as the first for the sake of the profitability plan, which you will see later in this report. It is good to realize that all the work that goes into making every part of Randall House tick is working and the results are making a difference. **We still have red ink for 2005** just as we predicted all year long after the results of first quarter. We predicted just over one hundred thousand and that is exactly where we are. However, after the second quarter when we made more strategic changes, we have been in the black.



I am very pleased and thankful before God that **our denomination** has **welcomed the CLEAR product line**. We have turned heads quickly both within our denomination and beyond it. I will walk you through what this year has brought us, both growing pains and the growth.

Profit and Loss for 5 Quarters



The time that goes into making all of this work of strategic changes and new product rollouts reminds me of a story I read from my devotional several years back.

"In the Far East the people plant a tree called the Chinese bamboo. During the first four years they water and fertilize the plant with seemingly little or no results. Then the fifth year they again apply water and fertilizer - and in five weeks' time the tree grows ninety feet in height! The obvious question is: did the Chinese bamboo tree grow ninety feet in five weeks, or did it grow ninety feet in five years? The answer is: it grew during ninety feet in five years. Because if at any time during those five years the people had stopped watering and fertilizing the tree, it would have died."¹

Let's recount for a moment the time line bringing us to this point. I realized early in 2002 that for twenty plus years, our units and dollars had been dropping and people were leaving to find a better product elsewhere. We took the logical and managed risk of producing a better product. We realized that this was going to be a major undertaking and it was so large that we have to credit God with having made it possible.

Make no mistake, the investment of labor hours, public relations, marketing and dollars has been very high. In fact, the decision had to be made before we entered into this project whether we continue the same path trying to prop up what appears to be a losing battle or do we commit our resources to a potentially better product.

RHP had two Choices



The previous graph shows the road less traveled by small denominations for fear of making the constituents upset for the sake of change. If we did not change, we would be looking at cuts for the wrong reasons not the right ones. We have had to invest our savings to make this happen. The opposing view would have been to sustain what we were doing in order to prolong the inevitable.

Most of what we are facing is the investment of a new curriculum. When other publishers spend millions on a specific line and we can roll out every line brand new for only \$300,000 then I feel like we have moved a mountain. However, some of the costs are art services, writers' fees, and outside printing.

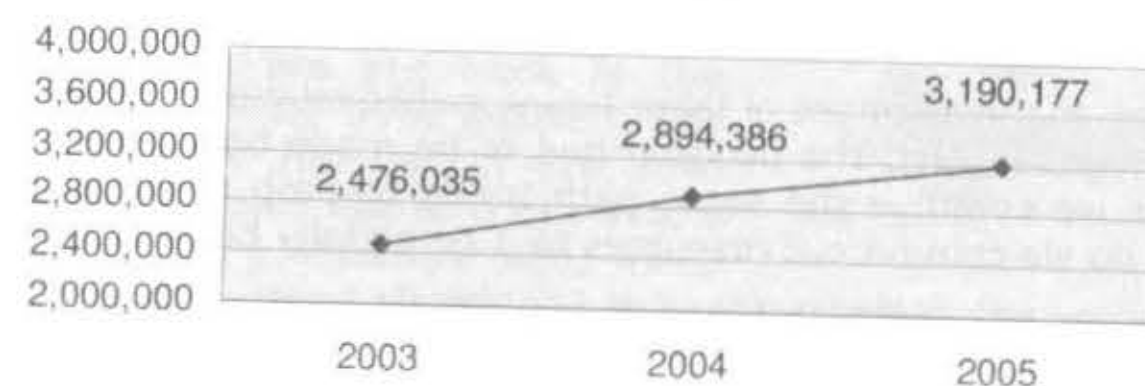
We could have continued to survive on our cash reserves for several years but we would have followed the path that other small denominations have gone. One begins laying-off people who are valuable to making your products better until you have no means or working capital to make the products better and then you become a reseller of others' material. At that point, we would lose our denomination's distinctives, our doctrine, and our churches over time would slide from the fabric that has woven them into Free Will Baptists. I would challenge all pastors to continue to support Randall House Publications because of this very item, if you choose to go elsewhere whether by choice or to make a statement, one day you may not have anything to come back to.

¹ Dare to Succeed-A Treasury of Inspiration and Wisdom for Life Career, Honor Books, 1991.

I truly believe that what Randall House has done will preserve our publishing, continue teaching our doctrine, and perpetuate our Free Will Baptist legacy for our grandchildren. There are those who do not want any change, but I feel they have no foresight for saving their kids or grandkids from a life of searching for Jesus. **We have decided that we should be families modeled after Deuteronomy 6 and establish their ways early.** We will not know the effect of this but I am sure a child who is a CLEAR Child will make a stronger teen, and a CLEAR Teen will make a better college student for our colleges.

We are doing this for those who come after, because Free Will Baptists deserve excellence, it is our job to deliver it today and tomorrow.

Curriculum Sales by 3 Years



CLEAR is now ready to reach more churches beyond FWB and we are preparing a special marketing campaign for the late summer/early fall to reach more people than we ever have before. We have also rearranged the duties of one of our senior sales people (which we now refer to as "Church Ministry Consultants") to free him of his three states of retail and he will handle what is called special accounts. Special accounts would be categorized as non-retail such as state bookstores, chain stores, denominations, and any large group. This will allow us to focus on some other denominations such as ones who have weak publishing houses or no publishing houses.

Our state bookstores should be ecstatic about CLEAR because our contribution to their bottom lines has increased by 35% since 2003, the last full pre-CLEAR year. We gave \$468,292 back to our state bookstores in 2003. This past year, 2005, we gave them \$630,882. They should be our biggest fans as their salaries are greatly dependent on the Sunday School curriculum. We have some very good representatives among them and we have some who promote other companies equally as much as ours regardless of the doctrine it teaches. We look forward to continuing to partner with those who strongly promote what we are trying to accomplish and help with furthering the success of our denomination's publishing endeavors. The most important factor of this relationship is fairly representing our denomination's materials to our Free Will Baptist churches. We do have concerns about the representation of our curriculum by our contracted bookstores that protect a territory but represent other curriculum companies to our churches. These bookstores as a whole continue to have declining unit sales while our own retail accounts we have direct access to be increasing.

CLEAR is offering a new product, "Teaching Essentials," for the adults. These are weekly reproducible lesson helps and are being introduced as free downloads on our web site. We have had tremendous participation in the number of downloads to project this product's success. We will transfer this to a hard copy sellable item in the fall of this year.

We also came up with a coding system to assist the teachers on how an item is used. This is critical in the first two quarters that they use it. CLEAR products are used so differently from traditional curriculum that some teachers who do not read the inside covers where instructions are contained in the books that they miss the big picture and get frustrated. The coding system is very easy. We have designed small-circled icons, one with a house if it is to be used at home, one with an apple if it is a teacher's book, one with a pencil if it is a student book, and one with a globe if it is used as an outreach product. You will begin to see these appear on the covers of our books in future quarters.

CLEAR sales are tracking well. We are seeing increases in units and dollars now from quarter to quarter. As of closing out 1st quarter of 2006, the trend is continuing.

FINANCIAL STRATEGY

We had a very bad 2005 first quarter in which we already discussed back in the April Board Meeting. We reported a down quarter in sales, which was the adjustment quarter of everyone who tried it for the first time but did not re-order. This resulted in \$78,000 loss from operations (As reported in April) in first quarter alone. Continuing to work to make things happen to control costs, such as implementing the Computer To Plate CPT System, working on work flow, getting qualified designers to reduce the costs of outside art production, seeking two part time editorial assistants to help work flow. We have worked to reduce the expenses; however, our expenses are very much in line. The result is we brought second quarter down to a \$52,000 loss, third quarter was break even, and fourth we got back in the black with almost \$12,000 to the good. However, the real proof came 1st quarter of 2006 with a profit of \$80,000. We want to see this continue through the year. This is a positive turn around of \$160,000 from same time last year.

Our auditor recommended that we address inventory. He has continued to request significant amounts of inventory be written off based upon appropriate accounting industry standards that every auditor answers to and our reports must be in compliance. Ever since we started publishing books many years ago, assets are attributed to the balance sheet of the organization based on quantity on hand. The quantity on hand should reflect a true asset. That means the product should be easily transferred into cash if needed. If these items cannot be sold within two years, one must write off these items to prevent falsely misstating one's assets. After careful review, our Auditor and management feel that our inventory has been misstated and is unfairly affecting our balance by implying we have more assets than we do. We are providing an allowance for loss of \$85,000 of inventory that we feel will not sell or sell out of within two years and revising our policy of how inventory assets are maintained and reported. Our auditor recommended that the years prior to 2003 be restated and the only effect this will have on 2005 or the current year is a reduction in both inventory and net worth.

We have been operating under our profitability plan since last year. Each quarter we have reduced outside printing, moved up our ship dates to bookstores, and watched expenses in all areas. The results of this profitability plan does just what we wanted, it produces profit. You will notice that we began to operate in the black for the third and fourth quarters of 2005. The first quarter of 2006 is in the black. I would like to see the second quarter of 2006 do the same. At this convention, the board will review the financial statements to determine if we can reinstate salary increases. The black

numbers should be sufficiently high enough to grant the raises without effecting profit status. I want two strong quarters in a row.

Here is the plan that was approved in the December 2005 board meeting.

Profitability Plan

COST Savings

- Freeze Salaries
- No cost of living raises or merit raises in January 06
- Cut planned expenses for the convention
- Cut portions of the 2006 budget
 - Convention
 - SCM items (mainly because of no full time position)
 - Non-essential equipment purchases
 - Stay down four full time positions
- Not hire sales manager immediately
- Reduce number of outside print jobs of curriculum
- Maintain more art design in house
- Hold on releasing certain books for publishing

REVENUE Generation

- Sales people are on commission
 - Incentives for new accounts
 - Bonus for specific products
- Trent Project can produce \$100,000 to \$1,000,000
- Targeting key partnerships to distribute products
- Courting other major groups/denominations
- Hymnal Book Sales will increase

These measures have been followed and will continue to be until a review of the finance committee approves salary reviews. Our incredible team continues to work at the same compensation level without cost of living or merit raises that they achieved a year and a half ago.

As you review the profit and loss statement and the financial statements, you will see frugality and conservative measures having been implemented throughout the year. Please note one key observation, that we hit our estimates of revenue and missed our estimates of producing CLEAR. This is in large part because we submitted the 2005 budget in April of 2004 before we ever began production of CLEAR. We have underestimated the costs in areas such as writing, art services, and printing. With the sales having leveled out, we have a grip on both expected revenue and expenses after coming through the first full year of production where all four quarters are CLEAR quarters.

STUDENT & CHILDREN MINISTRIES

The use of program coordinators has worked well so far in all areas except for fears from our churches that we are not giving due attention or worse that we are intentionally hurting SCM. This is as far from the truth and my heart as the director. I am very committed to the youth and children of our denomination. That is why we produced a curriculum to meet the needs of all ages. We must continue to increase what we can do for this area; however, more emphasis will be placed on helping

leaders of youth and children than trying to add more programs that deal directly with the youth.

National Student and Childrens Worker's Conference will be in the fall as opposed to the spring due to the transition and the sale of a key sight, Stonecroft that cancelled all the contracts.

Here are the coordinators of key programs for 2006 NYC programming:

- NYC Competition Coordinator – Danny Conn – FL
- NYC Worship Coordinator – Charles Cook – SC
- Truth and Peace Director – Allen Pointer – AR
- YET Coordinator – Angie Deel – TN
- NSCWC Coordinator – Joe Wilson – MO

We have over the past four years reduced the SCM deficit significantly.

I look forward to selecting someone who will lead our Student and Children Ministries to new heights. This process we are and will follow should begin after the convention and we will continue until the right person is found and the redefined duties are completed. The process we will follow to hire a new director is as follows:

Board's Youth Committee and General Director

- Accept recommendations
- Ask for initial round of information
- Review the submitted information
- Narrow the would be candidates
- Ask for a personality assessment
- Seek interviews with all the final candidates
- Director will hire candidate for position

BOOK DIVISION

Our refocused efforts in this area have proven to be similar to the adolescent years of a growing child. Just as we learn more about this world and think we have most of the answers, we realize how little we really do know. I have been working closely with Thomas Nelson to gain insight into this world. The result of this relationship has opened some doors for us that we are still cultivating. It is easy to say that it could catapult our book division forward ten to twenty years.

Emily White, our Book Acquisitions Editor, is doing a tremendous job. She knows how to multi-task and pay close attention to details. We have worked hard on a process that screens books before they get to the board level and seeks to allow only what we feel is sellable to either FWB or large markets to make it through the channels. This has proven to be successful in that all three popular market books we produced last year, sold out in less than nine months total for ALL three titles. One of these sold out within six months. This process has some upfront costs but will prove that the books should begin to see larger print runs/more printings more often. This will go a long way to reduce the need to write off unsold inventory in the years ahead.

Our book division has produced some solid products this year. Our featured items are *The Case of Stuart's Ship* by Stan Toler and Debra White Smith, *Through the Eyes of God* by John Marshall, *Regaining Balance* by Randy Sawyer and *The Randall House*

Bible Commentary - HEBREWS by Stanley Outlaw. We have also released a new cover for the Dr. Miley biography.

Bobby Jackson's *6 Steps* was translated into Spanish. We also had given Bible Book Store in North Carolina permission to translate and print at no royalty fees the tract "God's Simple Plan of Salvation" by Bob Shockey into the Yourba Language in which approximately 40 million Africans speak this language. This tract is not being sold but it is being given away to people in Nigeria and other places.

Stuart's Ship was reviewed very favorably in *Christian Parenting Magazine*, and *Aspiring Retail Magazine*. Stuart's Ship while a very good book, I am convinced that we were allowed to print it by God to open two doors that had been previously closed. One is to publish non-Free Will Baptist authors when a topic or title is worthy and will help our denomination or our denomination's publishing house. Second, possibly the most vital door is that we were able to get into the biggest distribution network in the country Ingram Books. I have been trying to get us into Ingram for over two years without any success. Publishing this author and this book allowed us to get all of our other titles into Ingram Books. When we publish a Toler or a Trent, then our theological books and other Randall House titles go into the same places that we sell Toler or Trent.

We have been able to establish two major relationships in the distribution arena. We now have our products in **Ingram and Appalachian**. Ingram is the country's biggest distribution channel that handles Christian and Secular titles. Appalachian is the country's most recognized and used distribution channel for Christian titles and is the preferred source for Lifeway.

We are achieving one of our goals ahead of schedule in this area. We will, for the first time in Randall House Publication's history, have our authors represented at the CBA Christian Booksellers Association in Denver this year for signings. We will be sending Randy Sawyer, Robert J. Morgan, and Debra White Smith/Stam Toler. We will have them signing books and giving them to store owners who are part of CBA.

The Randall House Bible Commentary Hebrews written by Dr. Stanley Outlaw was also published this year. We will continue to try to release one commentary per year until they are completed.

The book division has released the Trent project that is entitled, Team Building Discovery Kit. This is a \$249.99 kit that will help any set of relationships in a church, organization, or family become stronger at communicating, problem solving, and planning. Nelson is partnering with us on some marketing of this project before and during CBA.

BOOKSTORE

Our bookstore is continuing to provide solid resources to churches in our denomination. Our manager, Becky Beverly, is working very hard to watch the sales and profit goals of her department. Her numbers are steady and fluctuate only according to two-year events where we can be at conferences.

Common Grounds is a new venture for us. We have assumed operations of an on campus bookstore, coffee shop, and snack shop. I think this is a win for the college, the students and Randall House Publications.

COLLEGE ADVANTAGES

College could reclaim space that could otherwise be used. This would include two areas, the former snack shop area of about 15 feet wide by about 45 feet long and the bookstore area that is two small rooms.

College would not have a sizable amount of dead inventory to write off each year or two. We could manage the inventory a bit better than a part time student who has no experience in this field.

Reduce labor/salary obligation. The college would no longer be responsible for the employees' salaries of any of these three entities.

The student manager would benefit from a manager that has over 25 years of experience to mentor them. This can serve as an internship that is as close to real world business and responsibility that is available to students. They would be involved in inventory management, product display, and personnel management.

RANDALL HOUSE ADVANTAGES

Randall House could invest in the relationships of students before they reach their profession and ministry. We would be able to plant in them some identity awareness while they are in school. This is one of the primary purposes to participate in this venture.

Build better relationships with administration and faculty. For two agencies that are just 8 miles apart, we can seem worlds apart. This relationship allows for more interaction, investment in leadership of students, and better fellowship among some quality people.

We want to be the top of mind awareness for services relating to publishing and selling books for anyone in our denomination.

NEW ITEMS/TASKS PROJECTED

We would like to be tackling more, however it is time to allow parts of the organization to catch up and maintain solid footing. When this is done, there are a couple of projects we are considering.

CTS curriculum - The products have hit the point that we need to make strategic decisions on what to offer our people. We are spending more money to produce them than we have in return. The sales decline each year on this curriculum. Our people are buying electives for these times.

We are looking at something many have asked for in our denomination. A midweek curriculum is desired to enhance competition participation elements at the local church even if they choose not to compete at district or state. We do need long term a curriculum for the mid week services.

I am proposing that our name be shortened from "The Sunday School and Church Training Board and Randall House Publications of the National Association of Free Will Baptists, Inc." to "Randall House Publications of the National Association of Free Will Baptists, Inc." I have spoken with our denomination's attorney about the legal process of changing our name. We are purposing it for your consideration for this year and for a vote in 2007. Randall House Publications has been for over 20 years, the name used for us among our Free Will Baptist people. It is what appears on our checks, business cards, letterhead, and our building but it is not our legal name and causes confusion during contractual times among clients and vendors.

Reasons for shortening the name to **Randall House Publications of the National Association of Free Will Baptists, Inc.**

- Common name already used by our people
- The name Free Will Baptists are known in the publishing market place
- CTS is not being used by most of our Free Will Baptist Churches
- Places an emphasis on a shorter and more simplified name
- Help our imprint carry our Free Will Baptists to more distribution destinations.
- Most of all, it helps in vendor/contract relationships

Thank you for allowing me to serve you, our denomination and most of all our Lord in this role.

Imagining 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, 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 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, 2005 and 2004, 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 30, 2006

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

Balance Sheets

December 31, 2005 and 2004

	<u>Assets</u>	<u>2005</u>	<u>2004</u>
Current assets:			
Cash and cash equivalents:			
Cash and interest bearing deposits			
Cash invested with the Free Will Baptist Foundation	\$	100,053	122,555
Certificates of deposit		108,535	276,169
Accounts receivable:		50,000	50,000
Trade, net of allowance for doubtful accounts of			
\$10,000 in 2005 and 2004		136,253	100,024
Employees and other		1,620	1,246
Total receivables		<u>137,873</u>	<u>101,270</u>
Inventory		362,128	306,399
Deferred charges and prepaid expenses		76,111	43,436
Total current assets		<u>834,700</u>	<u>899,829</u>
Property, plant and equipment, at cost:			
Land		110,341	110,341
Building		856,856	850,125
Printing service equipment		1,009,963	843,631
Office and administrative equipment		199,985	184,731
Automobiles and trucks		81,928	81,928
		<u>2,259,073</u>	<u>2,070,756</u>
Less accumulated depreciation and amortization		1,374,274	1,254,043
Net property, plant and equipment		<u>884,799</u>	<u>816,713</u>
		<u>\$ 1,719,499</u>	<u>1,716,542</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		179,062	120,511
Current portion of long term debt	\$	78,442	51,821
Accrued expenses		35,785	42,124
Due to affiliated organization		5,846	1,068
Total current liabilities		<u>299,135</u>	<u>215,524</u>
Long term debt		330,561	290,941
Total liabilities		<u>629,696</u>	<u>506,465</u>
Unrestricted net assets		<u>1,089,803</u>	<u>1,210,077</u>
Commitments		<u>\$ 1,719,499</u>	<u>1,716,542</u>

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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Net sales:		
Curriculum	\$ 2,559,295	2,351,028
Randall House books	154,467	115,083
Merchandise	28,871	21,251
Vacation Bible School	15,663	17,745
Bookstore	388,096	293,015
Printing	205,751	97,045
Other sales	31,430	51,612
Net sales	<u>3,383,573</u>	<u>2,946,779</u>
Freight and handling	130,357	130,996
Other income	53,125	53,166
Interest income	9,911	19,481
Gain on sale of assets	20,100	10,550
Commission income on hymnal sales	50,121	38,738
Total revenues	<u>3,647,187</u>	<u>3,199,710</u>
Expenses:		
Cost of sales:		
Inventory at beginning of year	391,399	328,461
Merchandise purchases	234,928	266,402
Depreciation	57,616	76,541
Editorial	662,312	511,833
Printing production	1,148,397	833,617
	<u>2,494,652</u>	<u>2,016,854</u>
Less inventory at end of year	362,128	391,399
Total cost of sales	<u>2,132,524</u>	<u>1,625,455</u>
Selling, general and administrative:		
Administrative / accounting	334,727	329,810
Bookstore	172,695	157,361
Sales	310,995	320,250
Building	125,914	152,650
Marketing	178,905	188,943
Shipping	257,403	213,924
General	140,594	103,248
Depreciation	62,615	61,980
Interest expense, including finance charges	22,474	18,863
Total selling, general and administrative expenses	<u>1,606,322</u>	<u>1,547,029</u>
Total expenses	<u>3,738,846</u>	<u>3,172,484</u>
Increase (decrease) in net assets from operations	<u>(91,659)</u>	<u>27,226</u>
Other (income) expense:		
Youth department	26,662	53,940
Printing contributed to the denomination	3,927	11,656
Denominational ministries	(1,974)	1,127
Net other expenses	<u>28,615</u>	<u>66,723</u>
Decrease in net assets	<u>(120,274)</u>	<u>(39,497)</u>
Net assets, beginning of year as restated	1,210,077	1,249,574
Net assets, end of year	<u>\$ 1,089,803</u>	<u>1,210,077</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash Flows from Operating Activities</u>		
Decrease in net assets		
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	\$ (120,274)	(39,497)
(Increase) decrease in:		
Receivables	120,231	138,521
Inventories	(36,603)	29,432
Deferred charges and prepaid expenses	(55,729)	(62,938)
Increase (decrease) in:	(32,675)	(30,701)
Accounts payable	58,551	29,989
Accrued expenses	(6,339)	(5,076)
Due to affiliated organization	4,778	(5,315)
Net operating activities	<u>(68,060)</u>	<u>54,415</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment	(188,317)	(56,402)
Net investing activities	<u>(188,317)</u>	<u>(56,402)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from long term debt	131,265	
Repayments of long term debt	(65,024)	(49,266)
Net financing activities	<u>66,241</u>	<u>(49,266)</u>
Decrease in cash and cash equivalents	<u>(190,136)</u>	<u>(51,253)</u>
Cash at beginning of year	398,724	449,977
Cash at end of year	\$ <u>208,588</u>	\$ <u>398,724</u>
Cash and cash equivalents, as reported on the balance sheet, as follows:		
Cash and interest bearing deposits	\$ 100,053	122,555
Cash invested with the Free Will Baptist Foundation	108,535	276,169
	\$ <u>208,588</u>	\$ <u>398,724</u>
Supplemental disclosures:		
Interest paid	\$ <u>22,474</u>	<u>18,863</u>

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, 2005 and 2004

The Randall House 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 have been prepared on the accrual basis of accounting. Randall House adopted Statement of Financial Standards (SFAS) No. 117 "Financial Statements of Not-for-profit Organizations". Under SFAS No. 117, Randall House 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, Randall House is required to present a statement of cash flows.

Inventories

Inventories, except for warehoused inventory, are stated at the lower of cost or market, with cost being determined by use of the first-in, first out method. Warehoused inventory is valued using a methodology to determine an allowance for loss for slow moving items based on a formula to compute a two year shelf life valuation.

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

Randall House 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, Randall House 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 Randall House 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.

Advertising Costs

Advertising costs are expensed as incurred and amount to \$23,475 and \$16,201 in 2005 and 2004, respectively.

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

Notes to Financial Statements, continued

(2) **Concentration of Credit Risk**

Randall House is a distributor of Bible based Sunday school and Church training curriculum, and other denominational publications. Randall House 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 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 \$108,535 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**

Randall House warehouses and distributes The Free Will Baptist Hymn Book for the Executive Office of the National Association of Free Will Baptists, Inc. Randall House invoices the customer, collects funds and remits \$6.32 to the Executive Office. As of December 31, 2005 and 2004, respectively, Randall House was warehousing approximately 1,900 and 6,000 hymnals with an estimated replacement value of \$8,000 and \$24,600.

During the year, the Hymnal was reprinted by Randall House. Under this agreement, the Board pays royalties of \$2.45 for each hymnal sold to the Executive Office of the National Association of Free Will Baptist, Inc. The inventory included in note 4 below amounts to \$35,435.

(4) **Inventory**

Inventories consist of the following components:

	<u>2005</u>		<u>2004</u>	
Finished curriculum	\$	31,440		39,190
Work in progress		115,936		102,366
Bookstore		73,305		56,901
Printing raw materials		39,448		45,897
Hymnals (see note 3 above)		35,435		
Warehoused other books and merchandise	\$	151,564	\$	147,045
Allowance for loss		85,000		62,045
		<u>\$ 362,128</u>		<u>306,399</u>

See note 11 for discussion of change in accounting principle for allowance valuation for inventory loss.

(5) **Long - Term Debt**

Randall House 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

	<u>2005</u>	<u>2004</u>
	\$ 290,941	342,762

Randall House has a 6.25% monthly installment obligation payable with monthly payments of 2,553 including interest and principal, with final payment due May 2010, secured by computerized plate processor

	118,062	
Total long-term debt	409,003	342,762
Current portion of long-term debt	78,442	51,821
	<u>\$ 330,561</u>	<u>290,941</u>

Maturities of long-term debt is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
	\$ 78,442	82,807	87,418	92,288	68,048	409,003

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

Notes to Financial Statements, continued

(6) **Pension**

Randall House 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 \$44,455 in 2005 and \$40,829 in 2004. 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.

(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>2005</u>	<u>2004</u>
Revenue from conferences and related services	\$ 210,034	169,255
Expenditures for conferences and related services	156,524	107,993
General and administrative expenses	80,172	115,202
Total expenditures	<u>236,696</u>	<u>223,195</u>
Excess of expenses over revenues	\$ (26,662)	(53,940)

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

Randall House contributed printing costs to the denomination of follows:

	<u>2005</u>	<u>2004</u>
Church Directory / Yearbook	\$ 3,927	11,656

(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>2005</u>	<u>2004</u>
Revenue from conferences and related services	\$ 39,032	15,748
Expenditures for conferences and related services	37,058	16,875
Excess of expenses over revenues	\$ 1,974	(1,127)

(10) **Related Party Transactions**

Free Will Baptist Bible College

During the year, the operation of Free Will Baptist Bible College's bookstore, campus store and snackshop were assumed by Randall House. Revenues from these sales amounted to \$64,082 and resulting costs, including merchandise purchased, salaries and other operating costs, amounted to \$67,932 for 2005.

Executive Office of the National Association of Free Will Baptists

The denomination began a publication (One Magazine) during the year to combine the publications of certain Free Will Baptist agencies and organizations. One Magazine is funded by contributions from each of the agencies and organizations. The Randall House provided \$40,000 as their share of the funding requirement during 2005. Further, the Randall House prints and provides mailing services for One Magazine. Included in revenues is \$157,259 for 2005 for these services to One Magazine.

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

Notes to Financial Statements, continued

(11) Change in Application of Accounting Principle

In order to more fairly state the financial statements, the Randall House has determined that a change in the method of valuing warehoused inventory is necessary. We concur with the change in valuation of warehoused inventory. Randall House changed its policy of valuing warehoused inventory from cost to a methodology to determine an allowance for loss due to slow moving items based on a formula to compute a two year shelf life valuation. The basis of the method values new merchandise, either purchased or printed, at cost for the first two years in inventory. All inventory with a life of greater than two years is valued based on a computation of two years sales of those items. The effect of the change in application of accounting principles produced an allowance for loss of \$85,000 for each of the years reported. The effect of the change in previously issued financial statements is as follows:

	2004	2003
Net Assets:		
As previously reported		
Change in application of accounting principle to record allowance for inventory loss	\$ 1,295,077	1,334,574
As restated	(85,000)	(85,000)
	<u>\$ 1,210,077</u>	<u>1,249,574</u>
Inventory:		
As previously reported		
Change in application of accounting principle to record allowance for inventory loss	\$ 391,399	N/A
As restated	(85,000)	N/A
	<u>\$ 306,399</u>	<u>N/A</u>

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
REVENUES				
SALES - CURRICULUM	\$3,720,000	\$3,656,000	\$3,167,061	\$3,190,177
SALES - RHP	\$259,400	\$267,500	\$245,433	\$244,566
SALES - MISCELLANEOUS	\$128,700	\$181,400	\$106,980	\$119,124
300.38 - Printing Sales	\$210,000	\$200,000	\$150,205	\$205,751
300.40 - Freight and Handling Income	\$135,000	\$145,000	\$120,311	\$130,357
300.34 - Bookstore	\$325,000	\$300,000	\$326,450	\$324,013
SALES - FWBBC BOOKSTORE	\$108,900	\$0	\$0	\$64,082
300.75 - POS Discounts Given	-\$680,000	-\$622,000	-\$515,450	-\$630,882
TOTAL REVENUES	\$4,207,000	\$4,127,900	\$3,600,990	\$3,647,188
EXPENSES				
Costs of Outside Purchases - RHP	\$137,850	\$224,800	\$218,005	\$10,128
Costs of Outside Purchases - Bookstore	\$206,550	\$172,400	\$191,564	\$201,323
Creative Services	\$735,400	\$594,500	\$534,657	\$662,312
Printing Production	\$1,031,600	\$1,083,100	\$623,839	\$1,148,397
Depreciation	\$60,000	\$76,000	\$76,000	\$57,616
TOTAL COST OF SALES	\$2,171,400	\$2,150,800	\$1,644,065	\$2,079,776
GENERAL EXPENSES				
Marketing Department	\$239,750	\$215,000	\$195,224	\$178,905
Bookstore	\$151,500	\$172,300	\$181,195	\$157,511
Administration	\$365,300	\$347,500	\$242,399	\$334,727
Sales	\$305,800	\$394,300	\$362,997	\$310,995
Shipping	\$293,200	\$223,400	\$236,165	\$257,403
FWBBC Bookstore	\$107,270	\$0	\$0	\$67,932
Building	\$151,100	\$134,600	\$162,959	\$125,914
General	\$203,840	\$175,600	\$324,842	\$225,683
TOTAL GENERAL EXPENSES	\$1,817,760	\$1,662,700	\$1,705,781	\$1,659,069
TOTAL EXPENSES	\$3,989,160	\$3,813,500	\$3,349,846	\$3,738,846
INCREASE/(DECREASE) IN ASSETS	\$217,840	\$314,400	\$251,144	-\$91,657
OTHER EXPENSES				
Denominational Ministries	-\$54,663	-\$75,000	-\$74,500	-\$1,953
SCM Department	-\$63,300	-\$64,050	-\$68,958	-\$26,662
TOTAL OTHER EXPENSES	-\$117,963	-\$139,050	-\$143,458	-\$28,616
INCREASE/(DECREASE) IN ASSETS	\$99,877	\$175,350	\$107,686	-\$120,273
REVENUES				
SALES - CURRICULUM				
300.02 - Curriculum Sales - SS	\$3,720,000	\$3,650,000	\$3,112,061	\$3,177,105
300.04 - Curriculum Sales - Spanish		\$0	\$5,000	\$848
300.06 - Curriculum Sales - CTS		\$6,000	\$50,000	\$12,224
TOTAL CURRICULUM SALES	\$3,720,000	\$3,656,000	\$3,167,061	\$3,190,177
SALES - RHP				
300.05 - Merchandise - RHP	\$2,000	\$4,000	\$12,682	\$1,968
300.08 - Helps & Supplies - SS/CTS	\$35,000	\$50,000	\$38,443	\$31,245
300.10 - Helps & Supplies - Spanish	\$100	\$500	\$446	\$184
300.12 - Competitive Activities Sales	\$20,000	\$20,000	\$16,602	\$15,570
300.14 - Children's Church Sales	\$500	\$5,000	\$7,538	\$93
300.16 - Spanish Book Sales	\$800	\$1,000	\$1,594	\$755
300.18 - Randall House Book Sales	\$152,000	\$155,000	\$150,782	\$151,743
300.19 - Randall House Electronic Sales		\$0	\$0	\$0
300.20 - Rejoice Hymnal Sales	\$25,000	\$3,500	\$2,404	\$15,048
300.21 - Rejoice Worship Hymnal Sales		\$500	\$632	-\$912
300.22 - National Sales	\$24,000	\$28,000	\$14,211	\$28,871
300.28 - Growth Campaign	\$0	\$0	\$99	\$0
TOTAL SALES - RHP	\$259,400	\$267,500	\$245,433	\$244,566

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
FWBBC BOOKSTORE SALES				
320.40 · FWBBC - Textbooks	\$90,000			
320.42 · FWBBC - Snacks/School Supplies	\$12,600			\$53,862
320.44 · FWBBC - Apparel	\$1,500			\$6,346
320.46 · FWBBC - Athletic Apparel	\$1,800			\$835
320.48 · FWBBC - Bibles/Books/Gifts	\$3,000			\$1,536
320 · FWBBC Bookstore Sales - Other	\$0			\$1,503
TOTAL FWBBC BOOKSTORE SALES	\$108,900	\$0	\$0	\$64,082
SALES - MISCELLANEOUS				
300.30 · Bulletin Service	\$200		\$376	\$140
300.02 · VBS	\$0	\$200	\$0	\$0
300.34 · Bookstore	\$800		\$0	\$721
300.36 · Video/Audio	\$0	\$700	\$0	\$0
300.42 · Interest Income	\$5,000		\$15,456	\$9,911
300.46 · Service Charges	\$3,000	\$16,000	\$3,330	\$2,757
300.48 · Recreation Fund	\$750	\$3,400	\$2,291	\$430
300.49 · Sales - Virco Furniture	\$0	\$2,500	\$0	\$0
300.50 · Miscellaneous Income	\$15,000		\$13,123	\$14,694
300.51 · Commission Income - LTNG	\$2,000	\$13,000	\$3,276	\$1,561
300.52 · Commission Income - Signs	\$750	\$4,000	\$1,748	\$665
300.53 · Commission Income - JM Stewart	\$600	\$1,000		\$1,285
300.54 · Commission Income - FWB Hymnal	\$38,000	\$0	\$36,226	\$35,985
300.56 · Commission Income - Cathedral	\$32,000	\$75,000	\$31,154	\$30,782
300.58 · Commission Income - Generic	\$0	\$35,000		\$0
300.59 · Commission Income - CPN	\$0	\$0		\$275
300.60 · Disposal of Assets	\$0	\$0		\$20,100
300.76 · SCM Overhead Allocations	\$30,600	\$30,600		\$0
GIFT CERTIFICATES OUTSTANDING	\$0	\$0		-\$182
300 · RHP-Sales - Other	\$0	\$0		\$0
TOTAL MISCELLANEOUS SALES	\$128,700	\$181,400	\$106,980	\$119,124
COST OF OUTSIDE PURCHASES - RHP				
310.02 · COG - Curriculum / SS	\$16,000	\$48,000	\$9,616	\$16,514
310.04 · COG - Curriculum - Spanish	\$0		\$0	\$0
310.05 · COG - RHP Merchandise	\$2,000	\$2,000	\$17,273	\$1,009
310.06 · COG - Curriculum CTS	\$0	\$500	\$11,209	\$133
310.08 · COG - SS/CTS Helps & Supplies	\$10,000	\$10,000	\$10,530	\$8,728
310.10 · Helps & Supplies / Spanish	\$100	\$0	\$860	\$111
310.12 · COG - Competitive Activities	\$6,000	\$6,000	\$7,712	\$4,603
310.14 · COG - Children's Church	\$500	\$500	\$533	\$57
310.16 · COG - Spanish Books	\$500	\$500	\$2,887	\$285
310.18 · COG - RHP Books	\$65,000	\$35,000	\$39,127	\$64,023
310.19 · COG - RHP Electronic Book	\$0	\$0	\$1,541	\$0
310.20 · COG - Rejoice Hymnals	\$10,000	\$2,000	\$609	\$9,795
310.21 · COG - Rejoice Workshop Hymnals	\$250	\$300	\$0	\$249
310.22 · COG - National Merch	\$12,000	\$10,000	\$8,377	\$11,993
310.24 · COG - ETA	\$0		\$0	\$0
310.26 · COG - Camp	\$0			\$0
310.28 · COG - Campaign	\$0			\$0
310.30 · COG - Bulletins	\$100		\$145	\$84
310.32 · COG - VBS	\$0			\$0
310.34 · COG - Bookstore	\$400			\$364
310.36 · COG - Audio / Video	\$0			\$0
310.45 · COG - Supplies	\$0			\$0
310.49 · COG - Virco Furniture	\$0			\$0
310.50 · COG - Miscellaneous Sales	\$0			\$0
310.59 · COG - Change in Inventory			\$93,595	\$0
310.60 · COG RHP Change in Inventory	\$10,000	\$100,000		-\$110,763

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
313.00 · Freight in RHP	\$2,000		\$1,523	\$1,912
625 · Coupons Redeemed	\$3,000			\$3,134
722 · Shrinkage		\$10,000	\$12,468	-\$2,102
310 · Cost of Sales - RHP - Other				\$0
TOTAL COST OF OUTSIDE PURCHASES -	\$137,850	\$224,800	\$218,005	\$10,128
COST OF OUTSIDE PURCHASES - BOOKSTORE				
315.05 · COG - Bibles	\$18,000	\$14,000		\$17,617
315.10 · COG - Books	\$62,000	\$50,000		\$60,532
315.15 · COG - Cards	\$2,000	\$2,400		\$1,849
315.20 · COG - Church Supplies	\$10,000	\$12,000		\$10,058
315.25 · COG - Curriculum VBS	\$33,000	\$29,000		\$32,739
315.30 · COG - Curriculum / SS	\$40,000	\$32,000		\$39,536
315.35 · COG - Gifts	\$18,000	\$10,000		\$16,857
315.40 · COG - Jewelry	\$800	\$1,000		\$731
315.45 · COG - Miscellaneous	\$8,000	\$3,500		\$8,026
315.50 · COG - Music	\$4,000	\$6,000		\$3,642
315.53 · COG - Rejoice Worship Hymn	\$0	\$0		\$70
315.55 · COG - Robes	\$0	\$0		\$0
315.60 · COG - Video	\$750	\$2,500		\$624
315.65 · COG - Video Rental	\$0	\$0		\$0
318.00 · Freight in Bookstore	\$10,000	\$10,000	\$10,901	\$9,041
315 · Cost of Sales - Bookstore - Other		\$0	\$180,663	\$0
TOTAL COST OF OTSIDE PURCHASES - B	\$206,550	\$172,400	\$191,564	\$201,323
PRINTING PRODUCTION				
350.02 · PP - Salaries	\$230,000	\$226,000	\$169,359	\$227,924
350.04 · PP - Travel Expense	\$1,000	\$1,000	\$1,000	\$0
350.05 · PP - In House Printing	\$0		\$0	\$0
350.06 · PP - Supplies	\$1,000	\$1,000	\$1,000	\$884
350.07 · PP - Equipment Maint.	\$1,000	\$1,000	\$0	\$1,140
350.12 · PP - Dues & Subscriptions	\$1,000	\$1,000	\$0	\$1,110
350.16 · PP - Entertainment	\$100	\$100	\$100	\$89
350.18 · Outside Printing	\$310,000	\$450,000	\$120,000	\$498,179
350.19 · Outside Bindery	\$60,000	\$25,000	\$20,000	\$54,731
350.20 · PP - Postage	\$0	\$0	\$0	\$4
350.23 · PP - Telephone	\$0	\$0	\$0	\$0
350.26 · PP - FICA	\$18,000	\$17,500	\$12,956	\$14,856
350.29 · PP - Retirement	\$10,000	\$10,000	\$5,523	\$10,124
350.32 · PP - Insurance	\$38,000	\$33,000	\$26,901	\$32,816
350.34 · Pressroom Supplies	\$18,000	\$19,000	\$18,000	\$15,268
350.36 · Pressroom Maintenance	\$10,000	\$5,000	\$10,000	\$8,301
350.38 · Pressroom Parts	\$15,000	\$3,000	\$5,000	\$3,850
350.40 · Pressroom Stock	\$170,000	\$165,000	\$160,000	\$152,468
350.42 · Pressroom Ink	\$11,000	\$11,000	\$14,000	\$9,871
350.44 · Bindery Supplies	\$2,500	\$5,000	\$6,000	\$479
350.46 · Bindery Maintenanc	\$3,000	\$3,500	\$2,500	\$1,819
350.48 · Bindery Parts	\$1,000	\$1,500	\$2,500	\$236
350.50 · CTP Supplies	\$3,000	\$3,000	\$0	\$4,476
350.52 · Camera Film	\$0	\$17,000	\$20,000	\$6,777
350.54 · CTP Maintenance	\$12,000	\$13,000	\$0	\$3,834
350.56 · Camera Parts	\$0	\$0	\$0	\$0
350.60 · Stripping / Masking Supplies	\$500	\$4,000	\$500	\$1,399
350.62 · Stripping Plates	\$55,000	\$32,000	\$28,000	\$44,562
350.88 · Outside Purchases	\$60,000	\$35,000	\$0	\$52,620
350.90 · PP - Miscellaneous	\$500	\$500	\$500	\$583
350 · Printing Production - Other				\$0
TOTAL PRINTING PRODUCTION	\$1,031,600	\$1,083,100	\$623,839	\$1,148,397

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
CREATIVE SERVICES				
360.02 · CS - Salaries	\$350,000	\$330,000	\$257,623	\$330,185
360.03 · CS - Housing Allowance	\$47,000	\$45,000	\$47,128	\$43,125
360.04 · CS - Travel	\$2,000	\$1,000	\$5,000	\$1,707
360.05 · CS - In House Printing			\$0	\$0
360.06 · CS - Supplies	\$4,000	\$5,000	\$12,000	\$4,353
360.07 · CS - Equipment Maintenance	\$2,500	\$3,000	\$4,500	\$1,641
360.08 · CS - Equipment Rental	\$0		\$0	\$0
360.09 · Color Separations	\$0		\$0	\$0
360.10 · CS - Conventions & Seminars	\$2,000	\$2,000	\$2,500	\$2,434
360.11 · Software Supply	\$2,000	\$2,500	\$2,500	\$1,686
360.12 · CS - Dues & Subscriptions	\$1,500	\$300	\$300	\$1,510
360.14 · Art Services	\$110,000	\$30,000	\$7,500	\$103,963
360.15 · National Expense	\$0	\$2,500	\$2,500	\$0
360.16 · CS - Entertainment	\$200	\$500	\$1,000	\$8
360.20 · CS - Postage	\$200	\$200	\$500	\$20
360.23 · CS - Telephone	\$0		\$0	\$0
360.26 · CS - FICA	\$29,000	\$18,500	\$14,374	\$21,490
360.29 · CS - Retirement	\$10,000	\$10,000	\$8,740	\$8,808
360.32 · CS - Insurance	\$60,000	\$56,000	\$41,592	\$52,108
360.34 · Curriculum Development	\$15,000	\$25,000	\$25,000	\$2,900
360.35 · Product Improvement	\$0		\$0	\$0
360.36 · Writer's Fees	\$90,000	\$50,000	\$100,000	\$81,158
360.37 · Register of Copyrights	\$2,000	\$2,500	\$1,000	\$1,770
360.88 · Outside Editing/Proofing	\$7,500	\$10,000		\$3,394
360.90 · CS - Miscellaneous	\$500	\$500	\$900	\$51
TOTAL CREATIVE SERVICES	\$735,400	\$594,500	\$534,657	\$662,312
ADMINISTRATION/ACCOUNTING				
400.02 · AD/AC - Salaries	\$220,000	\$218,000	\$124,480	\$214,923
400.03 · AD/AC - Housing Allowance	\$30,000	\$28,500	\$30,778	\$27,600
400.04 · AD/AC - Travel Expense	\$24,000	\$25,000	\$25,000	\$19,211
400.05 · AD/AC - In House Printing	\$0	\$0	\$0	\$0
400.06 · AD/AC - Supplies	\$8,000	\$5,000	\$5,000	\$6,498
400.07 · AD/AC - Equipment Maintenance	\$3,000	\$2,000	\$2,000	\$1,642
400.08 · AD/AC - Equipment Rental	\$1,000	\$1,000	\$1,000	\$0
400.10 · AD/AC - Conventions & Seminars	\$2,000	\$2,000	\$3,000	\$742
400.12 · AD/AC - Dues & Subscriptions	\$1,000	\$500	\$500	\$510
400.16 · AD/AC - Entertainment	\$2,500	\$2,500	\$3,000	\$2,128
400.20 · AD/AC - Postage	\$300	\$1,000	\$3,000	\$5
400.23 · AD/AC - Telephone	\$4,000	\$3,500	\$2,500	\$3,749
400.26 · AD/AC - FICA	\$19,000	\$14,000	\$11,616	\$13,991
400.29 · AD/AC - Retirement	\$10,000	\$10,500	\$14,404	\$9,819
400.32 · AD/AC - Insurance	\$35,000	\$29,000	\$13,121	\$29,841
400.70 · AD/AC - Automobile Expense	\$5,000	\$4,000	\$2,500	\$4,070
400.75 · AD/AC - Automobile Lease	\$0	\$0		\$0
400.90 · AD/AC - Miscellaneous	\$500	\$1,000	\$500	\$0
400 · Administrative/Accounting - Other				\$0
TOTAL ADMIN/ACCOUNTING	\$365,300	\$347,500	\$242,399	\$334,727
SALES/CUSTOMER SERVICE				
410.02 · Sales/CS - Salaries	\$200,000	\$275,000	\$226,978	\$222,127
410.04 · Sales/CS - Travel Expense	\$7,500	\$5,000	\$1,000	\$9,730
410.05 · Sales/CS - In House Printing	\$0	\$0	\$0	\$0
410.06 · Sales/CS - Supplies	\$6,000	\$6,000	\$8,000	\$5,771
410.07 · Sales/CS - Equipment Maint.	\$4,000	\$5,000	\$10,000	\$2,884
410.08 · Sales/CS - Equipment Rental	\$0	\$500	\$500	\$0
410.10 · Royalty Payments	\$5,000	\$8,000	\$8,000	\$4,907
410.11 · Sales/ - Conventions & Seminars	\$3,500	\$2,000	\$5,000	\$1,110

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
410.12 · Sales/CS - Dues & Subscriptions	\$500	\$500	\$1,000	\$200
410.20 · Sales/CS - Postage	\$5,000	\$5,000	\$5,000	\$1,691
410.23 · Sales/CS - Telephone	\$22,000	\$21,000	\$20,000	\$21,739
410.26 · Sales/CS - FICA	\$14,000	\$23,000	\$17,364	\$14,478
410.29 · Sales/CS - Retirement	\$7,000	\$7,000	\$2,000	\$6,640
410.32 · Sales/CS - Insurance	\$30,000	\$20,000	\$42,855	\$19,244
410.88 · Sales/CS - Entertainment	\$1,000	\$1,000	\$15,000	\$474
410.89 · Sales/CS - Promotions	\$0	\$15,000		\$0
410.90 · Sales/CS - Miscellaneous	\$300	\$300	\$300	\$0
410 · Sales/Customer Service - Other				\$0
TOTAL SALES CUSTOMER SERVICE	\$305,800	\$394,300	\$362,997	\$310,995
MARKETING				
420.02 · MKT - Salaries	\$75,000	\$55,000	\$36,571	\$59,666
420.03 · MKT - Housing Allowance	\$0	\$16,000	\$581	\$5,363
420.04 · MKT - Travel Expense	\$5,000	\$3,000	\$10,000	\$2,399
420.05 · MKT - In House Printing	\$0	\$0	\$0	\$0
420.06 · MKT - Supplies	\$10,000	\$5,000	\$8,000	\$4,491
420.07 · MKT - Equipment Maintenance	\$1,000	\$500	\$500	\$2,416
420.10 · MKT - Conventions & Seminars	\$2,000	\$2,000	\$6,500	\$35
420.12 · MKT - Dues & Subscriptions	\$750	\$2,000	\$500	\$767
420.15 · National Expense	\$25,000	\$25,000	\$12,000	\$22,357
420.16 · MKT - Entertainment	\$2,000	\$1,000	\$2,500	\$1,216
420.20 · MKT - Postage	\$500	\$10,000	\$18,000	\$199
420.23 · MKT - Telephone	\$2,500	\$0	\$0	\$2,171
420.26 · MKT - FICA	\$4,500	\$3,000	\$4,632	\$3,884
420.29 · MKT - Retirement	\$1,000	\$2,000	\$1,789	\$330
420.32 · MKT - Insurance	\$20,000	\$20,000	\$18,151	\$15,261
420.34 · MKT - Advertising	\$30,000	\$30,000	\$60,000	\$23,475
420.36 · MKT - Promotion	\$60,000	\$40,000	\$15,000	\$34,813
420.38 · Printing & Color Separation	\$0		\$0	\$0
420.88 · Extra 17	\$0			\$0
420.89 · Extra 18	\$0			\$0
420.90 · MKT - Miscellaneous	\$500	\$500	\$500	\$61
420 · Marketing - Other				\$0
TOTAL MARKETING	\$239,750	\$215,000	\$195,224	\$178,905
BOOKSTORE				
425.02 · RB - Salaries	\$90,000	\$110,000	\$105,977	\$110,001
425.04 · RB - Travel Expense	\$4,000	\$4,000	\$10,000	\$4,439
425.05 · RB - In House Printing	\$0		\$0	\$0
425.06 · RB - Supplies	\$2,500	\$1,500	\$1,000	\$2,352
425.07 · RB - Equipment Maintenance	\$500	\$500	\$500	\$523
425.08 · RB - Software Fees and Services	\$1,000	\$2,000	\$3,000	\$858
425.10 · RB - Conventions & Seminars	\$1,000	\$1,500	\$1,500	\$728
425.12 · RB - Dues & Subscriptions	\$500	\$500	\$500	\$645
425.16 · RB - Entertainment	\$1,000	\$2,500	\$5,000	\$483
425.20 · RB - Postage	\$2,000	\$3,500	\$3,500	\$817
425.23 · RB - Telephone	\$0		\$0	\$0
425.26 · RB - FICA	\$7,200	\$8,500	\$8,107	\$6,612
425.29 · RB - Retirement	\$3,500	\$5,500	\$3,587	\$4,461
425.32 · RB - Insurance	\$25,000	\$21,000	\$22,224	\$21,313
425.34 · RB - Advertising	\$12,000	\$10,000	\$15,000	\$4,279
425.66 · Workshops Expense	\$1,000	\$1,000	\$1,000	\$0
425.90 · RB - Miscellaneous	\$300	\$300	\$300	\$0
425 · Randall House Bookstore - Other				\$0
TOTAL BOOKSTORE	\$151,500	\$172,300	\$181,195	\$157,511

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
SHIPPING				
430.02 · SR - Salaries	\$77,000	\$53,000	\$50,762	\$76,862
430.03 · SR - Housing Allowance	\$0		\$0	\$0
430.04 · SR - Travel Expense	\$0		\$0	\$0
430.06 · SR - Supplies	\$18,000	\$15,000	\$16,000	\$20
430.07 · SR - Equipment Maintenance	\$1,500	\$2,000	\$2,500	\$13,701
430.08 · SR - Equipment Rental	\$15,000	\$15,000	\$21,000	\$972
430.12 · SR - Dues & Subscriptions	\$0	\$300	\$300	\$12,868
430.20 · SR - Postage	\$30,000	\$6,000	\$10,000	\$0
430.23 · SR - Telephone	\$0	\$0	\$0	\$19,710
430.26 · SR - FICA	\$5,900	\$4,100	\$3,883	-\$35
430.29 · SR - Retirement	\$2,500	\$2,700	\$3,051	\$4,845
430.32 · SR - Insurance	\$18,000	\$10,000	\$13,369	\$2,501
430.40 · SR - Freight Expense	\$125,000	\$115,000	\$115,000	\$13,864
430.90 · SR - Miscellaneous	\$300	\$300	\$300	\$112,044
430 · Shipping & Receiving - Other				\$50
TOTAL SHIPPING	\$293,200	\$223,400	\$236,165	\$257,403
BUILDING				
440.02 · PM - Salaries	\$20,000	\$20,000	\$21,745	\$17,205
440.03 · PM - Housing Allowance	\$0		\$0	\$0
440.04 · PM - Travel Expense	\$0		\$0	\$0
440.06 · PM - Supplies	\$7,500	\$6,000	\$8,000	\$0
440.07 · PM - Equipment Maintenance	\$3,000	\$3,000	\$5,000	\$7,101
440.08 · PM - Equipment Rental	\$1,000	\$1,000	\$1,000	\$3,325
440.20 · PM - Postage	\$0		\$0	\$0
440.23 · PM - Telephone	\$0	\$1,000	\$1,500	\$0
440.26 · PM - FICA	\$1,300	\$1,300	\$1,664	\$0
440.29 · PM - Retirement	\$0		\$0	\$1,398
440.32 · PM - Insurance	\$0		\$4,750	\$0
440.34 · PM - Building Maintenance	\$30,000	\$30,000	\$35,000	\$19,325
440.40 · Utilities	\$55,000	\$45,000	\$50,000	\$47,712
440.45 · Building Insurance	\$33,000	\$27,000	\$34,000	\$29,848
440.90 · PM - Miscellaneous	\$300	\$300	\$300	\$0
440 · Plant Maintenance - Other				\$0
TOTAL BUILDING	\$151,100	\$134,600	\$162,959	\$125,914
FWBBC BOOKSTORE				
460.02 · FWBBC - Salaries	\$18,000			\$9,465
460.04 · FWBBC - Travel Expense	\$900			\$564
460.05 · FWBBC - Building Rental	\$5,000			\$2,500
460.06 · FWBBC - Supplies	\$500			\$1,690
460.07 · FWBBC - Equipment Maintenance	\$100			\$204
460.08 · FWBBC - Equipment Rental				\$0
460.12 · FWBBC - Dues & Subscriptions	\$70			\$0
460.20 · FWBBC - Postage				\$0
460.23 · FWBBC - Telephone				\$0
460.26 · FWBBC - FICA	\$1,100			\$761
460.29 · FWBBC - Retirement				\$0
460.32 · FWBBC - Insurance				\$0
460.40 · FWBBC - Textbooks	\$69,000			\$0
460.42 · FWBBC - Snacks/School Supplies	\$7,500			\$44,446
460.44 · FWBBC - Apparel	\$1,000			\$4,414
460.46 · FWBBC - Athletic Apparel	\$1,800			\$1,189
460.48 · FWBBC - Bibles/Books/Gifts	\$2,300			\$1,536
460.90 · FWBBC - Miscellaneous				\$1,163
460 · FWBBC Bookstore - Other				\$0
TOTAL FWBBC BOOKSTORE	\$107,270	\$0	\$0	\$67,932

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
GENERAL EXPENSES				
490.05 · GE - In House Printing	\$0			\$0
490.06 · GE - Supplies	\$3,000	\$3,000	\$3,000	\$2,908
490.07 · GE - Equipment Maintenance	\$10,000	\$5,000	\$8,000	\$8,723
490.08 · GE - Equipment Rental	\$10,000	\$5,000	\$5,000	\$10,054
490.10 · GE - Honorariums	\$1,000	\$500	\$500	\$0
490.14 · Depreciation	\$62,000	\$62,000	\$62,000	\$62,615
490.15 · Interest Expense	\$25,000	\$16,000	\$24,000	\$22,474
490.18 · Bank Service Charges	\$18,000	\$13,100	\$13,100	\$17,968
490.20 · Insurance	\$0			\$116
490.25 · RHP - Board Expense	\$18,000	\$18,000	\$15,000	\$14,534
490.30 · Legal & Audit	\$11,000	\$11,000	\$10,000	\$10,410
490.35 · GE - Automobile Expense	\$3,000	\$2,500	\$2,500	\$2,189
490.40 · Bad Debts	\$1,000	\$1,000	\$1,000	\$0
490.45 · Recreation Fund Expense	\$7,000	\$4,000	\$4,000	\$6,756
490.50 · Taxes	\$16,840	\$16,500	\$12,742	\$16,840
490.55 · Payroll Services	\$8,000	\$8,000	\$4,000	\$7,592
490.60 · Together Way Printing Exp	\$0			\$0
490.63 · ONE Magazine	\$0			\$40,000
490.88 · Research and Development	\$0		\$150,000	\$0
490.65 · Year Book Printing	\$0			\$0
490.90 · GE - Miscellaneous	\$10,000	\$10,000	\$10,000	\$2,504
490 · General - Other				\$0
TOTAL GENERAL EXPENSES	\$203,840	\$175,600	\$324,842	\$225,683
STUDENT AND CHILDREN MINISTRIES				
INCOME				
300.62 · NYC 2005	\$100,000		\$80,556	\$109,902
300.63 · NYC Fees 2006		\$85,000		\$0
300.64 · Truth & Peace Fees - 2005	\$85,000		\$63,468	\$71,433
300.65 · Truth & Peace Fees 2006		\$72,000		\$900
300.66 · NYET Fees - 2005	\$7,500		\$6,658	\$5,321
300.67 · NYET Fees 2006		\$6,000		\$0
300.68 · NSCWC Fees 2005	\$20,000		\$25,786	\$14,709
300.69 · NSCWC Fees 2006		\$25,000		\$0
300.70 · Youth Collections	\$2,000	\$3,000	\$3,249	\$1,516
300.71 · Springboard 2006		\$12,000		\$0
300.72 · Springboard Fees - 2005	\$6,000		\$13,723	\$6,253
9100 · Youth Revenues - Other				\$0
TOTAL SCM INCOME	\$220,500	\$203,000	\$193,440	\$210,034
STUDENT/CHILDREN MINISTRIES EXPENSES				
450.02 · YD - Salaries	\$55,000	\$55,000	\$53,659	\$39,063
450.03 · YD - Housing Allowance	\$0		\$15,277	\$13,300
450.04 · YD - Travel Expense	\$3,000	\$2,500	\$2,460	\$2,691
450.05 · YD - In House Printing	\$0		\$0	\$0
450.06 · YD - Supplies	\$1,000	\$2,000	\$2,737	\$1,323
450.07 · YD - Equipment Maint.	\$0			\$41
450.08 · YD - Fundraising	\$0		\$154	\$0
450.10 · YD - Conventions & Seminars	\$1,000	\$2,500	\$228	\$0
450.12 · YD - Dues & Subscriptions	\$500	\$350	\$350	\$247
450.16 · YD - Entertainment	\$0	\$300	\$82	\$47
450.20 · YD - Postage	\$2,000	\$2,000	\$1,977	\$583
450.23 · YD - Telephone	\$2,500	\$2,500	\$2,259	\$1,538
450.26 · YD - FICA	\$4,200	\$4,300	\$5,274	\$2,557
450.29 · YD - Retirement	\$3,000	\$1,000	\$2,878	\$1,773
450.32 · YD - Insurance	\$14,000	\$14,000	\$27,145	\$17,010
450.34 · NYC Expense 2005	\$65,000		\$41,059	\$77,212
450.35 · YD - NYC 2006		\$50,000		\$391

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
450.36 · Truth & Peace - 2005	\$60,000		\$54,805	\$48,657
450.37 · YD - Truth & Peace 2006		\$50,000		\$1,446
450.38 · NYET 2005 Expense	\$7,500		\$3,789	\$6,664
450.39 · YD - NYET 2006		\$4,500		\$0
450.40 · NSCWC - 2005	\$20,000		\$22,490	\$16,150
450.41 · NSCWC 2006		\$23,000		\$0
450.42 · YD - Springboard 2006		\$16,000		\$0
450.43 · Springboard - 2005	\$6,000		\$19,076	\$6,003
450.45 · Convention Salaries	\$7,500	\$6,000	\$6,405	\$0
450.88 · Overhead Allocations	\$30,600	\$30,600		\$0
450.90 · YD - Miscellaneous	\$1,000	\$500	\$294	\$0
450 · Youth Department Expenses - Other				\$0
TOTAL SCM EXPENSES	\$283,800	\$267,050	\$262,398	\$236,697
SCM INCREASE/(DECREASE)	-\$63,300	-\$64,050	-\$68,958	-\$26,662

DENOMINATIONAL MINISTRIES INCOME

300.80 · Mid Tenn SS Conference Fees				\$6,884
300.81 · Oklahoma Conference Fees				\$11,407
300.82 · Tri-State Conference Fees				\$608
300.83 · Indiana Conference Fees				\$0
300.84 · WV Conference Fees				\$2,790
300.85 · N Florida Conference Fees				\$1,930
300.86 · S Florida Conference Fees				\$1,930
300.87 · Illinois Conference Fees				-\$270
300.88 · Arkansas Conference Fees				\$2,847
300.89 · Ohio Conference Fees				\$6,786
300.90 · Canada Conference Fees				\$0
300.91 · Spartanburg, SC Conf Fees				\$841
300.92 · Florence, SC Conf Fees				\$2,736
300.93 · Tupelo, MS Conf Fees				\$544
9200 · Revenues Denom. Ministries - Other	\$50,000	\$24,500		\$0
TOTAL DEN MINISTRIES INCOME	\$50,000	\$24,500	\$0	\$39,032

EXPENSES

445.02 · C E Team Leader Salary	\$10,000	\$15,000	\$0	\$4,100
445.04 · C E Team Leader Travel	\$500		\$3,000	\$1,185
445.06 · C E Team Supplies	\$2,000	\$2,000	\$1,000	\$2,730
445.26 · TEAM CH - FICA	\$1,000		\$0	\$0
445.32 · C E Team Leader Insurance	\$0		\$2,000	\$0
445.40 · C E Team Leader Promotion	\$1,000	\$2,500	\$1,000	\$0
445.45 · Team Church Travel	\$500	\$500	\$6,000	\$400
445.50 · Mid Tenn SS Conference	\$0	\$5,000	\$1,500	\$2,820
445.51 · Tri-State SS Conference	\$0	\$700	\$1,500	\$1,077
445.52 · Indiana Conference	\$0	\$1,200	\$1,500	\$0
445.53 · WV SS Conference	\$0	\$2,200	\$1,500	\$2,748
445.54 · North Florida Conference	\$0	\$1,500	\$1,500	\$0
445.55 · South Florida Conference	\$0	\$1,600	\$1,500	\$0
445.56 · Illinois Conference	\$0	\$2,600	\$1,500	\$0
445.57 · Arkansas Conference	\$0	\$2,500	\$1,500	\$3,242
445.58 · Ohio Conference	\$0	\$2,500		\$3,529
445.59 · Canada Conference	\$0	\$2,000		\$0
445.60 · Spartanburg, SC Conference	\$0		\$2,500	\$1,126
445.61 · Florence, SC Conference	\$0		\$2,000	\$5,068
445.63 · ONE Magazine	\$44,163	\$40,000	\$40,000	\$0
445.65 · Yearbook Printing	\$12,000	\$12,000	\$5,000	\$3,927
445.87 · Oklahoma Conference	\$0			\$7,599
445.88 · Tupelo, MS Conference	\$0			\$1,432
445.89 · Stewardship/Together Way Printing	\$2,700	\$2,700		\$0

	2007 BUDGET	2006 BUDGET	2005 BUDGET	2005 ACTUAL
445.90 · Spanish Literature Gifts	\$0			\$0
445.91 · Korean Printing	\$0			\$0
445.92 · Russian Printing	\$0			\$0
445.93 · Scholarships	\$3,000	\$3,000		\$0
445.94 · RHP Minister's Fund	\$0			\$0
445.95 · Integrity Commission	\$0			\$0
445 · Denominational Ministries - Other	\$27,800			\$0
TOTAL DEM MINISTRIES EXPENSES	\$104,663	\$99,500	\$74,500	\$40,985
DEM MINISTRIES INCREASE/(DECREASE)	-\$54,663	-\$75,000	-\$74,500	-\$1,953

	2006	2007 PROJECTED
GENERAL DIRECTOR RONALD HUNTER, JR	PACKAGE	PACKAGE
SALARY***	\$40,798	\$42,022
HOUSING ALLOWANCE	\$28,190	\$29,036
CHRISTMAS BONUS	\$1,331	\$1,371
COMPENSATION TOTAL	\$70,319	\$72,429
INSURANCE	\$14,400	\$14,400
SOCIAL SECURITY		
RETIREMENT	\$3,462	\$3,566
BENEFITS TOTAL	\$17,862	\$17,966
TOTAL PAY PACKAGE	\$88,181	\$90,395
*** Salary subject to change dependent on the performance of the company for the year.		
	2006	2007 PROJECTED
ASSISTANT DIRECTOR CLARENCE LEWIS	PACKAGE	PACKAGE
SALARY	\$61,058	\$62,890
HOUSING ALLOWANCE	\$0	\$0
CHRISTMAS BONUS	\$916	\$943
COMPENSATION TOTAL	\$61,974	\$63,833
INSURANCE	\$5,400	\$5,400
SOCIAL SECURITY	\$4,741	\$4,883
RETIREMENT	\$3,053	\$3,145
BENEFITS TOTAL	\$13,194	\$13,428
TOTAL PAY PACKAGE	\$75,168	\$77,261

Summary of the Minutes for the Sunday School and Church Training Board 2005-2006

The Board had three meetings in the past year. The first meeting was held at the National Association in Louisville, Ky. 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 the SCM Director Initial Questionnaire, approved the changing of the discount terms for bookstores who use credit cards for payments, recommended the printing of the books, *Simple* by Rob Morgan and *The Washing of the Saints' Feet* by Matthew Pinson. We accepted the profitability plan proposed by the General Director. We approved the speakers for the Youth Worship Services for NYC 2006. We instituted a policy that would not allow RHP Board Members to be contracted, employed to write or be published by RHP.

We had three conference call meetings where we discussed and approved a new NYC Missions Offering.

The third meeting was held April 24-25 2006 at Randall House. At that meeting, we reviewed the 2005 audit and approved the 2007 budget. We approved a new expanded book approval process. We authorized the publishing of *The Writings of James Arminius*. We approved a writer. We approved the 2007 NYC Theme, "First Things First" and changed the name of Truth and Peace to "Student Leadership Conference." We voted to propose amending the name of the "Sunday School and Church Training Board and Randall House Publications of the National Association of Free Will Baptists, Inc." to "Randall House Publications of the National Association of Free Will Baptists, Inc."

INTERNATIONAL MISSIONS

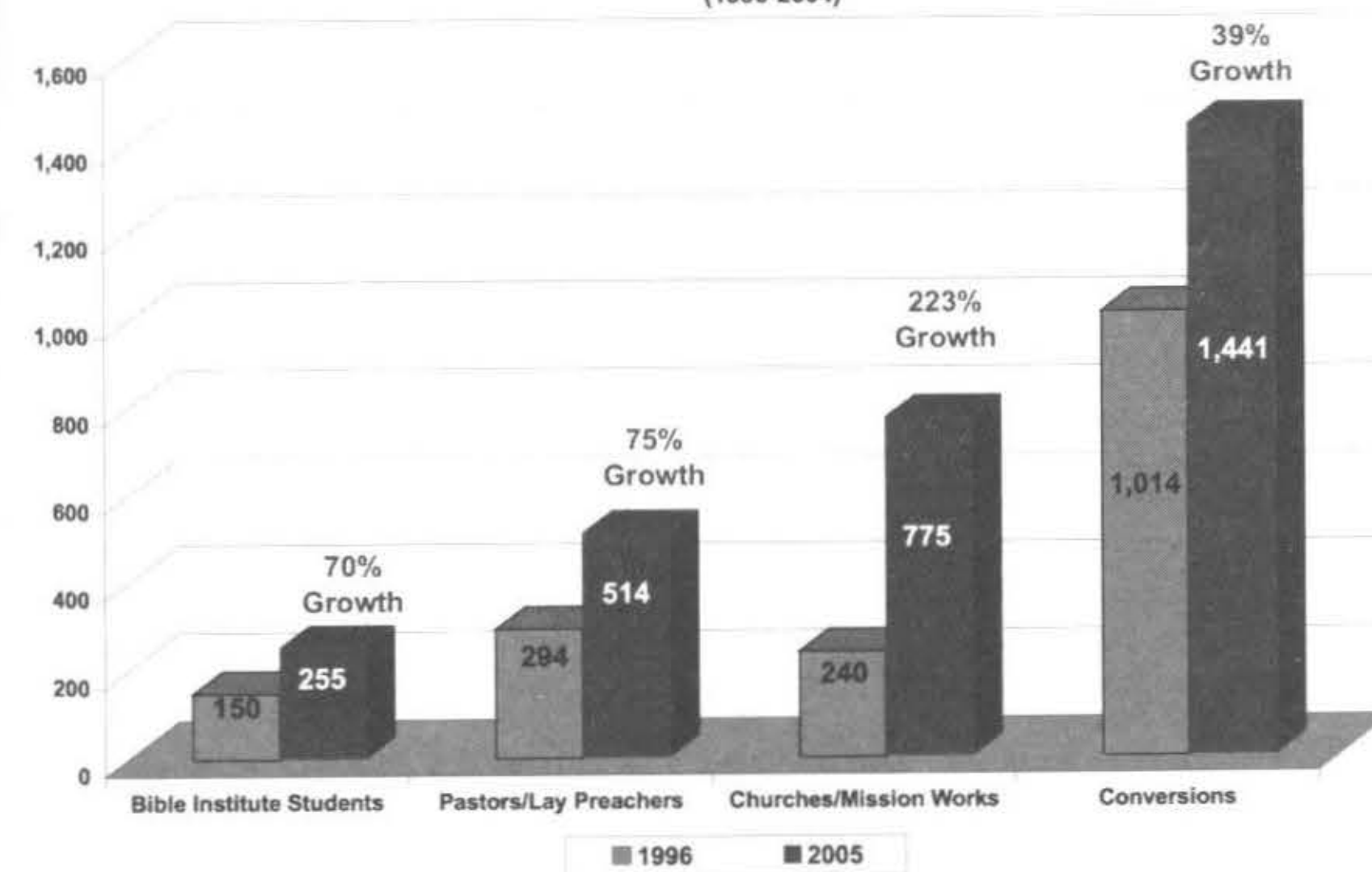
A Summary of the Activities on our Fields—2005

Free Will Baptists faithfully **invested in the future** of Christ's church throughout 2005! God has blessed our ministry of taking His Gospel to the ends of the earth, and we to see increasing results. Field reports give the following totals for 2005:

- 🌐 - 775 churches and mission works
- 🌐 - 29,268 total average church attendance
- 🌐 - 514 pastors and lay preachers
- 🌐 - 255 Bible institute students
- 🌐 - 1,441 conversions

Not only were new annual milestones reached in 2005, but the growth rate of the past 10 years continues to improve as detailed in the following chart:

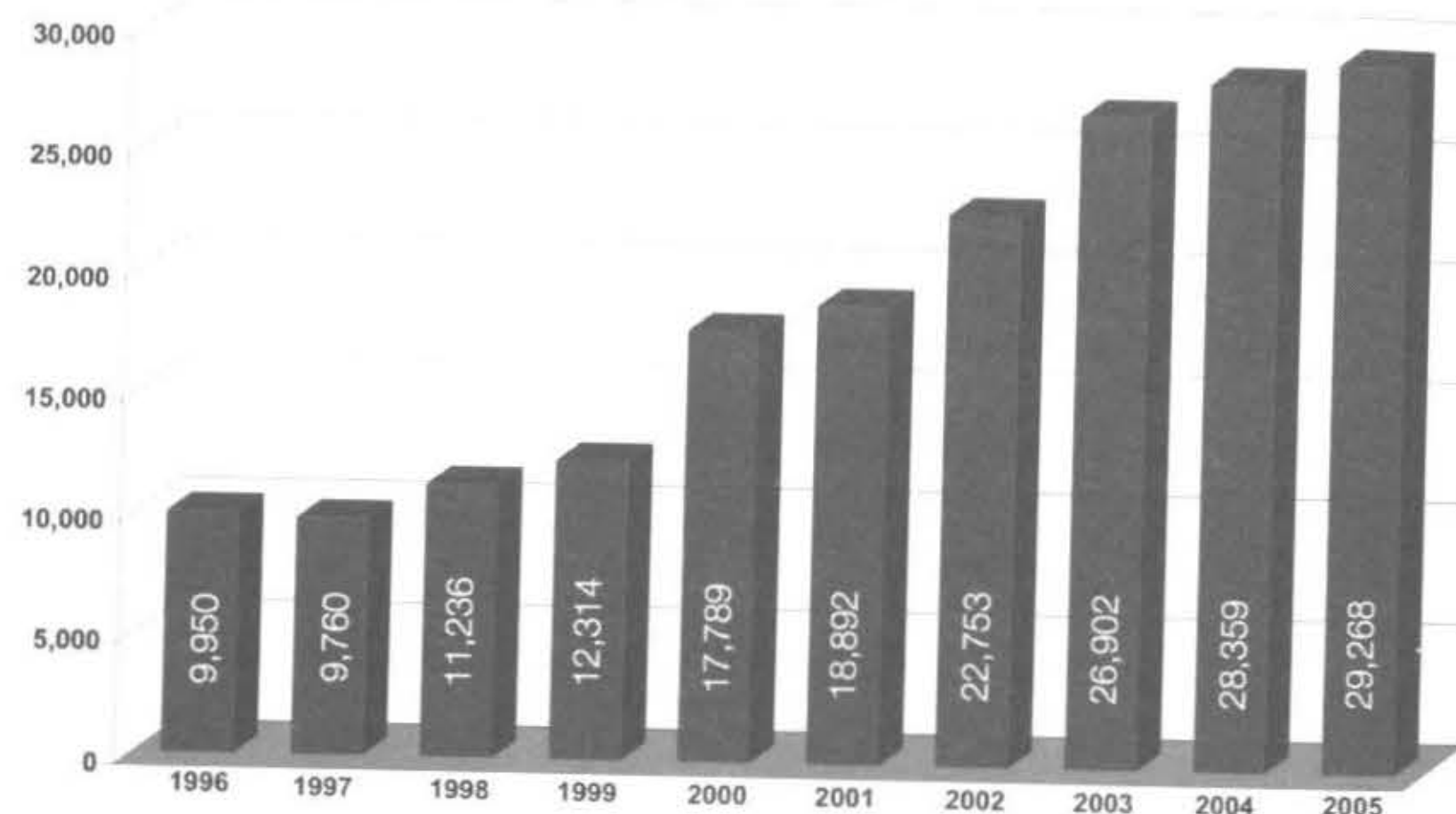
**Key Activities: 10-Year Rates of Growth
(1996-2004)**



We praise our Lord who has used Free Will Baptists over the past 10 years to grow His kingdom. More Free Will Baptist international churches met around the world today than ever before.

These new churches need national leadership. We rejoice that in 2005 a total of 514 pastors and lay preachers helped provide this leadership, an increase of 16% from the 2004 total.

Overseas Attendance Growth
(Last 10 Years)



As seen above, the total overseas attendance continues to steadily rise. The new high of 29,268 is a strong 194% increase from 1996.

In 2005, seven new missionaries began their ministries on an international field. They include: Mitchell and Rachel Donahue (Spain); Kyle and Beth Howell (Uruguay); Hollie Hubbard (Japan); and Steve and Lori Torrison (Panama).

In addition to these, Chuck Stewart (Spain) and Tim and Katrina Crowson (Japan) were approved for short-term ministries and Matthew and Brooke Turnbough (Spain) were granted final approval for career status.

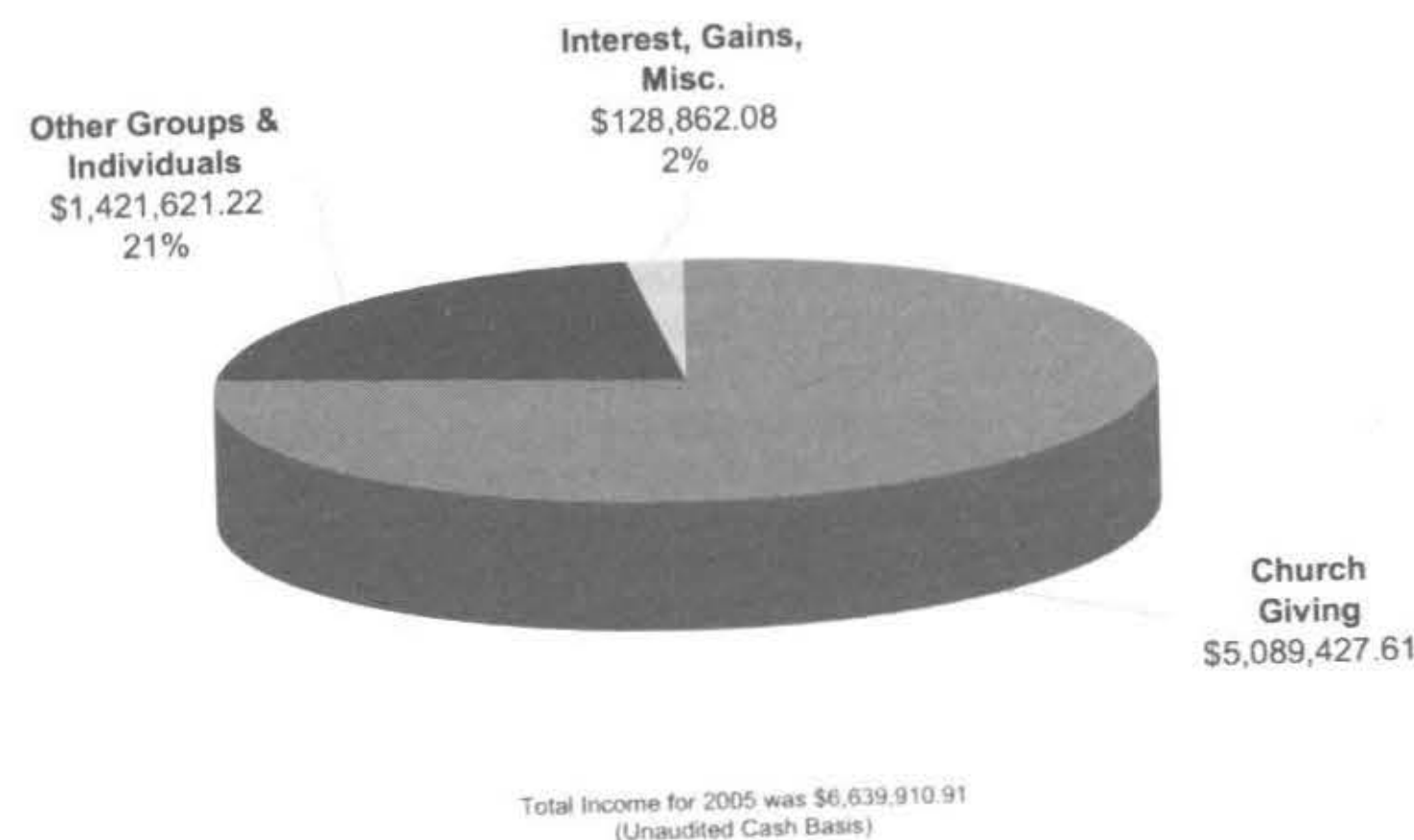
We are seeing substantial growth in the involvement of Free Will Baptist youth and college students. In 2005, 76 students participated in summer E-TEAMS, traveling to Chicago, Cuba, Brazil, Japan, Panama, France, Uruguay, and Russia; and 14 college students participated in extended overseas mission trips.

2005 – Financial Summary

Financial support for International Missions remains strong. During 2003 and 2004, the audited combined increase in total net assets equaled \$861,821. Many of our missionaries have raised much financial support during these years. However, these funds are not used until the missionary is on the field, possibly more than a year later. Due to

this factor, while some years show major increases in net assets, others will show net decreases. In 2005, a net decrease in total net assets of \$313,617 is reported.

2005 Sources of Income
(Includes Funds Designated for Creative



We are thankful for the 90 churches that gave over \$10,000.

1	Donelson FWB Church	Nashville	TN	\$167,751.23
2	Unity FWB Church	Greenville	NC	\$67,906.54
3	Limestone FWB Church	Limestone	TN	\$61,141.00
4	Macedonia FWB Church	Purdy	MO	\$60,028.06
5	First FWB Church	Russellville	AR	\$56,907.21
6	Horse Branch FWB Church	Turbeville	SC	\$47,953.55
7	Bethany FWB Church	Broken Arrow	OK	\$44,247.95
8	First FWB Church	Washington	NC	\$37,697.94
9	Ina FWB Church	Ina	IL	\$36,224.00
10	Cross Timbers FWB Church	Nashville	TN	\$34,683.28
11	First FWB Church	Albany	GA	\$33,078.48
12	Westside FWB Church	Johnsonville	SC	\$32,805.58
13	Faith FWB Church	Goldsboro	NC	\$32,260.00
14	Cofer's Chapel FWB Church	Nashville	TN	\$31,609.58
15	Little Bethel FWB Church	Johnsonville	SC	\$31,100.00
16	Verdella FWB Church	Liberal	MO	\$30,252.49
17	Hannon FWB Church	Liberal	MO	\$29,583.50
18	Central FWB Church	Royal Oak	MI	\$29,287.13
19	Grace FWB Church	Lake City	SC	\$27,854.73
20	Pleasant Acres FWB Church	New Bern	NC	\$27,354.18

21	Fellowship FWB Church	Kingsport	TN	\$25,932.21
22	Bethel FWB Church	Kinston	NC	\$24,976.88
23	New Hope FWB Church	Joelton	TN	\$21,807.69
24	Union Chapel FWB Church	Chocowinity	NC	\$21,686.00
25	Sherwood Forest FWB Church	New Bern	NC	\$21,375.25
26	Ruth's Chapel FWB Church	New Bern	NC	\$20,942.69
27	Thayer FWB Church	Thayer	MO	\$20,329.15
28	Piney Grove FWB Church	Guin	AL	\$19,265.73
29	Gilead FWB Church	Scranton	SC	\$19,212.41
30	Allen Chapel FWB Church	Batesville	AR	\$18,476.26
31	Kirby FWB Church	Taylor	MI	\$17,089.67
32	Cavanaugh FWB Church	Fort Smith	AR	\$16,990.57
33	Garner FWB Church	Garner	NC	\$16,989.90
34	Heritage FWB Church	Gilbert	AZ	\$16,720.00
35	Townsend FWB Church	Townsend	DE	\$16,691.50
36	First FWB Church	Florence	SC	\$16,630.96
37	Lebanon FWB Church	Effingham	SC	\$16,514.49
38	Peace FWB Church	Florence	SC	\$16,389.80
39	First FWB Church N Little Rock	N Little Rock	AR	\$16,300.57
40	Calvary Chapel FWB Church	Buffalo	MO	\$16,260.00
41	Winfield First FWB Church	Winfield	AL	\$16,124.73
42	Parker's Chapel FWB Church	Greenville	NC	\$16,100.00
43	First FWB Church	Inman	SC	\$15,650.00
44	Fellowship FWB Church	Bryan	TX	\$15,602.90
45	Bethany FWB Church	Timmons ville	SC	\$15,441.00
46	First Bible FWB Church	New Castle	IN	\$15,356.06
47	Bethlehem FWB Church	Ashland City	TN	\$14,585.50
48	Good Springs FWB Church	Pleasant View	TN	\$14,323.03
49	Peace FWB Church	Wilson	NC	\$14,269.63
50	New Hope FWB Church	Ina	IL	\$14,237.28
51	Temple FWB Church	Greenville	NC	\$13,899.00
52	First FWB Church	Northport	AL	\$13,684.45
53	Freeman Chapel FWB Church	Stewartsville	MO	\$13,640.00
54	Oak Grove FWB Church	Greeneville	TN	\$13,547.94
55	First FWB Church	Springfield	MO	\$13,469.08
56	Mt Olive FWB Church	Guin	AL	\$13,388.36
57	Sand Hill FWB Church	Coward	SC	\$13,354.11
58	Head's FWB Church	Cedar Hill	TN	\$13,271.89
59	Liberty Bible FWB Church	Oakwood	GA	\$13,264.25
60	First FWB Church	Beaufort	NC	\$13,249.42
61	First FWB Church	Star City	AR	\$13,210.88
62	Porter FWB Church	Sciotoville	OH	\$13,097.75
63	Red Bay FWB Church	Red Bay	AL	\$13,036.08
64	Double Branch FWB Church	Unadilla	GA	\$12,869.87
65	Temple FWB Church	Darlington	SC	\$12,442.68
66	Phillip's Chapel FWB Church	Northport	AL	\$12,404.25
67	Goshen FWB Church	Mt. Holly	NC	\$12,310.76
68	Gospel Light FWB Church	Bonne Terre	MO	\$12,100.00
69	First FWB Church	Mountain Grove	MO	\$11,977.00
70	Southpark FWB Church	Huntsville	AL	\$11,903.73

71	Bellview FWB Church	Colquitt	GA	\$11,899.71
72	White Savannah FWB Church	Conway	SC	\$11,369.94
73	Hyde Park FWB Church	Norfolk	VA	\$11,200.00
74	Liberty Bible Church	Dyersburg	TN	\$11,122.60
75	Northridge FWB Church	Dayton	OH	\$11,090.00
76	Tupelo FWB Church	Tupelo	MS	\$10,842.55
77	First FWB Church	Tuckerman	AR	\$10,822.95
78	Hillsboro FWB Church	Hillsboro	OH	\$10,761.88
79	Bethel FWB Church	South Roxana	IL	\$10,757.15
80	First FWB Church	Jesup	GA	\$10,623.69
81	Sherwood Forest FWB Church	El Sobrante	CA	\$10,506.22
82	Faith FWB Church	Ray Township	MI	\$10,494.69
83	Tippett's Chapel FWB Church	Clayton	NC	\$10,400.06
84	Madison FWB Church	Madison	AL	\$10,384.33
85	Fellowship FWB Church	Park Hills	MO	\$10,332.11
86	Bethel FWB Church	Chapmansboro	TN	\$10,268.60
87	Trinity FWB Church	Darlington	MD	\$10,191.33
88	Blue Point FWB Church	Cisne	IL	\$10,191.24
89	First FWB Church	Gastonia	NC	\$10,122.00
90	Cornerstone FWB Church	Whiteville	NC	\$10,000.00

We gratefully acknowledge the top 10 states in giving to Free Will Baptist International Missions.

Tennessee	\$956,347.22
North Carolina	\$749,873.97
Missouri	\$613,490.34
Oklahoma	\$596,369.59
Arkansas	\$573,428.80
South Carolina	\$501,397.26
Alabama	\$413,846.93
Georgia	\$367,402.82
Illinois	\$220,306.37
Florida	\$219,190.68

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; however, some churches have chosen to take up a special offering at another time, better suited for their church calendar. 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 2005 offering.

1	Hillsboro FWB Church	Hillsboro	OH	\$10,561.88
2	First FWB Church	Washington	NC	\$8,691.50
3	Bethel FWB Church	Kinston	NC	\$5,055.00

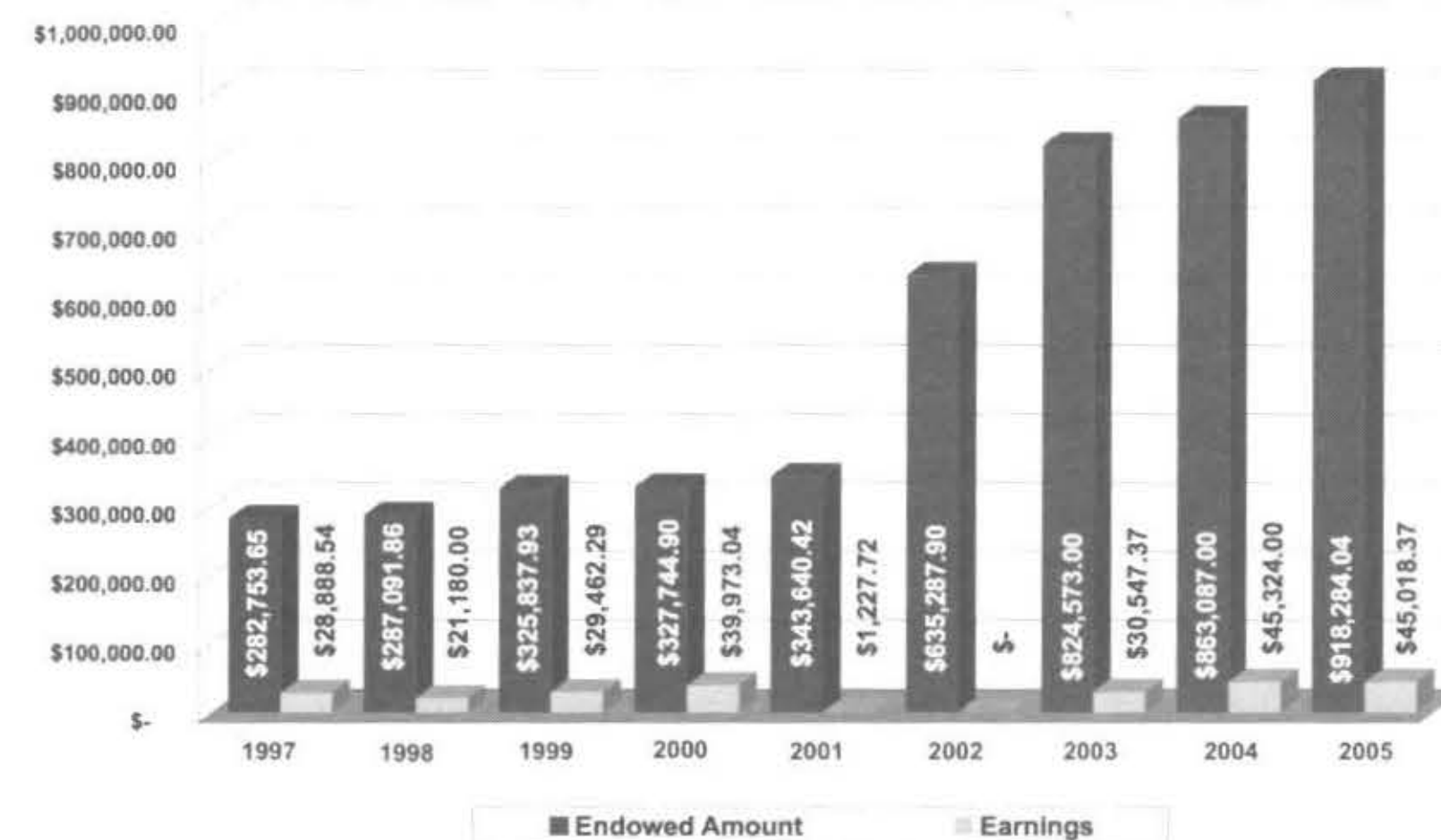
4	Macedonia FWB Women's Aux.	Purdy	MO	\$5,000.00
5	First FWB Church	Bristol	VA	\$4,032.10
6	Ina FWB Church	Ina	IL	\$3,642.00
7	Unity FWB Church	Greenville	NC	\$3,456.00
8	Townsend FWB Church	Townsend	DE	\$3,147.50
9	Harmony FWB Church	Burton	MI	\$2,932.00
10	Heritage FWB Church	Columbus	OH	\$2,923.56
11	Cooper FWB Church	Detroit	AL	\$2,730.00
12	Cookeville FWB Church	Cookeville	TN	\$2,321.33
13	Woodbine FWB Church	Nashville	TN	\$2,174.81
14	Winfield First FWB Church	Winfield	AL	\$2,000.00
15	Zephyr Hills FWB Church	Asheville	NC	\$2,000.00
16	First FWB Church	Stanley	NC	\$2,000.00
17	Good News FWB Church	Chesterfield	VA	\$2,000.00
18	Bethany FWB Church	Broken Arrow	OK	\$2,000.00
19	Cofer's Chapel FWB Church	Nashville	TN	\$1,986.00
20	First FWB Church	Russellville	AR	\$1,931.12
21	Harmony Star FWB Church	Claremore	OK	\$1,824.83
22	First FWB Church	China Grove	NC	\$1,804.74
23	First FWB Church	Brunswick	GA	\$1,530.00
24	Piney Grove FWB Church	Guin	AL	\$1,500.00
25	First FWB Church	Dickson	TN	\$1,499.00
26	First FWB Church	Owensboro	KY	\$1,400.00
27	Shallowford FWB Church	Marietta	GA	\$1,378.50
28	Maranatha FWB Church	Ardmore	OK	\$1,345.00
29	Union Ridge FWB Church	Sulligent	AL	\$1,240.00
30	Free Will Baptist Church	Christiansted	VI	\$1,200.00
31	Sherwood Forest FWB Church	New Bern	NC	\$1,106.97
32	Southern Oaks FWB Church	Oklahoma City	OK	\$1,103.25
33	First FWB Church	Ada	OK	\$1,092.36
34	Immanuel FWB Church	Winterville	NC	\$1,086.55
35	Calvary FWB Church	Salem	IL	\$1,085.23
36	New Beginnings Church	Anderson	IN	\$1,040.00
37	Bethlehem FWB Church	Ashland City	TN	\$1,000.00
38	Limestone FWB Church	Limestone	TN	\$1,000.00
39	Wyandotte FWB Church	Mansfield	OH	\$1,000.00
40	Gray Branch FWB Church	Deep Run	NC	\$1,000.00
41	Rocky Pass FWB Church	Marion	NC	\$1,000.00

Endowment Report

To ensure a bold thrust in the 21st century, International Missions strategically advocates the concept of our endowment. Free Will Baptist men and women demonstrate increasing interest in ways they can be good stewards of the resources God has entrusted to them. They want to be a part of 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 growth of the endowment with the Free Will Baptist Foundation.

Endowment Growth



Tribute to our Missionaries and Staff

It is a privilege to report what God is doing through our denomination to advance the gospel to peoples of the world. Our international mission agency is equipped with qualified and experienced missionaries who fully devote themselves to the task of strategically building churches within the communities they serve. They do this for no other reason than to satisfy the call of God on their lives to go and make disciples of every nation. We gratefully acknowledge Tom and Nancy Hughes who, with their retirement in November 2005, completed 35 years of ministry in Brazil.

Our home office staff is also committed to advancing the gospel and has faithfully served our Lord throughout 2005. In August, Doug Little, who formerly served as the Director of Development, transitioned to Director of Mobilization. In September, Tim York was hired as the new Director of Development. Both of these gentlemen have brought much insight and expertise into their new roles.

Alicia Bunch was hired in February as the Student Missions Coordinator. Natalie Crowson joined us in August as assistant to the Director of Financial Operations. Tracy Jennette, formerly the Administrative Assistant to the General Director, left to pursue a short-term teaching assignment in Iraq. Gladys Gragg retired in November with 12 years'

ministry in financial operations. We are thankful for those who have been such an asset to our office, and we are excited about those who joined us in 2005.

Board Meetings and Actions

Conference Call – June 10, 2005

The Board approved the transfer of Mike and Cathy Corley from Russia to Central Asia and Angela Emerick from France M-Team to Central Asia.

National Association Meeting – July 21, 2005

The Board met at the Hyatt Regency Hotel in Louisville, KY. Members present were: Milton Worthington, Bill Van Winkle, Tom McCullough, Sherwood Lee, Jerry Norris, David Williford, Randy Wilson, Jeff Manning, and Danny Williams.

The Board approved a four-year partnership between FWB International Missions and the International Training Alliance (ITA) for leadership training.

The following missionaries were approved for another term of service: Jeff and Susan Turnbough (Spain) and Jerry and Carol Pinkerton (Cote d'Ivoire).

Final approval was granted to Matthew and Brooke Turnbough as career church-planting missionaries in Spain.

Email Ballot – August 4, 2005

The Board accepted the resignation of Kristin Wilson as short-term missionary to Brazil.

Semi-Annual Meeting – December 6-8, 2005

The Board met at the Maxwell House Hotel in Nashville, TN, on December 6; at the International Missions Office in Antioch, TN, on December 7; and at the Country Inn and Suites in Antioch, TN, on December 8. Members present were: Milton Worthington, Randy Wilson, Sherwood Lee, Bill Van Winkle, Jeff Manning, Tom McCullough, Jerry Norris, David Williford, and Danny Williams.

The Board gave the approval for FWBIM to open the country of Bulgaria as a mission field.

The Board approved the following to serve on the FWBIM Advisory Council:

Frank Breedon, Jerry Dyer – Department of the General Director
Tom Willey, Jr. – Department of Field Operations
Roy Harris – Department of Development
Maurilio Amorim, Scott Henson, Don Robirds – Department of Communications

The Board reappointed Steve and Becky Riggs to another term of service in France.

The Board approved Tim and Di Keener as full-status career missionaries to France.

Annual Meeting – April 24-26, 2006

The Board met at the International Missions Office in Antioch, TN. Members present were: Milton Worthington, Randy Wilson, Sherwood Lee, Jerry Norris, Tom McCullough, Jeff Manning, David Williford, Bill Van Winkle, and Danny Williams.

The Board approved the following mission statement:

"Free Will Baptist International Missions serves our churches, pastors, and people by helping them fulfill their role in establishing churches beyond North America so unreached peoples can know the joy of a worshipping relationship with the living God."

The Board approved adding a fourth Regional Director for North Africa and Central Asia.

The Board granted final approval for career missionary service in Central Asia to David and Angie Outlaw.

The following missionaries were approved for another term of service: Eddie and La Rhonda Bowerman (Panama) and Dale and Sandra Bishop (Japan).

The Board elected the following officers:

Chairman–Danny Williams
Vice-Chairman–Randy Wilson
Secretary–Tom McCullough

WARREN, DENNEY & WALLACE

CERTIFIED PUBLIC ACCOUNTANTS
THE VOLUNTEER BLDG
SUITE 100
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NASHVILLE, TN 37217-1098
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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 statements 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, 2005 and 2004, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 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, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warren, Denney & Wallace

March 31, 2006

BOARD OF INTERNATIONAL MISSIONS OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS AND SUBSIDIARY Consolidated Statements of Financial Position December 31, 2005 and 2004

ASSETS

	2005	2004
Cash and cash equivalents - Notes 1 & 2	\$ 966,785	\$ 1,671,550
Investments in trusts - Notes 1 & 2	2,056,116	1,671,466
Investments - Notes 2 & 10	5,740	6,780
Accounts receivable from employees and missionaries - Notes 2 & 12	288,809	172,109
Note receivable - Notes 2 & 13	84,036	96,018
Property and equipment, at cost, net of accumulated depreciation - Notes 1 & 3	140,590	123,645
Total assets	<u>\$ 3,542,076</u>	<u>\$ 3,741,568</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 289,021	\$ 208,813
Supplemental retirement insurance payable	488,012	451,932
Accrued severance pay payable	149,234	151,397
Total liabilities	<u>926,267</u>	<u>812,142</u>
Commitments - Notes 7 & 8		
Net assets	(107,436)	(16,670)
Unrestricted (deficit)	2,697,004	2,919,855
Temporarily restricted - Note 4	26,241	26,241
Permanently restricted - Note 4		
Total	<u>2,615,809</u>	<u>2,929,426</u>
Total liabilities and net assets	<u>\$ 3,542,076</u>	<u>\$ 3,741,568</u>

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

BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Consolidated Statements of Activities
For the Years Ended December 31, 2005 and 2004

	2005	2004
<u>Unrestricted</u>		
Revenue:		
Contributions – Notes 1 & 5	\$ 1,166,307	\$ 1,314,502
Investment income	2,354	6,187
Gain (loss) on investments	41,202	192,632
Other income	68,736	17,870
Gain (loss) on disposal of property & equipment	10,978	2,208
Net assets released from restrictions:		
Restrictions satisfied by payments	5,573,185	5,201,911
Total revenue	6,862,762	6,735,310
Expenses:		
Support services	1,430,118	1,220,291
Missionaries	5,285,880	4,936,999
VISION campaign	237,530	264,912
Total expenses	6,953,528	6,422,202
Increase (decrease) in unrestricted net assets	(90,766)	313,108
<u>Temporarily restricted</u>		
Revenue:		
Contributions – Notes 1, 4 & 5	5,270,446	5,265,149
Contributions – Subsidiary	79,888	20,827
Net assets released from restrictions:		
Restrictions satisfied by payments	(5,573,185)	(5,201,911)
Increase (decrease) in temporarily restricted net assets	(222,851)	84,065
<u>Permanently restricted</u>		
Increase in permanently restricted net assets		
Total increase (decrease) in net assets	(313,617)	397,173
Net assets – beginning of year	2,929,426	2,532,253
Net assets – end of year	\$ 2,615,809	\$ 2,929,426

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

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, 2005 and 2004

	2005	2004
<u>Operating activities</u>		
Increase (decrease) in net assets	(\$ 313,617)	\$ 397,173
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	59,195	54,285
Loss (gain) on investments	(41,202)	(192,632)
Loss (gain) on disposal of property and equipment	(10,978)	(2,208)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(116,700)	(71,461)
Increase (decrease) in accounts payable and accrued expenses	114,125	28,363
Net cash provided (used) by operating activities	(309,177)	213,520
<u>Investing activities</u>		
Purchases of equipment	(147,745)	(121,533)
Proceeds from sale of equipment	82,583	57,980
Purchases of investment	(642,408)	(41,556)
Proceeds from sale of investment	300,000	8,392
Addition to note receivable	(108,000)	(108,000)
Collection on note receivable	11,982	11,982
Net cash provided (used) by investing activities	(395,588)	(192,735)
<u>Financing activities</u>		
Net cash provided by financing activities	-0-	-0-
Increase (decrease) in cash and cash equivalents	(704,765)	20,785
Cash and cash equivalents at beginning of year	1,671,550	1,650,765
Cash and cash equivalents at end of year	\$ 966,785	\$ 1,671,550

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

BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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 2005 and 2004.

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.

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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 Consolidated Statements 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 Consolidated 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	3 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.

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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 Consolidated 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, 2005 and 2004, the Board had deposits with a financial institution located in the United States and the Free Will Baptist Foundation, Inc., located in Antioch, Tennessee. Accounts at the financial institution are insured up to \$100,000 by the Federal Deposit Insurance Corporation. Accounts at the Free Will Baptist Foundation, Inc., are uninsured. The Board also has accounts receivable from employees and missionaries and other receivables which are uninsured. The following is a summary of those deposits, accounts receivable and the corresponding risk of accounting loss:

	December 31, 2005		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Interest bearing deposit accounts with financial institution	\$ 966,785	\$ 100,000	\$ 866,785
Total cash and cash equivalents	966,785	100,000	866,785
Interest bearing deposits on account with the Free Will Baptist Foundation, Inc.	2,056,116		2,056,116
Common stock	5,740		5,740
Total investments	2,061,856		2,061,856
Note and accounts receivable	372,845		372,845
Total	\$3,401,486	\$ 100,000	\$3,301,486

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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

	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	1,671,550	116,029	1,555,521
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	1,678,246		1,678,246
Note and accounts receivable	268,127		268,127
Total	\$3,617,923	\$ 116,029	\$3,501,894

Note 3 - Property and equipment

A summary of property and equipment is as follows:

	2005	2004
Office furniture and equipment	\$ 50,342	\$ 68,851
Cameras and projectors	95,626	122,617
Automobiles	129,772	88,317
Computer equipment	109,248	109,248
	384,988	389,033
Less: Accumulated depreciation	244,398	265,388
	\$ 140,590	\$ 123,645

Depreciation expense, computed utilizing the straight-line method amounted to \$59,195 (\$54,285 in 2004).

Note 4 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2005	2004
Missionaries	\$2,328,071	\$2,726,771
VISION campaign	356,039	205,858
Subsidiary	12,894	(12,774)
	\$2,697,004	\$2,919,855

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

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

Note 4 - Restrictions on net assets (Continued)

Permanently restricted assets are restricted to:

	2005	2004
Support Services Endowment	\$ 25,031	\$ 25,031
MK Scholarship Endowment	1,210	1,210
	<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 \$121,471 (\$113,422 in 2004). 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 \$82,762 (\$74,988 for the year ended December 31, 2004).

The Board entered into a lease for the use of office equipment. The lease started on May 4, 2005, expires April 4, 2010 and has a fixed monthly payment of \$233. The rental expense under this lease amounted to \$1,867 for the year ended December 31, 2005.

Future minimum rental payments required are as follows:

Year Ended December 31,	Amount
2006	\$ 2,801
2007	2,801
2008	2,801
2009	2,801
2010	933
Total	<u>\$ 12,137</u>

Note 8 - Commitments

The Board provides health insurance for its 87 (91 in 2004) 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 \$116,279 (\$102,551 in 2004) in benefit payments and \$214,774 (\$205,005 in 2004) in insurance premiums.

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

Note 8 - Commitments (Continued)

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.

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 consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

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

Note 10 - Investments

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

	December 31, 2005		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 65,125	\$ 5,740	(\$ 59,385)

Investment return is summarized as follows:

Net realized and unrealized income (loss) (\$ 1,040)

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

	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)

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BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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.

Note 12 - Accounts receivable from employees and missionaries

Included in accounts receivable from missionaries and employees is \$266,101 (\$141,051 for the year ended December 31, 2004) 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:

	<u>2005</u>	<u>2004</u>
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.	\$ 84,036	\$ 96,018

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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 2005 and 2004 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 schedules of functional expenses are presented for the purpose of additional analysis and are 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

March 31, 2006

BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Consolidated Schedules of Functional Expenses
For the Years Ended December 31, 2005 and 2004

	2005	2004
Support services:		
Video and audio visual	\$ 25,834	\$ 21,500
Heartbeat	12,028	39,384
One publication expense	43,849	
Postage	24,827	35,754
Publicity	69,212	35,679
Telephone	13,454	10,171
Dues	167	710
Paper and supplies	3,787	2,344
Together Way Program	3,330	3,202
Retreat		2,188
Tracts and books	1,823	2,291
Seminar and training	5,623	4,180
Convention expense	14,205	5,246
Department auto	35,366	21,815
Board members	13,245	22,637
Department insurance	5,059	5,567
Department travel	23,455	15,587
Travel insurance	447	800
Consultation	4,825	
Donor development	23,002	
Missions promotion	3,130	6,243
Recruiting and candidate expense	5,084	5,535
Salaries	542,322	517,196
Housing	101,033	83,127
Employer payroll taxes	70,257	70,363
Retirement	35,416	34,744
Hospitalization	105,326	87,136
Office travel allowance	10,890	7,920
Legal and professional	15,650	16,058
Office rent	82,762	74,988
Off-site storage expense	1,606	1,740
Computer software expense	9,160	5,740
Office equipment	14,288	1,947
Maintenance of office equipment	6,772	3,564
Office supplies	18,306	9,156
Bank service charges	795	1,321
Credit card processing fees	930	811
Office help		281
Staff recognition	4,690	2,358
COLA indexes	5,098	623
Benevolence	659	152
Staff retreat	1,053	48
Miscellaneous	2,439	2,736
Depreciation	59,195	54,285
Visitor meals, entertainment & lodging	4,060	2,278
Mobilization network	716	60
Advisory council	4,943	826
Total support services	<u>\$1,430,118</u>	<u>\$1,220,291</u>

See accountants' report on supplementary information.

BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
Consolidated Schedules of Functional Expenses
For the Years Ended December 31, 2005 and 2004

	2005	2004
Missionary expenses:		
Ivory Coast	\$ 526,475	\$ 540,544
France	1,211,023	1,048,497
India	259,296	228,756
Brazil	587,049	565,043
Japan	800,741	791,316
Panama	308,655	303,164
Spain	686,425	595,977
Uruguay	283,444	247,199
Commonwealth of Independent States	105,305	144,450
Unreached people	79,772	1,709
Korea	3,995	54,792
Tekmerion	1,136	21,716
Non-Governmental Organization	54,220	33,601
Overseas Apprentices	236,568	228,917
Other projects	170,546	173,910
Missionary medical	(28,770)	(42,592)
Total missionary expenses	<u>5,285,880</u>	<u>4,936,999</u>
VISION campaign expenses:		
Project expenses	<u>237,530</u>	<u>264,912</u>
Total VISION campaign expenses	<u>237,530</u>	<u>264,912</u>
Total expenses	<u>\$6,953,528</u>	<u>\$6,422,202</u>

See accountants' report on supplementary information.

Free Will Baptist International Missions

2007 Operational Budget Summary

Category	2005 Budget	2005 Actual	2006 Budget	2007 Budget
Field Ministries & Projects	\$ 1,597,189.96	\$ 1,118,112.71	\$ 1,779,659.54	\$ 1,692,940.62
Missionary Compensation & Benefits	\$ 3,525,120.23	\$ 3,149,661.31	\$ 3,715,614.52	\$ 3,840,126.77
Missionary Travel/Transportation	\$ 744,816.87	\$ 640,243.86	\$ 752,613.55	\$ 727,930.00
Mobilization & Development	\$ 432,128.42	\$ 421,802.14	\$ 479,916.42	\$ 397,494.00
Administration	\$ 913,416.84	\$ 810,820.86	\$ 976,617.84	\$ 939,549.93
Grand Totals	\$ 7,212,672.32	\$ 6,140,640.88	\$ 7,704,421.87	\$ 7,598,041.32

Home Office Personnel

Compensation Detail

	Budget 2005	Actual 2005	Proposed 2006	Actual 2006	Proposed 2007
General Director:					
Salary	32,795	33,875	34,722	35,397	35,397
Housing and Utilities	28,080	27,000	27,675	27,000	27,000
Social Security	9,817	9,817	10,062	10,062	10,062
Retirement	3,044	3,044	3,120	3,120	3,120
Insurance	13,250	13,250	13,250	13,250	13,250
Total Cost of Employment	86,986	86,986	88,829	88,829	88,829
Director of Field Operations					
Salary	28,311	28,279	28,966	25,486	25,486
Housing and Utilities	19,968	20,000	20,500	24,000	24,000
Social Security	7,785	7,785	7,990	7,990	7,990
Retirement	2,414	2,414	2,474	2,474	2,474
Insurance	9,400	9,400	9,400	9,400	9,400
Total Cost of Employment	67,878	67,878	69,340	69,341	69,341
Director of Development					
Salary	28,311	29,079	29,806	21,486	21,486
Housing and Utilities	19,968	19,200	19,680	28,000	28,000
Social Security	7,785	7,785	7,980	7,980	7,980
Retirement	2,414	2,414	2,474	2,474	2,474
Insurance	5,783	5,783	5,783	5,783	5,783
Total Cost of Employment	64,262	64,262	65,724	65,724	65,724
Director of Member Care					
Salary	48,279	48,279	49,486	49,486	49,486
Social Security	7,693	7,693	7,885	7,885	7,885
Retirement	2,414	2,414	2,474	2,474	2,474
Insurance	5,783	5,783	5,783	5,783	5,783
Total Cost of Employment	64,169	64,169	65,629	65,629	65,629
Director of Financial Operations					
Salary	48,279	48,279	49,486	49,486	49,486
Social Security	7,693	7,693	7,885	7,885	7,885
Retirement	2,414	2,414	2,474	2,474	2,474
Insurance	13,250	13,250	13,250	13,250	13,250
Total Cost of Employment	71,636	71,636	73,095	73,095	73,095
Director of Mobilization					
Salary	29,559	30,279	31,036	29,486	29,486
Housing and Utilities	18,720	18,000	18,450	20,000	20,000
Social Security	7,785	7,785	7,980	7,980	7,980
Retirement	2,414	2,414	2,474	2,474	2,474
Insurance	5,783	5,783	5,783	5,783	5,783
Total Cost of Employment	64,262	64,262	65,724	65,724	65,724
Director of Communications					
Salary	-	-	49,486	21,486	21,486
Housing and Utilities	-	-	-	28,000	28,000
Social Security	-	-	7,980	7,980	7,980
Retirement	-	-	2,474	2,474	2,474
Insurance	-	-	13,250	13,250	13,250
Total Cost of Employment	-	-	73,190	73,191	73,191



Free Will Baptist
Bible College

President's Report

This past semester I had the opportunity to teach a senior seminar in Free Will Baptist history. It was a tremendous experience, and it reminded me vividly of why we do what we do at Free Will Baptist Bible College: we exist for the purpose of educating leaders to serve Christ, His church, and His world through Biblical thought and life.

Spending time with these seniors who had come through four years of study dramatically impressed on me the impact that we have on students who experience a Free Will Baptist Bible College education. I have watched these students grow. I have seen them mature into Christian leaders whom God will powerfully use in the service of His kingdom, some in full-time vocational ministry, others in education or the marketplace. Regardless of the major fields our students are studying (and those are increasing every year), they are being transformed for a life of service to Christ, to minister in and through the church, and to change the world. It is an honor to be part of that process.

An Outstanding Year

This has been an outstanding year at FWBBC. **We had our highest enrollment in 21 years.** Over the past four years, the college enrollment has grown by 34 percent, with a 28 percent increase in dormitory student enrollment. More and more students are making Free Will Baptist Bible College the choice for their higher education experience, and we are counting on you to point your students to FWBBC for superior Christian higher education in a Free Will Baptist context.

A New Provost

Exciting changes are happening. We have created the position of Provost, chief academic officer of the college, and have brought Dr. Greg Kettman on board to fill that post. He is a godly layman with a strong Free Will Baptist heritage, a distinguished record of educational administration, and a deep commitment to local church ministry. He will help us move forward in our commitment to academic excellence in Christian higher education.

An Administrative Adjustment

Dr. Milton Fields (Academic Dean) has shifted into the position of Vice President for Institutional Planning, and will help us navigate accreditation issues and strategic planning. Treasurer Tom Sass has been renamed Vice President for Financial Affairs, Director of Institutional Advancement David Williford has been renamed Vice President for Institutional Advancement, and Dean of Students Jon Forlines has been renamed Vice President for Student Services and Dean of Students. These changes will place us on a firm footing as we improve our quality as an educational institution.

Strategic Changes

This was also the first year of our Strategic Plan, which calls for, among other things, a feasibility study for the relocation of our college campus, working toward a bachelor's degree in nursing, and the implementation of master's degree programs in theology and ministry as well as teacher education.

We are already pushing hard in these three important areas, with an aggressive feasibility study on relocation that is taking place at the time of this writing, preparation for a bachelor's degree program in nursing that would be offered by Free Will Baptist Bible College in cooperation with Belmont University in Nashville, and committees studying what we would have to do to launch master's degree programs in theology and ministry and in teacher education.

A Ministry Mentality

Change is exciting, but it does not move us from our historic commitments to root our curriculum in Scripture and to inculcate a ministry mentality in our students. We show new gains each year in our students' weekly Christian Service experiences.

Pastoral Ministry remains our fastest growing academic major—we have finally exceeded the 50 mark in enrollment in that program, graduating six Pastoral Ministry majors this year. God is still calling young men to the ministry of the Word, and we are equipping them to shepherd the flock of God in Free Will Baptist churches.

Your Vital Role

None of this would be possible without the prayers and support of our Free Will Baptist people. Continue to pray for us, to recommend FWBBC to your students, and to support us financially so that we can continue to provide an excellent Christian community of faith and learning for Free Will Baptist students.



Financial Aid Report 2005-2006

Type of Aid	Number of Recipients	Amount of Aid
Institutional Loans	48	\$ 87,982.59
Student Worker Earnings	87	138,078.22
FWBBC Scholarships	306	528,131.42
Tennessee Grant/Scholarship Programs	39	131,882.00
Federal SEOG	28	19,275.00
Federal Pell Grant	131	311,818.21
Federal Work-Study Program	16	22,343.00
Federal Subsidized Stafford Loan Program	210	723,543.98
Federal Unsubsidized Stafford Loan Program	115	456,134.00
Federal PLUS Loan Program	61	483,755.00
Alternative Loans	33	331,619.00
External Scholarships	76	71,530.00

Total Financial Aid Administered, 2005-2006 \$3,306,092.42

Welch Library Report

Accession Count	Collection Statistics from Athena
General Collection 65,716	Reference 4,540
Curriculum Lab 5,924	General collection 52,757
Historical Collection 2,012	CurLab (pedagogy & children's books) 1,587
Sound recordings 3,224	Remainder 1,357
Music Collection 5,790	Music collection 306
Electronic books 18,254	E-books 18,254
ERIC microfiche 74,630	ERIC Microfiche 74,630
Microfiche books 426	
TOTAL Accession Count: 175,976	TOTAL Athena Count: 152,074

Note: The accession count does not include items that have been weeded, lost, or de-accessioned. The Athena count does not include some curriculum lab items, some historical items, or some book items.

2005-06 REGISTRATION REPORT

Enrollment 409

Enrollment Breakdowns by:

State:

Alabama	19	Michigan	24	Tennessee	114
Arkansas	27	Mississippi	8	Texas	6
California	6	Missouri	21	Virginia	20
Florida	14	North Carolina	42	West Virginia	5
Georgia	21	Ohio	10	International	9
Illinois	25	Oklahoma	2	The student body represents 22 states	
Indiana	7	Oregon	1	(U.S.A.) and 5 countries (Bahamas, Canada,	
Kansas	2	Pennsylvania	2	Korea, Mongolia, Russia).	
Kentucky	11	South Carolina	13		

Classification:

Freshmen	106	Other Categories:	
Sophomores	107	New	68
Juniors	89	Returning	23
Seniors	70	Continuing	253
Special	*37	Transfer	28
		Special	*37

Other Categories:

New	68
Returning	23
Continuing	253
Transfer	28
Special	*37

Dormitory	258
Commuters	98
Lifetime Learning	19
Adult Degree Program	34

Full-time	320
Part-time	89

Free Will Baptist	366
Other	43

Male	216
Female	193

Single	315
Married	94

Vocational: **

Pastoral	52	English	12	Exercise Science	9
YM/CE	31	General Studies	5	Special	1
Missions	34	History	7	Teacher Education	***84
Ministry Emphasis	9	Music	17	Undeclared	27
Business	61	Psychology	24	Non-degree part-time	36

Post-bac TE ****12

* 36 of the students denoted as "Special" are non-degree part-time students.

** There are some pastoral students listed in other majors.

***Teacher Education includes these areas: Bible, Early Childhood, Elementary, English, History, Music, and Physical Education.

****Post-bac includes any student with a bachelor's degree from a regionally accredited college with a major and number of required hours in a major. This total is also included in the Teacher Education program.

Salary Breakdown

	2004-05	2005-06	2006-07
President*			
Salary	61,800	63,654	65,564
Social Security	4,728	4,870	5,016
Retirement	5,562	5,729	6,229
Medical Insurance	10,860	13,261	11,638
Life Insurance	240	240	192
	83,190	87,754	88,639
Academic Dean			
Salary	50,145	51,649	53,198
Social Security	3,836	3,951	4,070
Retirement	4,513	4,648	5,054
Medical Insurance	4,608	8,699	4,314
Life Insurance	240	240	192
	63,342	69,187	66,828
Advancement Director			
Salary	43,412	46,017	47,398
Social Security	3,321	3,520	3,626
Retirement	3,907	4,142	4,503
Medical Insurance	7,128	8,699	8,826
Life Insurance	240	240	192
	58,008	62,618	64,545
Treasurer			
Salary	48,576	50,032	51,533
Social Security	3,716	3,827	3,942
Retirement	4,372	4,503	4,896
Medical Insurance	4,608	5,624	4,314
Life Insurance	240	240	192
	61,512	64,226	64,877

*Campus housing provided (with Social Security variation). Vehicle provided.

Synopsis of Minutes Board of Trustees

July 18, 2005

Tom Sass reported the following:

- The college found it unnecessary to draw on the line of credit during the spring semester for renovation expenses.
- The college showed a \$400,000 surplus, including the sale of the Central Avenue property.
- Cash flow is gradually improving; expenses are down; income is steady.

The Board voted to present Peggy Jo McElhinney with a letter of commendation and a gift from the college.

December 7, 2005

President Matt Pinson reported the highest fall enrollment in 21 years and expects the highest annual enrollment in 22 years. Adult and Online enrollments are also increasing. The Board voted to sell the Joelton property, to sign a letter of intent to sell the current campus, and to seek suitable property for relocation. President Pinson will serve as the chair of the Relocation Committee. Colonel Mark Johnson (Ret.) will serve as Campus Relocation Project Consultant. The Strategic Plan 2005-2012 was approved.

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



Free Will Baptist
Bible College

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2005-06 Financial Report



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, 2006 and 2005, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Will Baptist Bible College as of May 31, 2006 and 2005, and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

July 11, 2006

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Financial Position

May 31, 2006 and 2005

	Assets	2006	2005
Current assets:			
Cash and cash equivalents		\$ 1,063,429	1,163,209
Investments in marketable securities, at market value		23,022	34,268
Accounts receivable, net of allowance for doubtful accounts of \$30,000 in 2006 and 2005		429,793	247,129
Prepaid expenses		4,611	6,275
Inventories		-	29,430
Total current assets		1,520,855	1,480,311
Non current assets:			
Cash:			
Restricted for endowments		444,616	361,429
Restricted for student loans		383,317	396,645
Investments in marketable securities, at market value:			
Restricted for endowments		540,580	518,940
Held under life income agreements		4,164	3,828
Campaign pledges		20,000	23,620
Loans to students, less allowance for doubtful loans of \$17,000 in 2006 and 2005		162,678	149,975
Deferred relocation expenses		49,033	-
Joelton property held for sale		854,192	1,007,740
Total non current assets		2,458,580	2,462,177
Property, plant and equipment:			
Investment in property, plant and equipment		8,064,475	7,842,542
Accumulated depreciation		3,625,603	3,542,505
Net property, plant and equipment		4,438,872	4,300,037
Total assets		\$ 8,418,307	8,242,525
	Liabilities and Net Assets		
Current liabilities:			
Accounts payable and accrued expenses		\$ 193,628	265,394
Current portion of long-term debt		6,239	5,593
Notes payable		1,540,129	1,565,678
Student deposits and agency funds		161,785	121,499
Accrued salaries		138,568	129,595
Deferred revenues - summer school and other		68,381	78,284
Total current liabilities		2,108,730	2,166,043
Long-term debt		25,755	31,943
Total liabilities		2,134,485	2,197,986
Net assets:			
Unrestricted funds		4,466,754	4,436,063
Temporarily restricted funds		322,413	224,090
Permanently restricted funds		1,494,655	1,384,386
Total net assets		6,283,822	6,044,539
Total liabilities and net assets		\$ 8,418,307	8,242,525

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Activities and Changes in Net Assets

For the years ended May 31, 2006 and 2005

	2006			Total	Total
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	2006	2005
Revenues:					
Tuition and fees	\$ 2,917,444	-	-	2,917,444	2,661,957
Federal grants and contracts	-	38,382	-	38,382	35,357
Private gifts	1,237,515	177,732	70,409	1,485,656	1,281,420
Endowment income	2,761	-	-	2,761	5,196
Investment income	36,014	15,292	5,092	56,398	38,444
Gain on investment transactions	2,097	585	39,876	42,558	23,187
Gain on sale of College property	1,000	-	-	1,000	266,383
Revenues of auxiliary enterprises	1,146,629	-	-	1,146,629	1,263,038
Other sources	9,948	-	(5,108)	4,840	(11,376)
	5,353,408	231,991	110,269	5,695,668	5,563,606
Net assets released from restrictions	133,668	(133,668)	-	-	-
Total revenues	5,487,076	98,323	110,269	5,695,668	5,563,606
Expenditures:					
Educational and general:					
Instruction	1,633,276	-	-	1,633,276	1,568,766
Academic support	421,898	-	-	421,898	395,958
Student services	629,032	-	-	629,032	611,901
Institutional support	1,737,169	-	-	1,737,169	1,474,774
Total educational and general expenditures	4,421,375	-	-	4,421,375	4,051,399
Auxiliary enterprises:					
Dormitories	506,328	-	-	506,328	459,877
Dining hall	511,314	-	-	511,314	500,696
Bookstore	8,680	-	-	8,680	75,836
Snackshop	8,688	-	-	8,688	10,141
Total auxiliary enterprises expenditures	1,035,010	-	-	1,035,010	1,046,550
Total expenditures	5,456,385	-	-	5,456,385	5,097,949
Increase in net assets	30,691	98,323	110,269	239,283	465,657
Net assets at beginning of year	4,436,063	224,090	1,384,386	6,044,539	5,578,882
Net assets at end of year	\$ 4,466,754	322,413	1,494,655	6,283,822	6,044,539

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Cash Flows

For the years ended May 31, 2006 and 2005

	2006				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2006	Total 2005
Cash flows from operating activities					
Cash collected from students	\$ 4,063,903	-	-	4,063,903	3,911,050
Federal grants	-	19,275	-	19,275	55,683
Federal Pell grants considered to be agency fund transactions	317,424	-	-	317,424	322,823
Private gifts and grants	1,050,733	85,866	-	1,136,599	1,186,380
Endowment income	2,761	-	-	2,761	5,196
Investment income	36,324	15,292	-	51,616	21,638
Other revenues	9,948	-	-	9,948	6,525
Cash paid for scholarships, to vendors and for payroll	(4,947,584)	(133,668)	-	(5,081,252)	(4,689,960)
Cash paid for Federal Pell grants	(317,424)	-	-	(317,424)	(322,823)
Net operating activities cash flows	216,085	(13,235)	-	202,850	496,512
Cash flows from investing activities					
Marketable securities purchased	-	-	(244,358)	(244,358)	(231,815)
Proceeds from sale of plant assets	1,000	-	-	1,000	307,412
Proceeds from sale of marketable securities	42,197	-	262,594	304,791	237,685
Expended for plant assets	(367,256)	-	-	(367,256)	(357,532)
Relocation expenses - deferred	(49,033)	-	-	(49,033)	-
Student notes receivable, net change	-	-	(10,155)	(10,155)	(5,021)
Net investing activities cash flows	(373,092)	-	8,081	(365,011)	(49,271)
Cash flows from capital activities					
Campaign pledges receivable collected	-	3,620	-	3,620	26,380
Gifts received for:					
Endowments and student loans	-	-	70,409	70,409	42,431
Proposed new campus	-	91,866	-	91,866	12,199
Other student loan transactions:					
Interest income on student loans	-	-	10,775	10,775	4,285
Investment income	-	-	5,092	5,092	3,156
Collection costs and other transactions	-	-	(15,883)	(15,883)	(31,186)
Net capital activities cash flows	-	95,486	70,393	165,879	57,265
Cash flows from financing activities					
Proceeds from notes payable advances	74,451	-	-	74,451	-
Repayment of debt	(105,542)	-	-	(105,542)	(5,406)
Interfund activities	88,318	(82,251)	(6,067)	-	-
Notes payable for student loans, net	-	-	(2,548)	(2,548)	(353)
Net financing activities cash flows	57,227	(82,251)	(8,615)	(33,639)	(5,759)
Net increase (decrease) in cash and cash equivalents	(99,780)	-	69,859	(29,921)	498,747
Cash and cash equivalents at beginning of year	1,163,209	-	758,074	1,921,283	1,422,536
Cash and cash equivalents at end of year	\$ 1,063,429	-	827,933	1,891,362	1,921,283

FREE WILL BAPTIST BIBLE COLLEGE

Statements of Cash Flows, continued

For the years ended May 31, 2006 and 2005

	2006				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2006	Total 2005
Cash and cash equivalents consist of the following:					
Current assets	\$ 1,063,429	-	-	1,063,429	1,163,209
Non current assets:					
Cash restricted for endowments	-	-	444,616	444,616	361,429
Cash restricted for student loans	-	-	383,317	383,317	396,645
Total cash and cash equivalents	\$ 1,063,429	-	827,933	1,891,362	1,921,283
Reconciliation of increase in net assets to net operating activities cash flows					
Increase in net assets	\$ 30,691	98,323	110,269	239,283	465,657
Transactions considered to be capital additions:					
Gifts for endowments and student loans	-	-	(70,409)	(70,409)	(42,431)
Proposed new campus	-	(91,866)	-	(91,866)	(12,199)
Net other transactions from student loan funds	-	-	16	16	14,745
Depreciation	228,421	-	-	228,421	224,227
Impairment of Joelton property	153,548	-	-	153,548	-
Gain on investment transactions	(2,097)	(585)	(39,876)	(42,558)	(23,187)
In kind asset gifts	(28,915)	-	-	(28,915)	(40,020)
Gain on sale of College property	(1,000)	-	-	(1,000)	(266,383)
(Increase) decrease in current assets:					
Accounts receivable:					
Student accounts	(30,553)	-	-	(30,553)	(4,305)
Employee and other	9,505	-	-	9,505	1,701
Bequest	(145,000)	-	-	(145,000)	-
Federal student financial aid funds	-	(19,107)	-	(19,107)	-
Pledges receivable	2,491	-	-	2,491	24,294
Less allowance for doubtful accounts	-	-	-	-	10,000
Inventories	29,430	-	-	29,430	8,881
Prepaid expenses	1,664	-	-	1,664	31,336
Increase (decrease) in current liabilities:					
Accounts payable and accrued expenses	(71,766)	-	-	(71,766)	111,827
Student deposits and agency funds	40,596	-	-	40,596	(40,694)
Accrued salaries	8,973	-	-	8,973	2,009
Deferred revenues	(9,903)	-	-	(9,903)	31,054
Net operating activities cash flows	\$ 216,085	(13,235)	-	202,850	496,512
Supplemental disclosures:					
Interest expense				\$ 62,361	50,495
Interest capitalized				18,706	-
Interest paid				\$ 81,067	50,495

See accompanying notes to financial statements.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements

For the years ended May 31, 2006 and 2005

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, were valued at cost, with cost being determined on the first-in, first-out method. Randall House Publications assumed operational responsibility during the year - see note 7.

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 have been reflected in the financial statements as follows:

	2006	2005
Equipment	\$ -	20,100
Common stock investments	28,915	19,920
Operation and maintenance of plant supplies	-	3,000
Business office salaries	15,358	15,872
Instructional supplies	-	5,812
	<u>\$ 44,273</u>	<u>64,704</u>

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) Accounts Receivable

Accounts receivable included in current assets is as follows:

	2006	2005
Student accounts	\$ 147,724	117,171
Employee and other	75,218	84,723
Bequest	145,000	-
Federal student financial aid funds	19,107	-
Pledges receivable	<u>72,744</u>	<u>75,235</u>
	459,793	277,129
	30,000	30,000
Allowance for doubtful accounts	<u>\$ 429,793</u>	<u>247,129</u>

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(2) Investments - Marketable Securities

Investment securities are stated at market value. The following table summarizes by type the relationship between carrying value and market value of the investment assets.

	Cost or Basis	Market Value	Excess of Market Over (Under) Cost	Unrealized Cumulative Gains	Unrealized Cumulative Losses
Balance May 31, 2006					
Permanently Restricted Funds:					
Common stock	\$ 173,403	232,133	58,730	58,730	-
Mutual funds	166,161	165,108	(1,053)	(1,053)	-
Variable annuity contracts	157,856	143,339	(14,517)	-	(14,517)
Temporarily Restricted Funds:					
Variable annuity contracts	8,121	7,922	(199)	-	(199)
Unrestricted Funds:					
Common stock	13,823	12,385	(1,438)	-	(1,438)
Variable annuity contracts	6,362	6,879	517	-	517
Balance May 31, 2006	\$ 525,726	567,766	42,040	57,677	(15,637)
Balance May 31, 2005	\$ 544,547	557,036	12,489	41,855	(29,366)

	2006	2005
Current assets	\$ 23,022	34,268
Non current assets:		
Restricted for endowments	540,580	518,940
Held under life income agreements	4,164	3,828
	\$ 567,766	557,036
Reconciliation of gain on investment transactions:		
Realized gain on sale of securities	\$ 13,007	2,851
Unrealized gain due to change in the cumulative change in market value pools	29,551	32,438
Gain on investment transactions	\$ 42,558	35,289

The Free Will Baptist Foundation holds funds for the benefit of the College as follows:

Endowments from which the College receives income	\$ 884,181	244,179
Gifts to pass to the College at some future date	\$ 575,310	418,233

(3) Net Assets Released From Restrictions

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

Expenditures made for donor imposed restrictions:	
Private scholarships	\$ 46,509
Federal Supplemental Educational Opportunity Grant	20,560
Federal Work Study Program	17,822
Other instructional and institutional	19,458
Renovation expenditures	2,108
Potential relocation	27,211
Net assets released from restrictions	\$ 133,668

Federal Pell grants to students amounting to \$317,424 and \$322,823 for 2006 and 2005, 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

(4) Remaining Net Assets of Temporarily Restricted Funds

Net assets of temporarily restricted funds are available for the following purposes:

	2006	2005
Proposed new campus	\$ 97,677	32,771
Scholarships	154,062	141,583
Life income funds	3,889	3,553
Other instructional and institutional	66,785	46,183
	\$ 322,413	224,090

(5) Net Assets

Net assets of the College consist of the following as of May 31, 2006 and 2005:

	2006			Total 2006	Total 2005
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Unrestricted funds:					
Operations	\$ 3,716,516	-	-	3,716,516	3,830,825
Board designated for reserves	750,238	-	-	750,238	605,238
Life income funds	-	3,889	-	3,889	3,553
Unexpended funds restricted for:					
Operating purposes	-	220,847	-	220,847	187,766
Plant facilities	-	97,677	-	97,677	32,771
Student loan funds	-	-	557,497	557,497	550,055
True endowment funds	-	-	134,220	134,220	134,220
Scholarship endowment funds	-	-	802,938	802,938	700,111
Total net assets	\$ 4,466,754	322,413	1,494,655	6,283,822	6,044,539

(6) Property, Plant and Equipment

Components of property, plant and equipment are as follows:

	2006	2005
Land	\$ 496,871	496,871
Renovation in progress (current campus)	-	166,488
Buildings	5,082,762	4,664,692
Equipment	1,784,050	1,850,094
Library books	700,792	664,397
	8,064,475	7,842,542
Accumulated depreciation and amortization	3,625,603	3,542,505
Net investment in plant	\$ 4,438,872	4,300,037
Depreciation and amortization charged to expenditures	\$ 228,421	224,227

(7) Related Party Transactions

Randall House Publications

During the year, the operation of the College's bookstore, campus store and snackshop were assumed by Randall House Publications. Expenses incurred during the year ended May 31, 2006 of \$17,368 relates exclusively to occupancy costs for the operations. Expenses incurred during the year ended May 31, 2005 of \$85,977 include both occupancy costs and cost of materials sold.

Executive Office of the National Association of Free Will Baptists

The denomination began a publication (One Magazine) during the year to combine the publications of certain Free Will Baptist agencies and organizations. One Magazine is funded by contributions from each of the agencies and organizations. The College provided \$45,940 as their share of the funding requirement during the year ended May 31, 2006.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(8) 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:

	2006	2005
<u>Operations (all considered fully collectible):</u>		
Post dated check books and bank draft agreements	\$ 72,744	75,235
<u>Remaining Joelton property pledges:</u>		
Uncollected pledges	\$ 128,000	131,620
Less allowance for potential uncollectible pledges	(108,000)	(108,000)
	\$ 20,000	23,620

(9) Notes Payable and Long-Term Debt

	2006	2005
<u>Notes payable:</u>		
<u>Permanently Restricted Funds - Student Loan Funds</u>		
5% unsecured demand notes payable to individuals	\$ 104,937	107,487
<u>Unrestricted Funds - Notes Payable:</u>		
Non-interest bearing, unsecured demand notes to individual	-	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 interest rate at May 31, 2006 was 6.32%. The loan shall expire December 31, 2006, if not demanded sooner.

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 December 31, 2006, if not demanded sooner. No amount is outstanding on this line of credit.

Total notes payable	\$ 1,540,129	1,565,678
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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.

Less current portion of long-term debt	\$ 31,994	37,536
Long-term debt	6,239	5,593
	\$ 25,755	31,943

Principal maturities of long-term debt are as follows: 2007 - \$6,239; 2008 - \$6,957; 2009 - \$7,768; 2010 - \$8,663 and 2011 - \$2,367.

(10) 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 \$1,650,000 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

(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:

	2006	2005
<u>Reconciliation of benefit obligations:</u>		
Benefit obligation at beginning of year	\$ 3,013,793	2,809,590
Service cost	77,638	87,443
Interest cost	229,514	213,675
Participant contributions	-	-
Plan amendments	26,898	16,269
(Gain) loss due to actuarial experience	-	-
Gain due to changes in actuarial assumptions	(138,950)	(113,184)
Benefits paid to plan participants	\$ 3,208,893	3,013,793
Benefit obligation at end of year		
<u>Reconciliation of asset value:</u>		
Plan assets at beginning of year	\$ 2,208,072	2,201,248
Actual return of plan assets	90,111	18,863
Employer contributions	124,039	101,145
Benefits paid to plan participants	(138,950)	(113,184)
Plan assets at end of year	\$ 2,283,272	2,208,072
<u>Reconciliation of funded status:</u>		
Funded status at end of year (liability)	\$ (925,621)	(805,721)
Unrecognized net transition obligation asset	-	-
Unrecognized prior service cost	870,321	784,597
Unrecognized net loss	\$ (55,300)	(21,124)
Amount included in accrued expense	\$ 2,899,352	2,722,472
<u>Accumulated benefit obligation at end of year</u>	\$ 2,874,274	2,693,980
<u>Vested benefit obligation at end of year</u>		
<u>Reconciliation of unrecognized net loss:</u>		
Unrecognized loss at beginning of year	\$ 784,597	627,615
Amount of loss recognized during the year	(38,614)	(27,822)
(Gain) loss due to actuarial experience	26,898	16,269
(Gain) loss due to changes in actuarial assumptions	-	-
(Gain) loss due to assets	97,440	168,535
Unrecognized loss at end of year	\$ 870,321	784,597
<u>Development of Other Comprehensive Income:</u>		
Intangible asset	\$ -	-
Accrued pension benefit cost	67,504	138,011
	\$ 67,504	138,011

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(11) Pension Plan, continued

	2006	2005
Net periodic benefit cost:		
Service cost at end of year	\$ 77,638	87,443
Interest cost on projected benefit obligation	229,514	213,675
Expected return on plan assets	(187,551)	(187,398)
Amortization of transition obligation	-	-
Amortization of prior service costs	-	-
Amortization of net loss	38,614	27,822
Net periodic benefit cost	\$ 158,215	141,542

Expected Future Benefit Payments:

The expected benefit payments for the next ten fiscal years ended May 31, are as follows:

2007	\$ 169,895
2008	186,076
2009	194,720
2010	192,356
2011	207,184
2012 through 2016	1,164,556

Assumptions used for determination of net pension cost:

Assumed discount rate	7.75%	7.75%
Rate of compensation increase	4.00%	4.00%
Expected long-term rate of return	8.50%	8.50%
Actuarial valuation method	Projected Unit Credit	Projected Unit Credit

Assumptions used for determination of end of year obligations:

Assumed discount rate	7.75%	7.75%
Rate of compensation increase	4.00%	4.00%
Expected long-term rate of return	N/A	N/A
Actuarial valuation method	Projected Unit Credit	Projected Unit Credit

(12) Group Health Benefits

The College provided 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. Based on information supplied by the management of the Consortium, the College provided a liability in their financial statements of \$135,000 as of May 31, 2005. Effective April 30, 2006 the College withdrew from participation in TICUA Benefit Consortium. After payment of claims filed as of April 30, 2006, a recorded liability remains of \$61,108 as of May 31, 2006. This remaining liability is available to satisfy any remaining claims which were not filed as of April 30, 2006 and other plan expenses. Any amount of the recorded liability remaining as of May 31, 2007 will be taken against expenses.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

(13) Potential Relocation of Campus

The Board of Trustees of the College at its June 2006 meeting unanimously approved the following action:

That FWBBC proceed with campus relocation immediately pending:

- Sale of current campus for an amount in excess of \$16 million, and determination of the monthly lease amount to be paid to the buyers during the construction of the new campus.
- Purchase of a new site within the boundaries of the project budget with closing on the sale of the current campus to take place immediately after closing on a new site [Amendment] with each transaction contingent on the other.

The following further discusses the conditions and other pertinent information regarding the relocation of the campus.

The College has received an offer from outside investors to purchase its campus located on West End Avenue in Nashville Tennessee. The parties are negotiating certain points regarding financial matters. Management believes a contract to sell the current campus is imminent. The potential relocation is contingent on 1> execution of appropriate contract for sale of current campus, 2> locating property for construction of new campus, 3> receiving necessary support from the denomination through a capital campaign, and 4> securing debt to complete the construction with favorable terms. Each of these points is contingent on all the other points in order to complete the transaction.

Each point is described in detail:

- The offer to purchase the current campus is as follows: purchase price to exceed \$16 million to be received in total at date of closing. The matters under negotiation relate to the monthly lease value the College would be required to pay to the buyers for use of the campus during the construction period and the phasing of properties to be released.
- The board approved the purchase of land for the site of the new campus within the boundaries of the approved project budget of approximately \$30,000,000. The relocation committee has reduced the site candidates to a small number and are in process of determining which site is most desirable for the College's needs.
- The College has secured the services of a nationally recognized firm to manage the capital gift campaign. This firm also has conducted a feasibility study through the use of questionnaires and direct telephone contact with members of the denomination to determine if a capital campaign would be successful. Based on the results of this study, the firm believes that individual denominational members will support the relocation cost with contributions approximating \$4,000,000. The College has expensed in operations \$27,658 relating to this capital campaign feasibility study.

Further, denominational leaders have agreed to assist in obtaining funding from churches and associations of churches amounting to approximately \$1,000,000. Also, it is anticipated that approximately \$1,000,000 will be received as gifts in kind (i.e. labor, materials, etc.). Additional funds are anticipated through deferred giving arrangements (i.e. wills, trusts, etc.) and grants from foundations and corporations.

- The College has received proposals from financial institutions for long-term borrowings to fund the difference between construction costs and available resources. The most desirable loan package includes use of a tax-exempt bond offering at attractive interest rates, with repayment terms of twenty-five to thirty years. Based on the current project budget, anticipated borrowings will approximate \$6,000,000.

FREE WILL BAPTIST BIBLE COLLEGE

Notes to Financial Statements, continued

Additional funding for the project has been provided as follows:

Proceeds from sale of Joelton property (previously acquired as relocation site) approximated \$779,000. The carrying value of the property was \$1,007,740. United States generally accepted accounting principles require that if an impairment in the recorded value of long-lived properties, the loss must be recognized. Although the sale occurred in the 2006 - 07 fiscal year, a loss of \$153,548 is required to be recognized as an expense of operations for the year ended May 31, 2006. Further, management believes that a portion of the cost relating to the Joelton property, estimated at \$75,000, will have continuing value relating to the current potential relocation project. The net remaining amount is recorded in the statement of position as Joelton property held for sale in the amount of \$854,192.

Proceeds from bequest receivable, reserve funds and net assets which are restricted for relocation costs amount to approximately \$850,000.

In summary, funds available from the aforementioned sources (Joelton property sale, bequest receivable, reserve funds and funds restricted for relocation) will approximate \$1,629,000.

Additional pertinent information:

The College has retained a national recruiting and enrollment management firm. This firm has provided information as to their estimate of the number of Free Will Baptists who will become students at the College in future periods. This information has been used by the administration of the College to budget future student revenues, both commuters and students who live on campus. This budget estimates modest enrollment increases. This means that the College is not counting on a large influx of funds from student fees to fund the future operations at the potential new campus.

The College intends to partner with another local private university to provide a nursing program leading to a degree from Free Will Baptist Bible College.

Additional revenues will continue to grow from the Non-Traditional Studies Program. This program provides adult studies and online learning capabilities.

The College has selected the construction firm and the architectural firm which will be responsible for completion of the potential relocation construction project during the fall of 2008.

The College has expended \$49,033 relating to the sale of the current campus and purchase of the relocation property which has been recorded as an asset in the financial statements. Upon completion of construction of the new campus, this amount will be considered a portion of the new campus costs for depreciation purposes.

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, 2006, amounted to \$5,487,076. Total Unrestricted Funds Expenditures were \$5,456,385, providing a \$30,691 increase in net assets (or surplus) at the end of the fiscal year.

Cash Flow Statement

The combined cash flow of the College's operating, investing, capital, and financial activities showed cash and cash equivalents decreasing \$99,780 in Unrestricted Funds, unchanged in Temporarily Restricted Funds, and increasing \$69,859 in Permanently Restricted Funds for a cumulative cash flow decrease of \$29,921.

Unrestricted Giving

Private gifts provided \$1,237,515 in Unrestricted Funds Revenues. Of that amount, \$1,045,498 was provided from General Fund gifts, \$28,915 from gifts of stock, \$147,644 from Estate gifts, \$100 from Special gifts, and \$15,358 from gifts in kind (non-cash gifts of professional labor).

The college is deeply indebted to our many supporters, for gifts continue to represent a sizable portion of FWBBC's revenue stream - your impact is felt by all at FWBBC as demonstrated in the next paragraph.

General Fund Giving Keeps Tuition Costs Down

Because of above-mentioned General Fund gifts, tuition paid by FWBBC students was subsidized \$105 for every semester hour taken in 2005-2006. Or, unrestricted General Fund gifts kept the cost of tuition per semester hour at \$320, instead of \$425. This gift subsidy saved each student taking 30 semester hours (15 hours per semester) a total of \$3,150 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 decreased slightly, by \$31,091. Notes Payable to Individuals amount to (A) \$104,937 in interest-bearing notes permanently restricted for student loans. FWBBC has also drawn (B) \$1,435,192 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) \$31,994 balance for a grand piano, making the total notes payable and long-term debt \$1,572,123 as of May 31, 2006.

(A) The College has sufficient cash and savings to liquidate the interest bearing notes permanently restricted for student loans, but chooses to keep the \$104,937 as part of its student financial aid program. (B) As indicated in the notes to the financial statements, the college drew \$74,451 on existing lines of credit during 2005-06. Included in the \$1,435,192 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. (C) The \$31,994 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 \$42,558 due to favorable market conditions. Of that amount, \$13,007 was a realized gain, while \$29,551 was an unrealized gain.

Asset to Debt Ratio

Total assets amount to \$8,418,307. Our long-term liabilities (listed in "Financial Obligations" above) come to \$1,572,123, giving a 5.35 to 1 asset to debt ratio. Adding all other liabilities brings the total to \$2,134,485, and gives a 3.94 to 1 asset to debt ratio.

Statements of Financial Position (Balance Sheet) Remains Strong

Total net assets grew \$239,283 to \$6,283,822, after deducting total liabilities of \$2,134,485 from total assets of \$8,418,307.

Cash and Cash Equivalents Remain Steady

Total cash on hand remained virtually unchanged against the previous fiscal year. Last year's total was \$1,921,283 against this year's \$1,891,362, broken down by \$1,063,429 in unrestricted current assets, \$444,616 in restricted endowments, and \$383,317 in student loan funds.

Randall House Operating on Campus

The College entered into an agreement and partnered with Randall House Publications for the operation of its campus book store and snack shop beginning the fall semester of 2005. This collaborative venture has met with great success for both Randall House and FWBBC and provides another link to strengthen our national ministries. As an aside, this undertaking is much like our collaborative agreement with Free Will Baptist International Missions with our joint Missionary In Residence (MIR) project.

Relocation Campaign Update

Be sure to read the auditor's notes to financial statements, especially Note (13) entitled – Potential Relocation of Campus.

THIS INFORMATION IS NOT PART OF THE AUDITOR'S REPORT

FREE WILL BAPTIST BIBLE COLLEGE Budgets for the years ending May 31, 2006-2008 Unaudited – Not Part of Audit

	Proposed Budget May 31 2007	Actual May 31 2006	Strategic Budget May 31 2008
Revenues:			
Tuition and fees	3,284,314	2,917,444	3,758,331
Private Gifts:			
Together Way/Unrestricted General Fund	1,300,000	1,045,498	1,300,000
Estates and miscellaneous	50,000	147,644	45,000
Grants and foundations	40,000	-	40,000
Endowment income	15,000	2,761	15,000
Investment income	63,000	38,111	60,000
Gain on sale of property	-	1,000	-
Sales and services of auxiliary enterprises	1,321,050	1,146,629	1,319,200
Other sources: Gift in kind, stocks, special gifts, ect.	20,000	54,321	20,000
Net assets released from restrictions	80,000	133,668	80,000
Total revenues:	6,173,364	5,487,076	6,637,531
Expenditures:			
Educational and general:			
Instruction	1,837,829	1,633,276	1,970,416
Academic support	505,540	421,898	574,690
Student services	869,490	629,032	780,466
Operation and maintenance of plant	-	-	-
Institutional support	1,877,865	1,737,169	2,188,163
Total educational and general expenditures	5,090,724	4,421,375	5,513,735
Auxiliary enterprises:			
Expenditures	1,082,640	1,035,010	1,123,796
Total expenditures	6,173,364	5,456,385	6,637,531

2006-2007 State Gift Goals

State	Goal
Alabama	\$ 80,000
Arizona	1,200
Arkansas	89,500
California	12,000
Delaware	2,200
Florida	50,000
Georgia	140,000
Illinois	42,000
Indiana	10,000
Kansas	1,000
Kentucky	22,000
Louisiana	1,000
Maryland	500
Michigan	36,000
Mississippi	41,000
Missouri	64,000
Nebraska	150
New Mexico	300
North Carolina	200,000
Ohio	30,000
Oklahoma	36,000
Oregon	150
South Carolina	104,000
Tennessee	250,000
Texas	15,000
Virgin Islands	1,000
Virginia	30,000
Washington	2,000
West Virginia	10,000
WNAC	8,000
Canada	2,000
Matching Gifts	18,000
Other	1,000
Grand Total	\$1,300,000

FWB Music Commission Report

National Association of Free Will Baptists

July 16-19, 2006

The Music Commission has been active in planning the music for the 2006 National Convention in Birmingham, AL. The commission held its annual meeting at the Free Will Baptist National Offices, on January 19-20, 2006. The agenda presented by Chris Truett was as follows:

1. Evaluate and discuss the 2005 National Convention music.
2. Discuss progress on the reprinting of the *Rejoice! Hymnal*.
3. Plan the entire music program for the 2006 National Convention.
4. Discuss future projects and vision for the commission.
5. Elect New Chairman – Chris Truett

I. Evaluate and discuss the 2005 National Convention music.

- A. Met with Executive Secretary Keith Burden and evaluated the 2005 National Convention music.
- B. Got preliminary information on 2006 National Convention Music.

II. Review details of the *Rejoice! Hymnal* reprint.

- ☐ The 3rd printing has gone through with these enhancements:
 - Brighter paper
 - More colors
 - More flexible, since guts are printed separate from covers.

III. Plan the entire music program for the 2006 National Convention.

- ☐ Select Worship Leaders for 2006 convention.
- ☐ Select choir songs for 2006 convention.
- ☐ Select special music for the 2006 Convention (others to be selected as suggestions are submitted).

IV. Discuss future projects and vision for the commission.

This year's Music Commission project consists of two different seminars to be presented at the 2006 National Convention:

1. Projection Systems 101 - How to effectively use a projection system in your church
2. "Practical Improvisation for the Church Pianist" presented by James Stevens

The commission has a heart for helping our local churches in developing their music and worship ministries. Some of the commission members are actively involved in helping other churches by presenting workshops for churches in the area of music and worship. These types of compilations are an effort to place practical ideas and

resources into the hands of our churches which will provide Christ-centered, passionate, and organized music and worship for our local churches.

V. Conclusion

We would like to thank all those who have contributed to the 2006 National Convention music. It is a joy to see and hear God's people praising Him in song. God does not need our worship; He desires it. A man once asked the question, "Will God embrace your worship or will He have to endure it?" Let's pray that God will embrace our worship each time we come before Him.

There are numerous opportunities to participate in the convention music every year. The commission would like to encourage more people to participate in the convention music. An advance schedule is printed each year in the convention edition of *ONE Magazine* 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.

Finally, we would like to thank Dr. Randy Sawyer for his many years of faithful service to the Music Commission and to the National Convention. Dr. Sawyer has given great leadership through the avenue of music for 13 years (elected in 1993). He has taken the commission to a higher level and has mentored many Ministers of Music who are impacting Free Will Baptists and the Kingdom for God. The Commission wants to publicly express our gratitude and appreciation to him for his leadership and passion for developing new young leaders for the denomination!

Respectfully submitted,
The Free Will Baptist Music Commission

Dr. Randy Sawyer, Chairman
Chris Truett, Chairman-Elect
Donnie Burke
Doug Little
James Stevens

MUSIC COMMISSION FINANCIAL SUMMARY 2005

Beginning Balance (01/01/2005) \$ 2,923.32

\$ 5,208.09

Income

Together Way (undesignated)	\$ 2,236.71
Together Way (designated)	\$ 1,403.96
2004 Together Way	\$ 481.70
2004 Rest of the Family Offering	\$ 36.22
Convention Booth/Wkshop	\$ 1,049.50

\$ 4,515.67

Expenses

Meetings	\$ 1,228.03
Annual meeting	\$ 1,161.48
Convention meeting	\$ 66.55
Convention	\$ 3,265.49
Pre-convention planning	\$ 889.68
Convention musicians	\$ 750.00
Workshop	\$ 241.21
Convention Booth	\$ 974.41
2004 Truck/Digest of Reports	\$ 206.93
2005 Truck/Digest of Reports	\$ 203.26
Office Expenses	\$ 22.15
Contents insurance	\$ 22.10
Long distance	\$ 0.05

Ending Balance (12/31/2005)

\$ 3,615.74

MUSIC COMMISSION BUDGET COMPARISONS

	2005 Budget	2005 Actual	2006 Budget	2007 Budget
Income				
Together Way (undesignated)	\$2,000.00	\$2,236.71	\$2,000.00	\$2,500.00
Together Way (designated)	\$500.00	\$1,403.96	\$800.00	\$1,500.00
Rest of the Family Offering		\$36.22		\$25.00
Convention Booth/Wkshop	\$1,000.00	\$1,049.50	\$1,000.00	\$1,000.00
2004 Together Way		\$481.70		
TOTALS	\$3,500.00	\$5,208.09	\$3,800.00	\$5,025.00
Expenses				
Meetings	\$1,500.00	\$1,228.03	\$1,500.00	\$1,275.00
Convention	\$1,500.00	\$3,265.49	\$1,500.00	\$3,700.00
Office Expenses	\$500.00	\$22.15	\$800.00	\$50.00
TOTALS	\$3,500.00	\$4,515.67	\$3,800.00	\$5,025.00

2006 MEDIA COMMISSION REPORT

The National Association of Free Will Baptists Media Commission is happy to report that several projects are underway that will help promote the media outreach of our churches and also aid in the promotion of the other commissions of the National Association of Free Will Baptists.

First, efforts continue in the compiling of a list of all the Radio and TV programs presently being broadcast by the Churches within our denomination. These are being listed by state on the Media Commission website- www.FWBMedia.com - and, as soon as we feel the list is as accurate as we can make it, our plan is to publish a list of these programs to distribute within our denomination in order to increase awareness of this media ministry.

More and more of our churches are providing live or delayed broadcast of their church services via the world wide web. Missionaries, people in other time zones, and people who are hindered from attending church due to sickness, job situation, or other circumstances are able to be an extended congregation for these churches. The Media Commission would like to include these web broadcast services on our web site and in our publication of churches attempting to expand their message. Your help in providing information about these programs is greatly appreciated (info@fwbmedia.com).

Secondly, the members of the Media Commission believe that the doctrine, the history, and the music of Free Will Baptists needs to be available to as many people as possible. In order to facilitate this the Media Commission has purchased and established web sites for the Commission for Theological Integrity (www.fwbtheology.com), the Historical Commission (www.fwbhistory.com), and the Music Commission (www.fwbmusic.com). The Media Commission will pay the costs of these sites and assist our brother commissions with as much help as possible in the development of these sites. (This was done without the input of these commissions and they may chose not to use this outlet at this present time. In this case the Media Commission will simply hold these web sites in reserve).

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. See our website- www.fwbmedia.com - for a complete listing of the resources presently available from the Media Commission.

Mike Jones, Chairman (SC) (info@fwbmedia.com) or (P O Box 234, Effingham, SC 29541)
Doug Kite, Secretary-Treasurer (NC)
Kevin Norris (MI)
Monte McKenzie (GA)
Sandy Goodfellow (TN)

Media Commission Budget

Income:	2005 Budget	2005 Actual	2006 Budget	2007 Budget
Together Way	\$3,000.00	\$2,236.71	\$2,500.00	\$2,500.00
Designated Gifts	\$500.00	\$803.66	\$800.00	\$800.00
Services/Sales	\$500.00	\$205.00	\$300.00	\$300.00
Total	\$4,000.00	\$3,245.37	\$3,600.00	\$3,600.00
Expense:				
Commission Expense	\$1,000.00	\$180.00	\$1,000.00	\$1,000.00
Product/Web Production	\$2,500.00	\$89.97	\$2,500.00	\$2,500.00
Convention Expense	\$500.00	\$00.00	\$100.00	\$100.00
Total	\$4,000.00	\$269.97	\$3,600.00	\$3,600.00

[The Media Commission presently has \$11,000.00 in our account. We are being as frugal as possible with our finances in order to save for future projects.]

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 24-25, 2005, we sponsored our ninth annual Theological Symposium. It met at Hillsdale Free Will Baptist College in Moore, Oklahoma. Papers were read on a variety of subjects. We continue to be encouraged by the quality and content of the papers that are read in our Symposiums. The Theological Symposium for 2006 will be conducted at Free Will Baptist Bible College in Nashville, Tennessee. It will begin Monday evening, October 23, and go through Tuesday evening, October 24.

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 2006. 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 years seminar: "Debunking the Da Vinci Code" will be conducted by Dr. Kevin Hester. It is scheduled on Monday afternoon, 1:00-2:30, at the Birmingham Convention Center. It will be interesting to hear a well-studied and well-reasoned presentation on a subject that has gained so much attention.

We thank you for the privilege of serving you.

In His Service,

Leroy Fortlines, Chairman
Paul Harrison, Secretary
Matt Pinson
Steve Ashby
Craig Shaw

**2005
Commission for Theological Integrity
Financial Report**

Bank Balance - January 1, 2005		\$7,659.19
Commission Income		
The Together Way	\$3,245.85	
Interest on Bank Account	8.06	
Rest of The Family Offering	23.65	
Theological Symposium Papers	225.00	
Other Gifts	127.35	
Reimbursements	<u>163.02</u>	
Total Income		3,792.93
Commission Expenses		
Bookkeeping	400.00	
Convention Speaker/Digest of Reports	937.39	
Annual Meeting and Symposium Expenses	2,348.92	
Miscellaneous Office Expenses	<u>155.93</u>	
Total Expenses		3,842.24
Bank Balance - December 31, 2005		<u>\$7,609.88</u>

**2007
Commission for Theological Integrity
Budget**

	2005 Budget	2005 Actuals	2006 Budget	2007 Budget
Income				
Gifts	\$1,500.00	\$314.02	\$500.00	\$400.00
Interest Income	50.00	8.06	25.00	25.00
Theological Symposium Papers	800.00	225.00	800.00	300.00
Together Way Plan	<u>4,000.00</u>	<u>3,245.85</u>	<u>3,000.00</u>	<u>3,300.00</u>
Total Income	<u>6,350.00</u>	<u>3,792.93</u>	<u>4,325.00</u>	<u>4,025.00</u>
Expenses				
Annual Meeting	2,000.00	2,348.92	1,600.00	1,850.00
Bookkeeping	400.00	400.00	400.00	400.00
Journal Expenses	2,225.00	0.00	1,000.00	550.00
National Convention	600.00	937.39	600.00	600.00
Office	125.00	155.93	125.00	125.00
Theological Symposium Printing	<u>1,000.00</u>	<u>0.00</u>	<u>600.00</u>	<u>500.00</u>
Total Expenses	<u>\$6,350.00</u>	<u>\$3,842.24</u>	<u>\$4,325.00</u>	<u>\$4,025.00</u>

2006 Historical Commission Report

The Historical Commission published the second in a series of historical pamphlets this summer. The pamphlet, "Free Will Baptists and the Perseverance of the Saints," was written by Dr. Robert Picirilli.

The Commission's first historical pamphlet, "The Washing of the Saints' Feet," sold out and was reprinted in the new 5 1/2 x 8 1/2 format. Both pamphlets are available and may be ordered from Randall House at a cost of \$25 per 50 copies.

Plans are underway to publish the third historical pamphlet in time for distribution at the 2007 national convention. The subject will be "The Priesthood of the Believer."

The Commission installed custom-built bookcases in the History Room at Welch Library on the Free Will Baptist Bible College campus this spring.

Through volunteer work by Commission member Robert Picirilli, 35 volumes of periodicals were bound and placed in the Historical Collection. More volumes are being prepared for binding (state and national publications, others).

The Historical Commission commends *ONE Magazine* editor Eric Thomsen for developing the historical link on the *ONE Magazine* website and raising denominational awareness regarding our rich Free Will Baptist heritage.

Financial Report 2005

Balance on hand (checking at AmSouth) 12/31/2004.....\$11,985.30

Deposits

Together Way.....\$3,033.75

Interest (AmSouth Bank).....78.07

Sales (Feet Washing pamphlet).....707.18

Total.....\$3,819.00

Expenditures

2005 *Digest of Reports*.....\$37.09

Joe McKnight Travel & Lodging.....\$385.00

Robert Picirilli: Writing Pamphlet.....\$500.00

Total.....\$922.09

Balance in bank, December 31, 2005.....\$14,882.21

Trust Fund at FWB Foundation, December 31, 2005.....\$23,461.84

Total on hand, December 31, 2005.....\$38,344.05

2007 Budget

Income

Gifts (Together way).....\$3,000.00

Interest.....\$100.00

Total.....\$3,100.00

Expenses

Books, Materials, Labor.....\$500.00

Pamphlet Project.....\$1,800.00

Research Grant.....\$250.00

Travel.....\$500.00

2006 *Digest of Reports*.....\$50.00

Total.....\$3,100.00

STATISTICAL REPORT—Reporting Period 2005

	Associations	Number Reporting	Churches	Number Reporting	City	Rural	Full-Time Pastors	Bivocational Pastors	Baptisms	Reported 2004 Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2004 Membership	Reported 2004 Membership	Combined Income of All Churches
Alabama	13	13	143	132	51	92	67	50	359	15,049	572	291	281	15,330	14,094	2,397,532
Arizona	1	1	5	5	4	1	3	2	7	135	12	24	-12	123	134	331,065
Arkansas	15	15	208	192	91	117	89	89	612	18,605	1,074	561	513	19,118	19,441	13,020,546
Assoc. of Mexico	7	7	31	31	23	8		31	16	1,068	90	3	87	1,155	1,168	5,909
California	7	7	53	53	49	4	38	14	316	2,408	166	96	70	2,478	2,462	
Canada	1	1	11	11	2	9	5	4		331	7	10	-3	328	470	294,155
Colorado	1	1	7	7	7		6	1	34	190	28	21	7	197	257	343,500
Florida	9	9	69	69	32	37	38	26	181	5,421	362	327	35	5,456	6,039	2,740,714
Georgia	10	10	118	111	44	74	72	37	234	9,476	506	313	193	9,669	8,958	6,340,618
Hawaii			1	1	1		1			0	5	3	2	2	38	109,515
Idaho	2	2	8	8	8		3	5	22	312	21	11	10	322	285	184,686
Illinois	7	7	42	42	25	17	22	10	101	3,408	180	109	71	3,479	3,634	1,936,025
Indiana	3	3	25	25	17	8	16	10	62	0	75	41	34	34	831	
Kansas	2	2	9	9	9		4	4	59	406	28	13	15	421	475	277,612
Kentucky	10	10	142	141	45	97	38	104	742	15,847	707	366	341	16,188	15,632	2,459,016
Mid-Atlantic Assoc.	1	1	6	4	2	4	6			191	3	0	3	194	571	416,087
Mexico Assoc.	4	4	23	23	20	3	6	17		2,233	0	0	0	2,233	2,300	25,800
Michigan	6	4	43	36	38	5	25	17	284	4,266	219	71	148	4,414	4,026	1,112,948
Mississippi	3	3	48	40	13	35	33	12	105	4,062	204	95	109	4,171	3,086	2,265,596
Missouri	19	17	182	165	90	92	88	74	390	11,677	683	317	366	12,043	12,811	8,039,167
Montana*										0	0	0	0	0	0	
New Jersey	1	1	2	2		2	1		6	58	6	3	3	61	61	
New Mexico	1	1	3	3	2	1	2	1		0	0	0	0	0	0	
North Carolina	8	5	180	118	117	63	91	27	586	10,569	1,140	430	710	11,279	13,047	10,467,464
Northeast Assoc.	1	1	4	4	2	2	4		8	278	24	3	21	299	225	
Northwest Assoc.	1	1	6	6	6		3	2	15	247	20	8	12	259	284	273,000
Ohio	19	19	141	137	55	86	63	71	564	9,689	677	488	189	9,878	10,121	5,059,952
Oklahoma	24	24	239	214	165	74	127	72	755	23,217	1,309	578	731	23,948	17,955	13,814,482
Puerto Rico			1	1	1		1			0	2	0	2	2	2	
South Carolina	6	6	121	121	68	53	98	18	385	6,292	582	201	381	6,673	4,995	4,675,914
South Dakota*										0	0	0	0	0	0	
Tennessee	8	8	212	187	99	113	105	86	688	19,046	971	380	591	19,637	19,499	9,117,626
Texas	6	5	49	42	32	17	29	13	153	2,917	260	57	203	3,120	2,485	2,078,151
Virgin Islands	1	1	1	1	1		1		10	199	4	1	3	202	202	148,552
Virginia	8	8	87	87	29	58	39	48	133	6,021	176	187	-11	6,010	4,644	3,674,809
West Virginia	21	21	178	178	29	149	85	93	429	8,280	123	0	123	8,403	8,403	17,800,000
Wisconsin			1	1	1		1		5	67	0	0	0	67	26	32,275
TOTALS	226	218	2,399	2,207	1,178	1,221	1,210	938	7,261	181,965	10,236	5,008	5,228	187,193	178,659	109,442,716

*Did not report

STATISTICAL REPORT—Reporting Period 2005

Page 2

	Churches With Budgets		Value of Church & Parsonage	Ordained Ministers		Licensed Ministers	Deacons	Day Cares	Kindergartens	Bhristian Day Schools	Bible Institutes	Colleges	Sunday School Enrollment	CTS Enrollment	WNAC Enrollment	Master's Men Enrollment	Value of Associational Property
		Parsonages															
Alabama	14	35	16,669,284	212	20	415	6	5	5				6,857	1,174	383	86	
Arizona	4	3	2,549,000	6		2							138	84	27	14	
Arkansas	49	63	67,906,294	314	51	465	4	4	5				10,765	1,992	978	288	1,207,811
Assoc. of Mexico		9	840,827	21	10								600		200	90	500,000
California	21	15		88	24	60	3	10	9	3	1		2,885	50	173	80	694,656
Canada	2	2	2,508,000	6	2								259		60		
Colorado	4		9,050,000	10		3							319		24	18	
Florida	31	34	17,078,283	94	22	118	4	2	2				2,829	472	395	193	
Georgia	37	63	36,530,539	143	21	355	2	1	2				4,899	895	741	182	375,000
Hawaii	1	1	1,250,000	2	1								30			3	
Idaho	4	3	1,270,000	11	6	3	1	1	1				211		8		
Illinois	17	11	14,011,961	57	6	104		2	1				1,691	393	179	59	1,000,000
Indiana				44													
Kansas			2,102,420	11	3	4							416		9	27	
Kentucky	15	4	23,774,220	404	18	346	1		1				5,960	941	618	239	
Mid-Atlantic Assoc.	6	2	1,550,000	6		14							528				
Mexico Assoc.	8	5	597,300	11		52							2,300		275		130,000
Michigan	13		16,795,500	69	12	59							2,125	125	232	107	
Mississippi	14	25	10,940,850	58	9	136	1	2	2				2,194	576	184	170	
Missouri	52	37	43,380,584	260	35	323	1	2	2	1			6,694	640	571	180	1,348,170
Montana*																	
New Jersey			382,000	3									34				
New Mexico		2		3		2											
North Carolina	41	43	61,768,386	149	46	327	7	6	8			1	8,542	526	840	259	
Northeast Assoc.		1		4		3											
Northwest Assoc.	2		4,100,000	9	2	4			1	1			269				
Ohio	30	30	50,229,260	300	39	248	2	1	1	1			7,578	211	488	284	
Oklahoma	37	76	84,236,467	378	49	521	4	1	4			1	12,716	1,794	1,132	194	11,250,000
Puerto Rico				1		1											
South Carolina	37	31	29,078,744	174	13	140	4	4	4	2			3,689	866	633	390	1,725,000
South Dakota*																	
Tennessee	63	61	58,378,581	411	72	489	3	1	3	3	1		11,342	1,399	1,105	253	
Texas	21	15	15,468,290	56	15	70				1			1,490	98	226	101	
Virgin Islands	1	1	2,350,000	2		2	1	1	1				99	80	6		
Virginia	23	8	13,131,300	166	27	195	1		4	1	1		3,711	284	442	505	
West Virginia	178	14	15,000,000	417	15	343	1	2	1				7,756	417	487	154	
Wisconsin	1		500,000	1	1								23				
TOTALS	726	594	603,428,090	3,901	519	4,804	46	46	58	11	5	108,949	13,017	10,416	3,876	18,230,637	

*Did not report