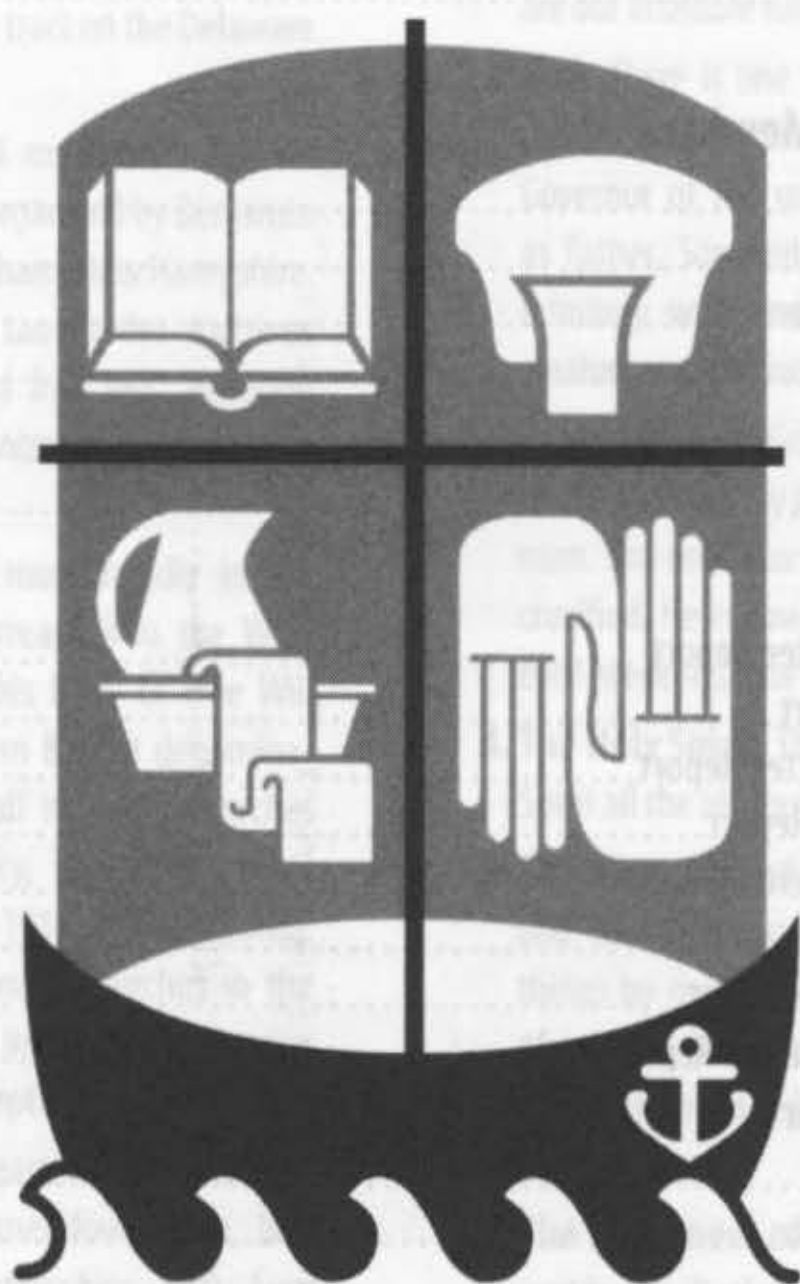


2014 FREE WILL BAPTIST YEARBOOK



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National Association of Free Will Baptists, Inc.

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Minutes of the Seventy-seventh Annual Session of the National Association of Free Will Baptists, Inc. when convened in Tampa, Florida July 21-24, 2013

Future Sessions of the Convention

2014	Fort Worth, Texas	July 27-30
2015	Grand Rapids, Michigan	July 19-22
2016	Kansas City, Missouri	July 17-20
2017	Louisville, Kentucky	July 16-19
2018	Little Rock, Arkansas	July 22-25
2019	Cincinnati, Ohio	July 21-24
2020	Oklahoma City, Oklahoma	July 19-22

Officers and Board Members

General Officers

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

General Board

2014

Indiana: Daniel Edwards
Iowa: Jim Martin
Kansas: Zane Brooks
Kentucky: Venny VanHoose
Mexico Assn.: Bud Bivens
Michigan: Gene Norris
Mid-Atlantic: Wayne Hale
Mississippi: Larry Reynolds
Missouri: Stan Bunch
New Mexico: Mark Shores

2015

North Carolina: Billy Keith
Northeast: Jim Nason
Northwest: Brent Nix
Ohio: Edwin Hayes
Oklahoma: Mike Wade
South Carolina: Todd Smith
Tennessee: Glenn Poston
Texas: Keith Woody
Virginia: Bruce Barnes
West Virginia: Luther Morgan

2016

Alabama: Rick Cash
Arizona: George Harvey, Jr.
Arkansas: Tim Campbell
Assn. of Mexico: Luis Felipe Tijerina
Atlantic-Canada: Oral McAfee
California: Rick Scroggins
Colorado: Mark Thomas
David Marks Heritage: Tom Jones
Florida: Jim Christian
Georgia: Wayne Miracle
Idaho: Gene Kissinger
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, 1176 CR 1975 N, Cisne, IL 62823

2014

Stan Bunch (MO)
Wayne Hale (MID-ATL)
Venny VanHoose (KY)

2015

Glenn Poston (TN)
Todd Smith (SC)
Mike Wade (OK)

2016

Tim Campbell (AR)
Wayne Miracle (GA)
David Shores (IL)

Board of Trustees of Welch College

Chairman: Terry Pierce, 763 CR 931, Tupelo, MS 38804

2014

Jeff Crabtree (ATL-CAN)
Shiloh Hackett (AL)
Rusty Russell (NC)

2016

Michael Armstrong (OH)
Billy Hanna (GA)
Terry Pierce (MS)

2018

Will Beauchamp (FL)
Kenny Simpson (MO)
Mark Stripling (AR)

Board of International Missions

Chairman: Danny Williams, 107 Stratford Lane, Winfield, AL 35594

2014

Janice Banks (OK)
Jeff Manning (NC)
Robert Morgan (TN)

2016

Greg McAllister (CA)
Tom McCullough (MI)
Danny Williams (AL)

2018

Nelson Henderson (AR)
Mark Price (OH)
Brad Ransom (TN)

Board of Home Missions

Chairman: Randy Wright, P.O. Box 4, Guin, AL 35563

2015

Earl Hanna (SC)
Ron Parker (LA)
Tim Stout (OH)

2017

Bob Lewis (TN)
Robert Thebeau (MO)
Randy Wright (AL)

2019

Jeff Jones (NC)
Frank Webster (MO)
Frank Wiley (OK)

Board of Retirement

Chairman: Jack Daniel, 1900 Lullwater Road, Albany, GA 31707

2015

Larry Clyatt (FL)
Jack Daniel (GA)
Rick Dement (MO)

2017

Danny Baer (NC)
James Beasley (SC)
Tim Hall (KY)

2019

Rick Cason (GA)
Mike Gladson (TN)
Randy Wilson (OK)

Board of Master's Men

Chairman: Johnny Fowlkes, P.O. Box 32, Vilonia, AR 72173

2015

Johnny Fowlkes (AR)
Eddie Hodges (TN)
Rick Stone (KY)

2017

Clay Burgett (OH)
Cliff Donoho (FL)
Tom Harmon (IL)

2019

Sam Lucky (FL)
Ken Oleson (OK)
Jason Vinson (AL)

Board of Trustees of the Free Will Baptist Foundation

Chairman: Phil Whiteaker, 122 Lakeland Drive, Cabot, AR 72023

2015

Len Blanchard (AL)
Rick Locklear (MI)
Phil Whiteaker (AR)

2017

Bobby Edwards (TN)
Waymon Fields (AL)
Melvin Worthington (NC)

2019

Donnie Miles (SC)
Hubert Stafford (GA)
Wendell Walley (CA)

The Foundation Board also includes the following directors of national agencies:

Clint Morgan (IM); Matt Pinson (Welch College); David Crowe (HM); Elizabeth Hodges (WNAC); Kenneth Akers (MM); Ron Hunter (RHP); Ray Lewis (BOR); Keith Burden (EXEC).

Board of Randall House Publications

Chairman: Tim Owen, 1863 Duncan Community Road, Chipley, FL 32428

2014

Danny Dwyer (NC)
Steve Lindsay (AL)
Randy Scott (AR)

2016

Charles Cook (TN)
Tim Eaton (OK)
Tim Owen (FL)

2018

Mark Braisher (OK)
Mike Mounts (OH)
Mike Trimble (MI)

Commission for Theological Integrity

Chairman: Matt Pinson, 3606 West End Avenue, Nashville, TN 37205

2014 Randy Corn (TN)

2015 Craig Shaw (OK)

2016 W. Jackson Watts (MO)

2017 Kevin Hester (TN)

2018 Matt Pinson (TN)

Historical Commission

Chairman: Robert Picirilli, 206 Stoner's Glen Ct., Hermitage, TN 37076

2014 Robert Picirilli (TN)

2015 Eric Thomsen (TN)

2016 Jeff Cockrell (SC)

2017 Jack Williams (TN)

2018 David Crowe (TN)

Media Commission

Chairman: Travis Penn, 10006 Expedition Pl., Noblesville, IN 46060

2014 Josh Owens (TN)

2015 Travis Penn (IN)

2016 Adam Carnes (NC)

2017 Marc Neppi (VA)

2018 Stephen Lopes (TN)

Music Commission

Chairman: Doug Little, 1424 Brighton Circle, Old Hickory, TN 37138

2014 Kevin Justice (NC)

2015 Bryan Hughes (NC)

2016 Donnie Burke (CO)

2017 Doug Little (TN)

2018 James Stevens (TN)

Proceedings

The 77th annual session of the National Association of Free Will Baptists met July 21-24, 2013, at the Tampa Convention Center in Tampa, Florida. "How In the World Should We Live?" was the theme of the meeting. Ryan Lewis served as convention manager and Kevin Justice was music coordinator.

Sunday School – July 21, 2013

Sunday School began at 10:00 a.m. with Jacob Riggs leading the congregation in singing "All Hail The Power Of Jesus' Name" and "Blessed Be Your Name." Jeff Davis introduced the Sunday School teacher, Rev. Tim Owen, pastor of the Piney Grove Free Will Baptist Church in Chipley, Florida. Rev. Owen brought the lesson from I Thessalonians 2:17-3:13 on "When Love Overflows."

Sunday Morning – July 21, 2013

Morning worship began at 11:00 a.m. with Jacob Riggs leading the congregation in singing "Come Thou Fount" and "Oh God, Our Help In Ages Past." Jeff Davis called for the offering and introduced the speaker. Lynsey Riggs provided the offertory by singing "Alas, And Did My Savior Bleed." The congregation sang "Your Name" and "How Deep The Father's Love For Us." Rev. Randy Riggs, pastor of the Good Springs Free Will Baptist Church in Pleasant View, Tennessee, brought the message on "How in the World Should We Live? Peaceably" from Romans 12:14-21. "How Deep The Father's Love For Us" was sung as the invitation and Jeff Davis closed the service in prayer.

Sunday Evening – July 21, 2013

Evening worship began at 7:00 p.m. with Chad Donoho leading the congregation in singing "Oh, The Blood Medley." Todd Smith led in prayer and called for the offering. The Seffner Quartet sang "I Loved You Enough." The congregation sang "Ten Thousand Reasons," "Glorious Day," and "Jesus Paid It All." The Mass Choir, led by Doug Little, sang "I Am Redeemed." Todd Smith introduced the speaker, Rev. Donnie Miles, pastor of the Peace Free Will Baptist Church in Florence, South Carolina. Rev. Miles preached on "How in the World Should We Live? In the Spirit." "Take My Life and Let It Be" was sung as the invitation. Diana Bryant, president of WNAC, announced committees and Todd Smith dismissed the service in prayer.

Monday Evening – July 22, 2013

Evening worship began with Randy Bryant, Executive Director of the Florida State Association of Free Will Baptists, welcoming the congregation to Florida. Kevin Justice and the Music Commission recognized Chris Truett for his years of service as the convention's music coordinator. Chad Donoho led the congregation in singing "O God, Our Help In Ages Past," "Ten Thousand Reasons," and "Who Can Satisfy?" Brad Ryan introduced the speaker and called for the offering. The Mass Choir, directed by Doug Little, sang "For Sinners Slain" as the offertory. "My Savior's Love" and "We Will Remember" were sung by the congregation, and Leslie Hull sang "This Blood." Rev. Will Beauchamp, pastor of the First Free Will Baptist Church in Seffner, Florida, brought the message on "How in the World Should We Live? Godly" from Titus 2:11-14. "The King Is Coming" and "What A Day That Will Be" were sung as the invitation. Clerk Randy Bryant called the 77th Annual Session to order and introduced the moderator, Tim York, pastor of The Grove Free Will Baptist Church in Smyrna, Tennessee. The moderator appointed the following committees:

Credentials Committee:

Rick Cash (AL), Chairman
Wayne Hale (Mid-Atlantic)
Wayne Miracle (GA)
Gene Norris (MI)
Larry Reynolds (MS)

Nominating Committee 2014:

Edwin Hayes (OH), Chairman
Joel Franks (KY)
Donnie Miles (SC)
David Shores (IL)
Rick Scroggins (CA)
Chris Truett (NC)
Brent Patrick (VA)

The service was dismissed in prayer by Brad Ryan.

Resolutions Committee:

Tim Campbell (AR), Chairman
Earl White (WV)
Paul Harrison (TN)
Darin Gibbs (NC)
Roger Ballard (OK)

Obituary Committee:

Billy Walker (TN), Chairman
Doug Snipps (SC)
Tom Jones (David Marks Heritage)
Rodney Brazil (MS)
Jerry Hall (GA)

Tuesday Afternoon – July 23, 2013

Moderator Tim York called the business session to order at 1:30 p.m. The moderator brought the message from Psalm 127:1-5 on "Divine Influence" and led in prayer. The clerk read the Credentials Committee report (page 22). Motion carried to receive the report and seat the delegates.

The clerk read a partial report of the General Board. Motion carried to receive the report and adopt it item by item.

Motion carried to adopt Item 1 of the General Board report (page 22).

Executive Secretary Keith Burden gave the Executive Office, ONE Magazine, and Building Services reports. Auditor Terry Hill gave the financial reports. Motion carried to receive the reports and adopt the budgets.

Presentations were made to Sandy and Dari Goodfellow for their years of service to the Executive Office and the convention; to Chris Truett for his years of service as convention music coordinator; to Mike Anderson for his years of service as the convention recording coordinator; and to Rick Cash for his years of service on the Executive Committee.

General Director Clint Morgan gave the International Missions report. Rob Conley gave the financial report. Jeff Turnbough gave a report of the present work with mission partners and introduced the international guests who were present. Motion carried to receive the report.

Patsy Vanhook was recognized for 41 years of service in France and Carlisle Hanna was recognized for 60 years of service in India.

President Matt Pinson gave the Welch College report. Tom Sass gave the financial report. Motion carried to receive the report.

The clerk read a partial report of the Nominating Committee (pages 23-24).

Motion carried to elect the General Board members nominated by the Nominating Committee.

Motion carried to elect the Executive Committee members nominated by the Nominating Committee.

Eric Thomsen gave the Historical Commission report (page 263). Motion carried to receive the report. David Crowe (TN) was elected to the 2018 term on the commission.

Item 2 of the General Board report was adopted.

Item 3 of the General Board report was adopted.

Matt Pinson gave the Commission for Theological Integrity report. Motion carried to receive the report. Randy Corn (TN) was elected to the unexpired 2014 term. W. Jackson Watts (MO) was elected to the unexpired 2016 term. Matt Pinson (TN) was elected to the 2018 term.

Director David Brown gave the Free Will Baptist Foundation report. Richard Davis gave the financial report. Motion carried to receive the report. Donnie Miles (SC), Wendell Walley (CA), and Hubert Stafford (GA) were elected to the 2019 term.

Tuesday Evening – July 23, 2013

Evening worship began with the congregation singing "Ten Thousand Reasons" and "Sing To The King Medley" led by Chad Donoho. Leroy Cutler welcomed the congregation to the service and called for the offering. Following prayer by Bro. Cutler, the congregation sang "He Knows My Name," "Defender," and "How Great Thou Art." The Mass Choir, directed by Kevin Justice, sang "Lord, You're Holy." Bro. Cutler introduced the speaker and the National Youth Evangelistic Team sang "I Stand Redeemed." Rev. Larry Clyatt, pastor of the Harmony Free Will Baptist Church in Lake Butler, Florida, brought the message from Luke 4:4 on "How in the World Should We Live? By Every Word of God." "Ancient Words" was sung as the invitation and the service was dismissed.

Wednesday Morning – July 24, 2013

The business session began at 9:00 a.m. with Assistant Moderator William Smith reading from John 13:12-15 and then leading in prayer.

Director Ron Hunter gave the Randall House Publications report. Michael Lytle gave the financial report. Motion and second to receive the report and adopt the budget.

Motion carried to amend the report "to commend Randall House for 1) providing complimentary copies of the *Biblical Inspiration and Preservation of God's Word* book and DVD; 2) providing solid literature and Bible study materials; and 3) allowing a choice of translations in competition, children's literature, and minister's manual.

Motion carried to receive the report as amended.

Director Ray Lewis gave the Department of Retirement and Insurance report. John Brummitt gave the financial report. Motion carried to receive the report and adopt the budget. Larry Clyatt (FL) was elected to the unexpired 2015 term. Rick Cason (GA), Mike Gladson (TN), and Randy Wilson (OK) were elected to 2019 term on the board.

Director Larry Powell gave the Home Missions Department report. Motion carried to receive the report and adopt the budgets. Board Chairman Randy Wright recognized Matt Upton for his service on the board. The following were presented plaques for leading their churches to self-supporting status: Stephen Gray, Collinsville, Illinois; Jeff and Donna Crabtree, Frederickton, New Brunswick, Canada; and Mark and Kristi Shores, Albuquerque, New Mexico.

David Crowe was introduced as the new Director of Home Missions. Board Chairman Randy Wright presented a plaque to Larry Powell recognizing his 12 years of service as director of the Home Missions Department. Jeff Jones (NC), Frank Wiley (OK), and Frank Webster (MO) were elected to the 2019 term on the board.

Director Ken Akers gave the Master's Men Department report. Motion carried to receive the report and adopt the budget. Bill Campbell (TN) was presented a plaque and recognized as the Master's Men "Man of the Year." Ken Oleson (OK), Jason Vinson (AL), and Sam Lucky (FL) were elected to the 2019 term on the board.

Doug Little gave the Music Commission report. Motion carried to receive the report. Bryan Hughes was elected to the 2015 term replacing Chris Truett and James Stevens was elected to the 2018 term on the commission.

Executive Secretary Keith Burden recognized Chris Truett for his 10 years of service as the convention's music coordinator.

Adam Carnes gave the Media Commission report. Motion carried to receive the report. Stephen Lopes (TN) was elected to the 2018 term on the commission.

Executive Director Elizabeth Hodges gave the Women Nationally Active for Christ report. Motion carried to receive the report. Several international guests addressed the body. Bruno Ling from France thanked the body for sending missionaries and being faithful to support them. Amado Gonzalez from Cuba gave greetings and expressed thanks for WNAC's support. Euribrades Gonzalez, President of the Free Will Baptist Association of Panama, also expressed thanks for WNAC's support.

Keith Burden gave the Budget Committee report (page 25). Motion carried to receive the report.

Wednesday Afternoon – July 24, 2013

The business session began with Assistant Clerk Ernie Lewis reading from Deuteronomy 6:5-13 and leading in prayer.

Ron Hunter gave the NYC report (page 26). Motion carried to receive the report.

The clerk read the Registration report (page 27). Motion carried to receive the report.

The clerk read the Obituary Committee report (pages 28-29) followed by a video presentation of deceased ministers from our state associations. The congregation stood for a moment of silence and Billy Walker led in prayer.

Motion carried to receive the Resolutions Committee report (pages 30-32) as printed and to act on it item by item.

Item 1 – Motion carried to object to consider.

Item 2 – Adopted.

A committee was appointed to research the moral and legal ramifications of the same-sex marriage issue as it relates to Free Will Baptists and to bring appropriate recommendations and/or documents to the 2014 convention. The committee will consist of Phil Whiteaker (AR), Robert Picirilli (TN), Brenda Evans (KY), Will Harmon (AR), Eddie Moody (NC), Keith Burden (TN), and Tim York (TN).

Item 3 – Adopted.

Item 4 – Adopted.

The clerk read the final report of the Nominating Committee. The following general officers were elected: Moderator, Tim York (TN), Assistant Moderator, William Smith (GA), Clerk, Randy Bryant (FL), Assistant Clerk, Ernie Lewis (IL).

Motion carried to adjourn and Jim Turnbough led in prayer.

Wednesday Evening – July 24, 2013

Evening worship began at 7:00 p.m. with Ken Akers sharing about Impact Tampa. Truth and Peace sang "Hope Of The Nations" as home and international missionaries came in. Larry Powell and Mark McPeak directed a commissioning service for new home and international missionaries. Executive Secretary Keith Burden prayed the commissioning prayer. The congregation, led by Chad Donoho, sang "The Solid Rock," "In Christ Alone," and "Ten Thousand Reasons." Dr. Stanley Outlaw welcomed the body, introduced the speaker, and called for the offering. The South Florida Hispanic Choir sang "Gloria" and "The Names Of Jesus." Larry Powell, director of Home Missions, brought the message from Romans 1:16-17 on "How in the World Should We Live? By Faith." "Lord, I Give You Me" was sung as the invitation and the service was dismissed in prayer by Dr. Outlaw.

Credentials Committee Report

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

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

2. From the following district associations which are entitled to be represented by three delegates: Arizona, Canada, Colorado, David Marks Heritage, Iowa, Mid-Atlantic, New Mexico, and Northwest.

3. From the following local churches which are entitled to be represented by one delegate: Waipahu Free Will Baptist Church of Hawaii, the Free Will Baptist Church of St. Croix, Virgin Islands, and the Twin Valley Free Will Baptist Church of Wisconsin.

4. We recommend that delegates from the Association of Mexico, the Northeast Association, the New Jersey local church and the South Dakota local church be seated contingent upon representation fees being paid and the report received.

5. We recommend that delegates from the Mexico Association be seated contingent upon the report received.

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

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

Submitted by the Credentials Committee:

Rick Cash (AL), Chairman

Wayne Hale (Mid-Atlantic)

Wayne Miracle (GA)

Gene Norris (MI)

Larry Reynolds (MS)

General Board Report

The General Board of the National Association of Free Will Baptists met Monday, July 22, 2013, in Ballroom A-E of the Tampa Marriott Waterside in Tampa, Florida.

As a result of this meeting, we offer the following recommendations:

1. We heard the reports of the Executive Office, ONE Magazine, Building Services, International Missions, Welch College, Randall House Publications, Board of Retirement and Insurance, Free Will Baptist Foundation, Home Missions, Master's Men, Women Nationally Active for Christ, Historical Commission, Music Commission, Media Commission, Commission for Theological Integrity, and the Budget Committee. We recommend their reports be received and budgets adopted.

2. We recommend that all ordained ministers, ordained deacons and one lay delegate be allowed to represent their church at the national convention when the church pays the representation fee.

3. We recommend Oklahoma City, Oklahoma, for the 2020 convention.

Nominating Committee Report

Free Will Baptist Foundation

2019	Replacing Brian Hurst (TN)	Hubert Stafford (GA)
	Replacing Donnie Miles (SC)	Donnie Miles (SC)
	Replacing Wendell Walley (CA)	Wendell Walley (CA)

Home Missions

2019	Replacing Jerry Atwell (MS)	Jeff Jones (NC)
	Replacing Bobby Shepherd (AR)	Frank Wiley (OK)
	Replacing Matt Upton (CA)	Frank Webster (MO)

Master's Men

2019	Replacing Ken Oleson (OK)	Ken Oleson (OK)
	Replacing Rudy Taylor (MI)	Sam Lucky (FL)
	Replacing Jason Vinson (AL)	Jason Vinson (AL)

Board of Retirement

2015	Replacing Mark Ousley (VA)	Larry Clyatt (FL)
2019	Replacing Rick Cason (GA)	Rick Cason (GA)
	Replacing Craig Cook (TN)	Mike Gladson (TN)
	Replacing Jack Ward (NC)	Randy Wilson (OK)

Commission for Theological Integrity

2014	Replacing Steve Ashby (OK)	Randy Corn (TN)
2016	Replacing Paul Harrison (TN)	W. Jackson Watts (MO)
2018	Replacing Matt Pinson (TN)	Matt Pinson (TN)

Historical Commission

2018	Replacing David Crowe (TN)	David Crowe (TN)
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Media Commission

2018	Replacing Stephen Lopes (TN)	Stephen Lopes (TN)
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General Board

2014	Indiana (Replacing Chris Clay)	Daniel Edwards
2015	Virginia (Replacing Glen Johnson)	Bruce Barnes
2016	Alabama (Replacing Rick Cash)	Rick Cash
	Arkansas (Replacing Tim Campbell)	Tim Campbell
	Association of Mexico (Replacing Luis Felipe Tijerina)	Luis Felipe Tijerina
	California (Replacing Millard Sasser)	Rick Scroggins
	Colorado (Replacing Mark Thomas)	Mark Thomas
	David Marks Heritage	Tom Jones
	Florida (Replacing Donnie Hussey)	Jim Christian
	Georgia (Replacing Wayne Miracle)	Wayne Miracle
	Idaho (Replacing Gene Kissinger)	Gene Kissinger
	Illinois (Replacing David Shores)	David Shores

Executive Committee

2014	Replacing Chris Clay (IN)	Wayne Hale (Mid-Atlantic)
2016	Replacing Tim Campbell (AR)	Tim Campbell (AR)
	Replacing David Shores (IL)	David Shores (IL)
	Replacing Rick Cash (AL)	Wayne Miracle (GA)

General Officers

Moderator: Replacing Tim York (TN)	Tim York (TN)
Assistant Moderator: Replacing William Smith (GA)	William Smith (GA)
Clerk: Replacing Randy Bryant (FL)	Randy Bryant (FL)
Assistant Clerk: Replacing Ernie Lewis (IL)	Ernie Lewis (IL)

Nominating Committee

Mike Wade (OK), Chairman	
Larry Reynolds (MS)	Ron Helms (MI)
Tim Owen (FL)	Stan Bunch (MO)
Will Harmon (AR)	Jeff Davis (TN)

Budget Committee Report

The National Association of Free Will Baptists, Inc., has approved in this convention the following budgets for 2014:

Executive Office (Includes:)		\$853,200.00
Administrative	\$425,200.00	
Convention	<u>428,000.00</u>	
Free Will Baptist Foundation		714,759.00
Home Missions		5,000,000.00
International Missions		7,250,000.00
Master's Men		148,443.00
Retirement and Insurance		475,000.00
Randall House Publications		5,016,500.00
Welch College		5,188,988.00
(Includes \$1,355,000.00 in unrestricted gifts)		
Commission for Theological Integrity		8,850.00
Historical Commission		3,860.00
Media Commission		3,000.00
Music Commission		<u>3,575.00</u>
TOTAL		\$ 24,666,175.00

All these ministries receive funds through The Together Way Plan except Randall House Publications 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:

International Missions	23.0%
Welch College	23.0%
Home Missions	18.0%
Master's Men	14.0%
Retirement and Insurance	14.0%
Free Will Baptist Foundation	6.0%
Commission for Theological Integrity	0.5%
Historical Commission	0.5%
Media Commission	0.5%
Music Commission	<u>0.5%</u>
TOTAL	100.0%

Respectfully Submitted, Your Servants,

Keith Burden, Executive Secretary
David Brown, General Director of Free Will Baptist Foundation
Larry Powell, General Director of Home Missions Department
Clint Morgan, General Director of International Missions Department
Kenneth Akers, General Director of Master's Men Department
D. Ray Lewis, General Director of Retirement and Insurance Department
Ron Hunter, General Director of Randall House Publications
Matt Pinson, President of Welch College

National Youth Conference Report

Registration Total: 3,581

NYC Attendee	1,907
NYC Child Attendee	120
NYC Grades 1-3	271
NYC Grades 4-6	348
NYC Grades 7-12	652
NYC Preschool Worship	104
NYC Staff	179

Competitive Activity Entries: 975

Reach That Guy

Volunteers (318)
Hours Worked (1,162)
Opportunities
Seffner Christian Academy
Landscaping; cleaned classrooms; worked on sports fields
New Hope FWB Church
Canvassed neighborhoods; 600 flyers in 2 neighborhoods
Bethesda Ministries
Stocked food pantry; organized closets
Echo
Habitat for Humanity
Metropolitan Ministries
Blood Drive

Buck-A-Week

Total Tuesday Offering (\$3,469.18)
2014 Ministries: M Team Spain; Myers Family in Dallas, TX

Total Truth & Peace Participants (105)

YET

Total Participants (13)
Miles traveled (3,400)
Ministries Served
Home Missions Churches
Mobile, AL; Tallahassee, FL; Clarksville, TN
Church Camp in Sumpterville, FL
FWB Family Ministries in Greeneville, TN
150 altar responses
4 salvations; 1 call to ministry

Moments

Preschool

Parent quote: "My son has come back to the room every night wanting to teach us about the Armor of God. Thank you for more than babysitting. The Bible has come to life for my 3-year-old this week."

456 Worship

More than 30 decisions/responses

Raised over \$230 for World Vision to allow 3 orphans in Africa to get an education and learn about Christ.

NYC Services

Responses every night

6 students were able to give "Stand Up Stories" from the stage about a time when they were able to do something difficult because of their faith in God.

Registration Report

National Convention

Board/Commission Member	44
Licensed Minister	22
Local Church Delegate	6
NAFWB Attendee	2460
NAFWB Staff	21
Ordained Deacon	83
Ordained Minister	495
State Delegate	75
Total	3206

National Youth Conference

NYC Attendee	1904
NYC Child Attendee	120
NYC Grades 1-3	271
NYC Grades 4-6	348
NYC Grades 7-12	652
NYC Preschool Worship	104
NYC Staff	181
Total	3580

Women Nationally Active For Christ

WNAC Attendee	440
WNAC Local Delegate	22
WNAC Missionary	53
WNAC National Executive Committee	6
WNAC Staff	1
WNAC State Delegate	113
WNAC State Field Worker	7
WNAC State President	11
Total	653

Total Unduplicated Attendance: 4850

Obituary Committee Report

January 1 - December 31, 2012

Ministers

Alabama

- Woodrow Matthews
- William E. Atkinson

Arkansas

- Terrell Holland
- Johnny L. Jones

California

- John Hibbard

Florida

- Reggie Palmer

Georgia

- W.G. Turner
- Ralph Lightsey
- Willie Dawson

Illinois

- Daniel McEvers

Kentucky

- Fred Taylor

Missouri

- Al Helm
- John Postlewaite
- Billy McClintock
- Hershel Freeman

North Carolina

- J.B. Ellis
- Archie Ratliff
- Robert Durham
- Albert Rollins

Ohio

- Willie E. Holley
- Herb Davis

- Kermit Blankenship
- James A. Hayes
- Forrest Chamberlin
- Dearl Porter
- Frederick Taylor
- Crate Sparks
- Clyde Thompson

Oklahoma

- James O. Williams
- Maxi Adair

Tennessee

- Ernest Sawyer
- Richard Adams
- Ralph Hampton

Texas

- Harold Teague

Virginia

- Robert Worley
- Eddie Sturgill
- Jerry Hayes
- Clifford M. Bevins
- Clarence Douglas (Doug) McCracken
- Fred Bates

West Virginia

- Roy Adkins
- Kermit Blankenship
- Norman Booth
- Douglas Cook
- Elmer Nelson, Jr.
- William Press Vance

Non-Ministers

Arkansas

- John Stovall, Jr.
- Bobby Cooper
- Winford Sturch
- Wayne Sanders

California

- Evelyn Smith
- Susie Lee
- Susan Dunn
- Tom Barton
- Edith Denton
- Beulah Roads
- Lourdina Farmer

Missouri

- James Cameron
- Cecil Pete Campbell
- Jesse Young

North Carolina

- Norman Bagwell
- Manuel Brittian
- Frances Dossier
- George Jenkins
- Bill Swadder
- Kenneth Krietemeyer

- Georgia Phillips
- Diane Whisnant
- Alton Conner
- Barbara Caraway
- Margaret Wright
- Faye Spurrier
- Josie Shelton
- Jesse Mae Harris
- Richard Bridgman
- Dennis Manning
- Mack Lamm
- Jack Forlines
- Jerry Patrick
- Ronnie Barefoot
- Frances Stancill

Obituary Committee:

- Billy Walker (TN), Chairman
- Doug Snipps (SC)
- Tom Jones (David Marks Heritage)
- Rodney Brazil (MS)
- Jerry Hall (GA)

Resolutions Committee Report

Resolution #1 (Motion carried to object to consider.)

The West Virginia State Association of Free Will Baptists asks that the National Association of Free Will Baptists abide by Resolution #2, in all services at the National level (including Youth, WNAC, and all speakers and events).

Resolution #2

REGARDING VARIOUS TRANSLATIONS

Whereas,

There is confusion caused among our people by many modern translations of the Bible;

Whereas,

Many of these translations are not reliable or trustworthy; therefore,

Be it resolved:

That we urge our people to use the King James Version of the Bible in the public services.

Passed in Tulsa, OK
July 11-15, 1976

Resolution #2 (Motion carried to adopt.)

From the General Board

Whereas, the National Association of Free Will Baptists has adopted a clear, biblical position regarding marriage¹, while at the same time proclaiming the sufficiency of God's grace to regenerate and transform any person regardless of their lifestyle,

And, in light of the fact that the June 26, 2013, rulings by the United States Supreme Court are in direct contradiction to our stated position,

Therefore, be it resolved that the National Association of Free Will Baptists reaffirm its commitment to biblical marriage and decry the rulings of the United States Supreme Court as well as all present and future moral and legal implications that may result from that ruling.

Furthermore, be it resolved that the moderator appoint a special seven-member committee to research the moral and legal ramifications of same-sex marriage as it relates to Free Will Baptists, and bring appropriate recommendations and/or documents to the 2014 Free Will Baptist Convention in Fort Worth, Texas, for consideration.

Resolution #3 (Motion carried to adopt.)

Whereas, for over 100 years, the Boy Scouts of America has been an organization that has sought to build character and leadership through teaching and exemplifying high moral values and ethical standards and,

Whereas, the Scout Oath pledges to God to uphold values consistent with Christian principles and loyalty to country and service to others, and

Whereas, the National Council of the Boy Scouts voted on May 23, 2013, to approve new membership guidelines that state, "no youth may be denied membership in the Boy Scouts of America on the basis of sexual orientation or preference alone," and

Whereas, Free Will Baptist Churches may currently sponsor or endorse Boy Scouts troops, and

Whereas, Scriptures are explicit about the opposition of all forms of sexual immorality, including fornication, adultery, and homosexuality, and

Whereas, Free Will Baptists doctrine would be inconsistent with the position of Boy Scouts of America concerning homosexual membership,

Be it resolved, that we strongly encourage all of our churches to cease support and sponsorship of the Boy Scouts of America, and

Be it resolved, that we encourage our churches to pray for this organization that they may soon reverse this decision.

Resolution #4 (Motion carried to adopt.)

Whereas, the Executive Office has successfully planned and provided

another encouraging national convention; and

Whereas, all of our national departments have encouraged us with their respective reports; and

Whereas, the Florida State Association of Free Will Baptists and their Executive Director, Rev. Randy Bryant, his staff, and his volunteers have graciously hosted this 2013 convention;

Be it resolved, that this body show its appreciation by a rising vote of thanks.

Resolutions Committee:

Tim Campbell (AR), Chairman

Earl White (WV)

Darin Gibbs (NC)

Paul Harrison (TN)

Roger Ballard (OK)

¹ *Treatise of the Faith and Practices of the National Association of Free Will Baptists, Inc.* Appendix to Chapter IV, Section 1, adopted July 2008*

*APPENDIX TO CHAPTER IV, SECTION I
Adopted July, 2008

Both Scripture and nature as designed by God affirm the lifelong, covenantal union of one man, being male and as created by God, and one woman, being female as created by God, in a one-flesh relationship. This one flesh relationship is emblematic of the union of Christ and His church. It 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 or homosexual, premarital or extramarital, contravene the divine plan for the family and for the conception and rearing of children, bringing spiritual despair, guilt, and death to individuals and cultures.¹⁷⁰

¹⁷⁰ Genesis 1:26-28; 2:18, 20-25; Exodus 20:14; Deuteronomy 5:18; Matthew 19:4-6; Romans 1:18-32; 1 Corinthians 7:1-5; Ephesians 5:21-33; 1 Thessalonians 4:3-5; Hebrews 13:4.

The Executive Secretary's Report 2012

The National Association of Free Will Baptists is not just an annual event, a denominational organization or a legal entity—it is more than 2,300 local churches comprised of almost 200,000 believers who are having an impact for Christ. Souls are being saved, Christians are growing in their faith, and through their cooperative efforts the hands of Jesus are being extended around the world. I'm proud to be a Free Will Baptist!

During 2012 the executive office received and distributed funds given to various denominational ministries. The generous, faithful support of churches and individuals make it possible for us to accomplish more collectively than we can alone. We stand deeply indebted to those who undergird us with their finances.

This convention is a prime example of what can be accomplished through the collaborative efforts of our people. It would be impossible to have this annual meeting were it not for the scores of volunteers who capably serve alongside our staff. College interns, registration workers, musicians, ushers, and others sacrificially give of their time and efforts to make this week a success.

Another example of working together cooperatively is *ONE Magazine*. Every national agency contributes to this publication. Currently, it is sent to more than 55,000 homes bi-monthly and the online version has a steadily growing readership. We are communicating more effectively with our constituents than ever before. It is proving to be one of the best things we have ever done as a denomination.

We are saying goodbye to some very special individuals at this year's convention:

- Dari Goodfellow will officially retire from the executive office October 31st after 22 years of service.
- Chris Truett has stepped aside as convention music coordinator after serving in that capacity for ten years.
- Mike Anderson is hanging up his hat after a lengthy tenure as convention recording coordinator.
- Rick Cash has faithfully served four consecutive terms as a member of the executive committee and is ineligible for re-election.

This year's auditor's report will reflect a strong, stable financial picture for the executive office. While economic uncertainty looms on the horizon, the proposed budgets for 2014 are optimistic yet conservative.

The theme for this convention is especially relevant in light of the current moral climate in our nation. As spiritual darkness becomes more pronounced we have a greater opportunity for our lights to shine even brighter. May we appropriate His grace as we *live soberly, righteously, and godly in this present world*.

Keith Burden, CMP
Executive Secretary

Tracking The Together Way Totals

	DESIGNATED		CO-OP		TOTAL	
2003	3,515,300.09 82%	8.04%	770,780.99 18%	4.34%	4,286,081.08	7.35%
2004	3,631,305.92 82%	3.30%	782,642.76 18%	1.54%	4,413,948.68	2.98%
2005	3,946,786.84 83%	8.69%	813,333.89 17%	3.92%	4,760,120.73	7.84%
2006	4,193,622.91 83%	6.25%	832,178.34 17%	2.32%	5,025,801.25	5.58%
2007	4,168,077.00 83%	-0.61%	874,548.07 17%	5.09%	5,042,625.07	0.33%
2008	4,083,286.89 82%	-2.03%	892,767.28 18%	2.08%	4,976,054.17	-1.32%
2009	3,970,587.35 82%	-2.76%	877,543.24 18%	-1.71%	4,848,130.59	-2.57%
2010	3,719,114.31 82%	-6.33%	830,020.39 18%	-5.42%	4,549,134.70	-6.17%
2011	3,557,541.45 81%	-4.34%	839,056.49 19%	1.09%	4,396,597.94	-3.35%
2012	3,805,921.98 81%	6.98%	867,489.00 19%	3.39%	4,673,410.98	6.30%

The Together Way Totals Increase from 2003-2012

Designated	8.27%	CO-OP	12.55%
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Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

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

We have audited the statements of financial position of the Executive Office of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used that and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and 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 21, 2013

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

Statements of Financial Position

December 31, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash in bank	\$ 420,159	347,514
Funds held by Free Will Baptist Foundation	17,500	15,887
Receivables:		
Randall House royalties	453	383
Other departmental and agency charges	509	2,172
Total receivables	962	2,555
Inventory of "Free Will Baptist Convention Sermons"	-	4,452
Total current assets	438,621	370,408
Equipment:		
Office equipment and furniture	41,631	41,631
Automobiles	32,500	17,500
Less accumulated depreciation	74,131	59,131
	59,442	55,978
Net fixed assets	14,689	3,153
Other assets:		
Deposits for future conventions	46,131	23,447
	\$ 499,441	397,008
Current liabilities:		
Accounts payable and accrued expenses	\$ 34,568	24,774
Advance payment - Tennessee state fee for 2012 convention	-	42,000
Disaster relief funds	7,005	6,780
Funds held for Church on the Ridge building improvements	17,500	15,887
Total current liabilities	59,073	89,441
Net assets (deficit):		
Unrestricted:		
Executive Office	311,666	315,455
Net Investment in Equipment	14,689	3,153
Special Projects	61,293	60,761
Convention Fund	52,720	(71,802)
Total net assets	440,368	307,567
	\$ 499,441	397,008

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, 2012 and 2011

	Executive Office	Special Projects	Convention Fund	2012 Totals	2011 Totals
Revenues:					
The Together Way Plan	\$ 4,673,411	-	-	4,673,411	4,396,597
Disbursed to agencies and departments	(4,268,077)	-	-	(4,268,077)	(4,003,452)
Executive Office portion of Together Way Plan	405,334	-	-	405,334	393,145
Hymnal royalties	-	9,068	-	9,068	7,619
Sales:					
Free Will Baptist Convention Sermons	-	1,664	-	1,664	20,884
Gifts and offerings	2,073	-	7,393	9,466	10,967
Convention revenues	-	-	422,961	422,961	310,866
Gain from insurance proceeds	4,425	-	-	4,425	4,425
Other income	3,689	1,073	17,847	22,609	24,080
Total revenues	415,521	11,805	448,201	875,527	771,986
Cost of sales:					
Free Will Baptist Convention Sermons	-	5,425	-	5,425	39,741
Net revenues	415,521	6,380	448,201	870,102	732,245
Expenses of operations:					
Executive Office	407,774	-	-	407,774	397,447
Special Projects	-	5,848	-	5,848	5,139
Convention Fund	-	-	323,679	323,679	364,429
Total expenses	407,774	5,848	323,679	737,301	767,015
Increase (decrease) in net assets	7,747	532	124,522	132,801	(34,770)
Net assets (deficit):					
Beginning of year	318,608	60,761	(71,802)	307,567	342,337
End of year	\$ 326,355	61,293	52,720	440,368	307,567

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, 2012 and 2011

	Executive Office	Special Projects	Convention Fund	2012 Totals	2011 Totals
Expenses of operations:					
Salaries	\$ 110,719	-	80,100	190,819	191,866
Housing allowance	20,000	-	-	20,000	20,000
Employee fringe benefits and health insurance	46,007	-	-	46,007	42,286
Payroll taxes	20,334	-	213	20,547	20,457
Support to One Magazine	116,433	-	17,463	133,896	133,896
Office rental	34,077	-	-	34,077	34,077
Travel	26,596	-	33,365	59,961	61,161
Supplies, office expense	5,980	81	20,062	26,123	12,218
Copier lease	7,764	-	-	7,764	7,125
Executive Committee and General Board	7,067	-	6,650	13,717	7,492
Depreciation	3,464	-	-	3,464	1,654
Legal and audit	3,136	-	3,011	6,147	9,022
Printing and promotion	1,684	-	13,449	15,133	15,808
Postage / mail services	460	-	122	582	1,155
Telephone	3,813	-	51	3,864	3,518
International Fellowship	240	-	-	240	240
Royalties and management fee	-	5,129	-	5,129	4,338
Church directory	-	638	-	638	718
Auditorium and other convention services	-	-	144,519	144,519	192,708
Steering Committee	-	-	-	-	1,238
Publications Committee	-	-	1,413	1,413	1,633
Nominating Committee	-	-	1,661	1,661	3,005
Other	-	-	1,600	1,600	1,400
Total expenses	\$ 407,774	5,848	323,679	737,301	767,015

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities	\$ 132,801	(34,770)
Change in net assets		
Adjustments to reconcile change in net assets to net operating activities:	3,464	1,654
Depreciation	(22,684)	(500)
Change in deposits for future conventions		
(Increase) decrease in:	1,593	(335)
Receivables	4,452	(4,452)
Inventory of "Free Will Baptist Convention Sermons"		6,618
Prepaid expenses and deposits for future conventions		
Increase (decrease) in:	(42,000)	42,000
Advance payment - Tennessee state fee for 2012 convention	1,613	4,772
Funds held for Church on the Ridge building improvements	225	(29,322)
Funds held for Disaster Relief	9,794	(368)
Accounts payable and accrued expenses		
Net operating activities	89,258	(14,703)
Cash Flows from Investing Activities	(15,000)	-
Purchase of automobile		
Increase (decrease) in cash and cash equivalents	74,258	(14,703)
Cash and cash equivalents:	363,401	378,104
Beginning of year	\$ 437,659	363,401
End of year	\$ 420,159	347,514
Cash and cash equivalents consist of:	\$ 420,159	347,514
Cash in bank	17,500	15,887
Funds held by Free Will Baptist Foundation		
	\$ 437,659	363,401

See accompanying notes to financial statements.

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

December 31, 2012 and 2011

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.

As required by generally accepted accounting principles, The Executive Office reports information regarding its financial position and activities according to three classes of net assets, as applicable:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body. The amount of unrestricted net assets is presented in the statements of financial position, and the net change is presented in the statements of activities.

The Executive Office does not have amounts to report in the remaining two classes of net assets which are: Temporarily and Permanently Restricted Net Assets.

Funds received which are designated by the donor to be transferred to third parties are accounted for as liability transactions. (The Together Way Plan, Disaster Relief Funds and Church on the Ridge).

Cash and Cash Equivalents

For purposes of the statements 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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. For the years ended December 31, 2012 and 2011, funds held by Free Will Baptist Foundation were valued at market using Level 2 inputs.

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.

Accounts Receivable

Accounts receivable are deemed to be fully collectible by management and no reserve is considered necessary.

Fixed Assets

Furniture and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on 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.

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.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through March 21, 2013, the date these financial statements were available to be issued.

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

(1) Summary of Significant Accounting Policies, continued

Income Taxes

The Executive Office is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts. There is no unrelated business income for 2012 and 2011. Further, management believes that The Executive Office has no activities which will lead to income taxes being levied.

Compensated Absences

Employees of the Executive Office are entitled to paid vacation, 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.

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation. These changes, if any, had no effect on net assets as reported.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2011, from which the summarized information was derived.

(2) 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 amounts to \$10,283 in 2012 and \$9,343 in 2011. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase of one of several types of annuity contracts.

(3) Operating Leases

The Executive Office has entered into noncancelable lease arrangements relating to a copy machine. Total expenses amounted to \$7,764 in 2012 and \$7,125 in 2011. The minimum annual payments required are \$6,271 for 2012 through 2013; and \$2,614 for 2014.

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 \$34,077 in 2012 and 2011.

(4) Concentration of Credit Risk

The Executive Office serves the Free Will Baptist denomination with respect to convention planning and other administrative services. The Executive Office has an accounting risk of loss to the extent of unsecured accounts receivable and funds held by Free Will Baptist Foundation. Further, bank balances in excess of the amount of FDIC insurance are subject to risk of accounting loss. Management does not anticipate nonperformance by the financial institutions.

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

The denomination began the publication - One Magazine - in 2005 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 \$133,896 in 2012 and 2011.

(6) Commitments for Future Conventions

Contractual obligations for facility use at future conventions have been executed through 2019. Deposits amounting to \$46,131 in 2012 and \$23,447 in 2011 are recorded as other assets. Additional costs for facilities only through 2019 amount to approximately \$250,000 and are paid in the respective year of the convention.

**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 summarizes these transactions for the year ended December 31, 2012 as compared to 2011 totals.

Receipts:	2012		2011
	Designated	Cooperative	Total
Alabama	\$ 4,393	8,912	13,305
Arkansas	618,325	217,256	835,581
California	50	14,790	14,840
Colorado	-	-	-
Florida	20,968	25,177	46,145
Georgia	457,294	34,967	492,261
Illinois	167,290	23,137	190,427
Indiana	14,706	1,330	16,036
Kentucky	220	9,219	9,439
Michigan	184,615	7,132	191,747
Mississippi	500	8,759	9,259
Missouri	477,299	205,513	682,812
New Mexico	5,147	329	5,476
North Carolina	34,254	38,438	72,692
Ohio	325,717	44,052	369,769
Oklahoma	548,304	178,199	726,503
South Carolina	656,304	544	656,848
Tennessee	137,462	31,029	168,491
Texas	130,961	7,044	138,005
Virginia	54	3,044	3,098
West Virginia	3,677	3,516	7,193
Canada	17,555	906	18,461
Contributions totaling \$2,500 or less	827	4,196	5,023
Total receipts	\$ 3,805,922	867,489	4,673,411
Disbursements:			
Executive Office	\$ 14,964	390,370	405,334
Welch College	270,274	109,737	380,011
FWB Foundation	442	28,627	29,069
Home Missions	799,459	85,881	885,340
International Missions	2,568,723	109,736	2,678,459
Master's Men	7,900	66,797	74,697
Retirement & Insurance	4,403	66,797	71,200
Commission for Theological Integrity	745	2,386	3,131
Historical Commission	453	2,386	2,839
Media Commission	749	2,386	3,135
Music Commission	842	2,386	3,228
Hillsdale Free Will Baptist College	37,358	-	37,358
Other	99,610	-	99,610
Total disbursements	\$ 3,805,922	867,489	4,673,411

**2014
EXECUTIVE OFFICE
ADMINISTRATIVE BUDGETS
FINANCIAL REPORT**

	2012 Budget	2012 Actuals*	2013 Budget	2014 Budget
PROJECTED EXPENSES				
Salaries	\$185,659.55	\$188,039.52	\$214,758.70	\$193,968.20
Housing	20,000.00	20,000.04	20,000.00	20,000.00
Social Security	20,641.72	20,333.52	22,965.99	21,475.63
Retirement	7,074.64	10,282.82	11,625.49	10,698.41
Employees Insurance	35,998.71	33,585.81	41,140.53	45,917.75
(Dental/Disability/Health/Life/Travel)				
Convention Reimbursements	-77,151.71	-77,320.50	-96,736.26	-83,116.07 **
Auditing/Legal	3,100.00	3,136.00	3,986.00	4,000.00
Copier Lease	7,600.00	7,763.96	7,400.00	7,400.00
Equipment Maintenance	100.00	0.00	100.00	100.00
Computer Supplies	2,000.00	2,165.23	2,500.00	2,500.00
Executive Committee	2,500.00	2,402.40	2,500.00	2,500.00
General Insurance	2,250.00	2,138.07	3,000.00	2,500.00
Int'l. Fellowship of FWB Churches	240.00	240.00	240.00	240.00
Leadership Conference	25.00	0.00	25.00	0.00
Office Rental	34,076.88	34,076.88	34,076.88	34,674.72
(\$1.16 per sq. ft. x 2,491)				
Office Supplies/Expense	1,750.00	1,280.17	1,500.00	1,500.00
Other	51.77	10.00	0.00	0.00
Postage	700.00	460.07	750.00	500.00
Printing	700.00	1,227.56	1,000.00	1,000.00
Promotion	500.00	456.89	750.00	600.00
Books/Dues/Registrations	2,000.00	2,534.84	2,500.00	2,500.00
Telephone	3,250.00	3,813.20	3,250.00	3,800.00
Travel	30,000.00	26,595.51	27,000.00	28,000.00
Christmas Bonus (Extra Week's Salary)	0.00	0.00	0.00	0.00
Extra Week Ret. in lieu of 4th week vacation beginning 16th year of service	0.00	0.00	1,641.22	0.00
One Magazine	116,433.44	116,433.48	116,433.44	116,433.44
Contingency Fund	0.00	0.00	0.00	8,007.92
Totals	\$399,500.00	\$399,655.47	\$422,406.99	\$425,200.00
PROJECTED INCOME				
The Together Way Plan				
Cooperative Gifts	\$375,000.00	\$390,370.02	\$385,000.00	\$401,700.00
Designated Gifts	16,000.00	14,963.77	16,500.00	15,000.00
Travel Reimbursement	1,000.00	1,641.82	1,000.00	1,000.00
Other Income	7,500.00	8,544.76	10,000.00	7,500.00
Surplus Revenue	0.00	0.00	9,906.99	0.00
Totals	\$399,500.00	\$415,520.37	\$422,406.99	\$425,200.00

*Budget comparison does not include depreciation expense.

**Expenses included in Convention Reimbursements consists of the following:
Convention Manager, Registration Coordinator's Compensation Packages.

SALARY BREAKDOWN

	2012		2013		2014	
Executive Secretary						
Salary	\$44,166.77		\$45,450.11	2.00%	\$46,759.11	2.00%
Housing and Utilities	20,000.00		20,000.00		20,000.00	
Social Security	9,817.52	15.30%	10,013.87	15.30%	10,214.14	15.30%
Retirement	0.00		3,272.51	5.00%	3,337.96	5.00%
Insurance (Health/Dental/Life)	6,852.13		7,303.16		8,886.24	
Disability/Travel	474.75		471.98		449.43	
Christmas Bonus	0.00		0.00		0.00	
NOTE: Office car furnished.						
	81,311.17		86,511.62		89,646.88	
Executive Administrator						
Salary	57,822.83		58,979.29	2.00%	60,158.87	2.00%
Social Security	4,423.45	7.65%	4,511.92	7.65%	4,602.15	7.65%
Retirement	2,891.14	5.00%	2,948.96	5.00%	3,007.94	5.00%
Insurance (Health/Dental/Life)	13,512.31		14,444.89		17,588.74	
Disability/Travel	407.83		406.80		410.49	
Christmas Bonus	0.00		0.00		0.00	
NOTE: Office car furnished.						
	79,057.56		81,291.86		85,768.19	
Executive Accountant						
Salary	45,454.15		46,363.23	2.00%	47,290.50	2.00%
Social Security	3,477.24	7.65%	3,546.79	7.65%	3,617.72	7.65%
Retirement	2,272.71	5.00%	2,318.16	5.00%	2,364.52	5.00%
Insurance	7,129.02		7,591.32		9,242.06	
Disability	268.18		273.54		279.01	
Christmas Bonus	0.00		0.00		0.00	
	58,601.30		60,093.05		62,793.82	
Yearbook Coordinator/ Registration Coordinator						
Salary	38,215.80		38,980.12	2.00%	39,759.72	2.00%
Vacation Days/Retirement	0.00		2,248.85		0.00	
Social Security	2,923.51	7.65%	3,154.02	7.65%	3,041.62	7.65%
Retirement	1,910.79	5.00%	1,949.01	5.00%	1,987.99	5.00%
Insurance	7,129.02		7,591.32		8,827.20	
Disability	225.47		229.98		234.58	
Christmas Bonus	0.00		0.00		0.00	
	50,404.59		54,153.30		53,851.11	
Assistant Yearbook Coordinator/ Registration Coordinator						
Salary	0.00		22,737.10	2.00%	0.00	
Social Security			1,739.39	7.65%		
Retirement			1,136.86	5.00%		
Insurance			4,428.27			
Disability			134.15			
Christmas Bonus			0.00			
			30,175.77			

CONVENTION BUDGETS Financial Report National Association of Free Will Baptists, Inc. July 21-24, 2013 Tampa, Florida

	2012 Budget	2012 Actuals*	2013 Budget
PROJECTED REVENUE			
Booth Fees	\$26,000.00	\$29,088.00	\$26,000.00
Host State (Florida)	42,000.00	45,000.00	30,000.00
Local Church Representation Fees (\$150)	1,000.00	900.00	1,000.00
Offerings	8,500.00	7,392.59	7,500.00
Printing Income	9,000.00	10,004.00	10,000.00
Reimbursements	6,500.00	7,057.25	6,500.00
State Representation Fees (\$150 per church)	340,000.00	337,969.50	335,000.00
Truck Reimbursement	2,000.00	2,109.68	4,500.00
Other	500.00	8,689.00	7,500.00
TOTALS	435,500.00	448,210.02	428,000.00
PROJECTED EXPENDITURES			
Auditorium	164,466.60	122,703.28	182,950.00
Printing and Promotion	31,563.47	30,911.31	31,213.47
Convention Office	142,473.00	102,627.40	119,858.90
Convention Personnel			
Meals	4,512.00	4,548.34	5,734.00
Travel	5,410.25	4,837.32	9,872.23
Lodging	3,462.97	-341.29	3,419.18
Convention Officials	4,747.34	4,971.82	5,291.72
Volunteer Staff	5,776.98	5,897.17	5,251.96
Honorariums	1,600.00	1,600.00	1,600.00
Decorator Services	9,350.00	12,398.52	19,430.00
Meal Functions	1,917.84	1,862.94	2,528.54
Executive Committee			
Meal and Motel Expenses	3,200.00	3,200.00	3,600.00
Pre-Convention Expenses	21,000.00	22,252.38	22,250.00
National Committee Expenses	15,000.00	10,872.15	15,000.00
Sub-Totals	414,480.45	328,341.34	428,000.00
Surplus Revenue	21,019.55	119,868.68	0.00
(Operating Capital for Future Conventions)			
TOTALS	\$435,500.00	\$448,210.02	\$428,000.00

*Budget comparison does not include depreciation expense.

CONVENTION BUDGETS
Financial Report
National Association of Free Will Baptists, Inc.
July 21-24, 2013
Tampa, Florida

	2012 Budget	2012 Actuals	2013 Budget
PROJECTED REVENUE			
Booth Fees	\$26,000.00	\$29,088.00	\$26,000.00
Host State (Florida)	42,000.00	45,000.00	30,000.00
Local Church Representation Fees (\$150)	1,000.00	900.00	1,000.00
Offerings	8,500.00	7,392.59	7,500.00
Printing Income	9,000.00	10,004.00	10,000.00
Reimbursements	6,500.00	7,057.25	6,500.00
State Representation Fees (\$150 per church)	340,000.00	337,969.50	335,000.00
Truck Reimbursements	2,000.00	2,109.68	4,500.00
Other	500.00	8,689.00	7,500.00
TOTALS	435,500.00	448,210.02	428,000.00
PROJECTED EXPENDITURES			
AUDITORIUM			
Rental/Arena/Meeting Space	44,341.60	9,419.00	65,000.00
Flowers	500.00	328.91	500.00
Other			
First Aid Staff	3,500.00	3,480.00	3,500.00
Liability, ASCAP, BMI, CCLI Insurance	1,000.00	1,587.84	1,500.00
Music/Equipment	3,500.00	3,064.11	4,600.00
Offering Buckets	100.00	0.00	100.00
Signs	100.00	0.00	100.00
Sound System/Stage Hands/AV Equipment	87,000.00	83,776.30	91,000.00
Boom/Rigging	15,000.00	10,060.00	6,000.00
Usher Badges/Usher Room Table, Chairs	100.00	150.00	150.00
Police Security/Badge Checkers	7,000.00	7,187.25	7,000.00
Streaming Video Expense	1,725.00	2,063.00	2,000.00
General Board AV	600.00	1,586.87	1,500.00
TOTALS	164,466.60	122,703.28	182,950.00
PRINTING AND PROMOTION			
Convention Materials			
Digest of Reports	8,000.00	8,522.18	8,500.00
Programs	3,000.00	3,074.41	3,250.00
Photos	100.00	0.00	0.00
Pre-Convention Printing/Art	3,000.00	1,851.24	2,000.00
ONE Magazine	17,463.47	17,463.48	17,463.47
TOTALS	31,563.47	30,911.31	31,213.47

	2012 Budget	2012 Actuals	2013 Budget
CONVENTION OFFICE			
Audit	\$5,000.00	\$3,010.56	\$3,500.00
Convention Manager Package	65,264.68	63,575.76	65,264.68
Office Car	12,000.00	0.00	0.00
Convention Manager Computer	3,000.00	3,023.77	1,000.00
Convention Courtesy Car	50.00	0.00	50.00
Equipment Rentals			
Computers, Printers	900.00	908.03	900.00
Copiers (3)/Paper	3,095.00	3,075.50	3,200.00
Furniture/Radios, etc.	1,775.00	1,668.00	1,500.00
Information Tables	88.00	0.00	100.00
Media Room/Press Office Tables	200.00	160.00	300.00
Office Expense/Supplies	3,800.00	1,727.07	1,450.00
Postage	500.00	121.80	200.00
Pre-Registration Salaries	29,235.09	12,768.00	29,235.09
Payroll Taxes	2,236.48	976.75	2,236.48
Pre-Registration Staff	3,696.00	2,779.00	1,368.00
Payroll Taxes	282.74	212.59	104.65
Pre-Registration (Supplies, Postage)	8,000.00	6,178.07	6,500.00
Registration (Supplies)	1,500.00	641.92	600.00
Registration Computers/Printers	1,750.00	1,750.00	1,750.00
Telephone/Internet	100.00	50.58	600.00
TOTALS	142,473.00	102,627.40	119,858.90
CONVENTION PERSONNEL			
MEALS			
Debbie Burden (24 meals @ \$14.00 each)	288.00	288.00	336.00
Keith Burden (33 meals @ \$14.00 each)	396.00	396.00	462.00
Bud Estes (21 meals @ \$14.00 each)	0.00	0.00	294.00
Vernon Florence (18 meals @ \$12.00 each)	216.00	216.00	0.00
Dari Goodfellow (24 meals @ \$14.00 each)	288.00	288.00	336.00
Melody Hood (27 meals @ \$14.00 each)	324.00	324.00	378.00
Ryan Lewis (33 meals @ \$14.00 each)	396.00	396.00	462.00
Steve Pate (18 meals @ \$14.00 each)	216.00	216.00	252.00
Eric Thomsen (27 meals @ \$14.00 each)	288.00	288.00	378.00
Anna York (24 meals @ \$14.00 each)	0.00	0.00	336.00
Convention Interns (8)	2,100.00	2,136.34	2,500.00
TOTALS	4,512.00	4,548.34	5,734.00
TRAVEL			
Debbie Burden	0.00	0.00	318.30
Keith Burden	250.00	55.50	318.30
Bud Estes	0.00	0.00	500.00
Vernon Florence	527.25	527.25	0.00
Dari Goodfellow	250.00	250.00	400.00
Melody Hood	250.00	250.00	400.00
Music Coordinator	0.00	0.00	272.30
Ryan Lewis	250.00	133.65	350.00
Steve Pate	250.00	250.00	400.00
Eric Thomsen	250.00	250.00	400.00
Anna York	0.00	0.00	400.00
Convention Truck (Fuel/Meals/Trailer Rental)	2,583.00	2,434.26	4,763.33
Staff Expense Money	800.00	686.66	1,350.00
TOTALS	5,410.25	4,837.32	9,872.23
LODGING			
Keith Burden	198.00	218.50	0.00
Bud Estes (6 nights @ \$88.73)	0.00	0.00	532.38
Vernon Florence (5 nights @ \$123.63)	618.15	431.88	0.00
Dari Goodfellow	126.00	152.95	0.00
Melody Hood (1 night @ \$88.73)	144.00	175.93	88.73
Ryan Lewis	198.00	218.50	0.00
Steve Pate	70.00	40.00	0.00
Eric Thomsen (1 night @ \$88.73)	126.00	0.00	264.73
Anna York	0.00	0.00	0.00
Convention Interns (14 nights @ \$133.88)	1,982.82	1,760.02	2,533.34
Comp Rooms	0.00	3,339.07	0.00
TOTALS (Includes applicable tax and parking)	3,462.97	-341.29	3,419.18

	2012 Budget	2012 Actuals	2013 Budget
CONVENTION OFFICIALS			
Moderator - Tim York			
Travel	\$250.00	\$250.00	\$400.00
Meals (21 meals @ \$14.00 each)	216.00	216.00	294.00
Lodging (6 nights @ \$110.73)	108.00	157.28	664.38
Honorarium	<u>400.00</u>	<u>400.00</u>	<u>450.00</u>
	974.00	1,023.28	1,808.38
Clerk - Randy Bryant			
Travel	500.00	500.00	158.20
Meals (21 meals @ \$14.00 each)	216.00	216.00	294.00
Lodging (6 nights @ \$110.73)	741.78	787.09	664.38
Honorarium	<u>400.00</u>	<u>400.00</u>	<u>450.00</u>
	1,857.78	1,903.09	1,566.58
Assistant Moderator - William Smith			
Meals (21 meals @ \$14.00 each)	216.00	216.00	294.00
Lodging (6 nights @ \$110.73)	<u>741.78</u>	<u>806.70</u>	<u>664.38</u>
	957.78	1,022.70	958.38
Assistant Clerk - Ernie Lewis			
Meals (21 meals @ \$14.00 each)	216.00	216.00	294.00
Lodging (6 nights @ \$110.73)	<u>741.78</u>	<u>806.75</u>	<u>664.38</u>
	957.78	1,022.75	958.38
TOTALS (Includes applicable tax and parking)	4,747.34	4,971.82	5,291.72
VOLUNTEER STAFF			
Impact Coordinator - Ken Akers			
Lodging (7 nights @ \$110.73)	865.41	943.40	775.11
Keyboardist - Deena Armstrong			
Lodging (5 nights @ \$110.73)	618.15	573.95	553.65
Music Coordinator - Kevin Justice			
Lodging (6 nights @ \$88.73)	741.78	118.02	532.38
Photographer - Rodney Yerby			
Lodging (6 nights @ \$110.73)	741.78	808.94	664.38
Pianist - Brian Floyd			
Lodging (5 nights @ \$88.73)	618.15	573.95	443.65
Taping - Mike Anderson			
Lodging (7 nights @ \$88.73)	865.41	1,303.53	621.11
Translator Rooms			
Lodging (5 nights @ \$110.73)	618.15		553.65
Lodging (5 nights @ \$88.73)	90.00	742.18	443.65
Usher Coordinator - Johnny Fowlkes			
Lodging (6 nights @ \$110.73)	<u>618.15</u>	<u>833.20</u>	<u>664.38</u>
TOTALS (Includes applicable tax and parking)	5,776.98	5,897.17	5,251.96
HONORARIUMS			
Tim Owen	200.00	200.00	200.00
Randy Riggs	200.00	200.00	200.00
Donnie Miles	200.00	200.00	200.00
Will Beauchamp	200.00	200.00	200.00
Larry Clyatt	200.00	200.00	200.00
Larry Powell	200.00	200.00	200.00
Pastor's Conference Speaker-Oral McAfee	200.00	200.00	200.00
Pastor's Conference Speaker-Tim Stout	<u>200.00</u>	<u>200.00</u>	<u>200.00</u>
TOTALS	1,600.00	1,600.00	1,600.00

	2012 Budget	2012 Actuals	2013 Budget
DECORATOR SERVICES			
Booth (75) Installation/Draped Tables/Union	\$4,000.00	\$5,264.56	\$7,200.00
Exhibitor Badges	100.00	0.00	100.00
Registration	2,000.00	3,061.05	2,000.00
Chairs, Counters, Skirted Tables, Carpet	750.00	475.00	650.00
Electricity/Masking Drape			
Stage	1,500.00	2,867.91	4,000.00
Platform/Carpet	0.00	0.00	4,000.00
Risers	300.00	105.00	300.00
Skirted Tables/Chairs	500.00	0.00	780.00
Skirting/Draping	<u>200.00</u>	<u>625.00</u>	<u>400.00</u>
Forklift			
TOTALS	9,350.00	12,398.52	19,430.00
MEAL FUNCTIONS			
Executive Committee	1,756.80	1,701.90	2,388.24
Dinner (36 people @ \$66.34)			
Presidents' Breakfast	<u>161.04</u>	<u>161.04</u>	<u>140.30</u>
(5 people @ \$28.06)			
TOTALS	1,917.84	1,862.94	2,528.54
EXECUTIVE COMMITTEE			
MEAL AND MOTEL EXPENSES			
(For the Executive Committee Meeting prior to the 2013 National Convention)			
Stan Bunch	0.00	0.00	450.00
Tim Campbell	400.00	400.00	450.00
Rick Cash	400.00	400.00	450.00
Chris Clay	400.00	400.00	0.00
Gary Fry	0.00	400.00	0.00
Glen Johnson	400.00	400.00	0.00
Glenn Poston	0.00	0.00	450.00
David Shores	400.00	400.00	450.00
Todd Smith	0.00	0.00	450.00
Venny VanHoose	400.00	400.00	450.00
Mike Wade	400.00	400.00	450.00
Keith Woody	<u>400.00</u>	<u>0.00</u>	<u>0.00</u>
TOTALS	3,200.00	3,200.00	3,600.00
PRE-CONVENTION EXPENSES			
Impact Tampa	1,000.00	1,413.11	2,250.00
Pre-Convention Meetings/Site Inspections	<u>20,000.00</u>	<u>20,839.27</u>	<u>20,000.00</u>
TOTALS	21,000.00	22,252.38	22,250.00
NATIONAL COMMITTEE EXPENSES			
Executive Committee	11,000.00	9,211.25	12,000.00
Nominating Committee	<u>4,000.00</u>	<u>1,660.90</u>	<u>3,000.00</u>
TOTALS	15,000.00	10,872.15	15,000.00
SUB-TOTALS	414,480.45	328,341.34	428,000.00
SURPLUS REVENUE			
(Operating Capital for Future Conventions)	<u>21,019.55</u>	<u>119,868.68</u>	<u>0.00</u>
GRAND TOTALS	\$435,500.00	\$448,210.02	\$428,000.00

2012
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	\$459.22	\$277.00	\$246.87	\$466.88	\$281.12	\$238.00	\$429.11	\$344.38	\$245.17	\$542.48	\$219.82	\$260.22	\$4,010.27
Arkansas	6,674.23	8,557.57	9,643.69	7,230.32	7,660.49	9,863.39	6,602.99	9,281.80	7,139.97	6,826.07	8,712.93	9,771.74	97,765.19
Arizona	0.00	0.00	130.50	0.00	0.00	0.00	0.00	0.00	45.00	0.00	40.50	0.00	216.00
California	512.10	537.21	503.50	1,099.24	333.61	625.00	372.65	729.02	210.22	365.42	707.32	660.00	6,655.29
Canada	22.34	64.66	42.77	0.00	51.30	82.33	46.89	52.61	45.17	0.00	0.00	0.00	408.07
Florida	4.50	6,824.99	450.00	450.00	450.00	450.00	450.00	450.00	450.00	450.00	450.00	450.00	11,329.49
Georgia	1,749.36	1,329.51	1,470.26	1,188.02	1,557.87	1,177.67	1,535.44	1,250.51	984.19	1,396.02	895.68	1,220.78	15,735.31
Illinois	1,026.72	1,100.86	745.29	855.36	1,071.57	747.89	591.54	1,029.01	818.03	850.30	943.90	631.00	10,411.47
Indiana	206.10	41.72	144.90	0.00	149.40	0.00	24.57	0.00	0.00	31.50	0.00	0.00	598.19
Kansas	41.13	47.35	0.00	52.95	0.00	0.00	44.62	39.77	0.00	28.45	0.00	43.90	298.17
Kentucky	407.67	315.84	267.00	463.09	303.99	278.66	353.32	343.43	440.85	0.00	565.65	408.89	4,148.39
Michigan	85.67	357.01	415.54	286.13	112.05	405.14	149.86	509.60	126.12	383.25	379.07	0.00	3,209.44
Missouri	8,777.17	7,757.33	7,228.81	7,653.51	8,298.08	8,542.06	7,018.33	8,811.95	5,105.43	10,003.88	8,048.93	5,235.16	92,480.64
Mississippi	258.70	299.51	221.61	341.13	0.00	800.15	302.11	0.00	726.74	0.00	705.25	286.29	3,941.49
North Carolina	1,263.37	1,086.60	1,308.28	1,825.89	1,269.22	428.40	1,436.55	1,285.38	2,100.27	1,491.70	2,276.31	1,525.26	17,297.23
New Mexico	18.66	17.54	12.22	0.00	0.00	0.00	60.35	13.34	0.00	25.76	0.00	0.00	147.87
Ohio	1,623.03	1,582.31	1,800.78	1,335.42	2,285.97	1,435.29	1,434.43	1,753.44	945.27	1,796.06	2,098.38	1,733.14	19,823.52
Oklahoma	7,579.04	6,084.14	6,377.88	5,695.57	8,543.18	7,647.99	5,030.58	8,360.76	5,768.33	6,389.82	7,518.37	5,194.08	80,189.74
Oregon	36.00	90.00	90.00	72.00	90.00	54.00	90.00	90.00	54.00	108.00	54.00	72.00	900.00
South Carolina	19.86	34.31	20.21	20.29	20.52	16.85	23.93	20.78	0.00	36.51	20.08	11.25	244.59
Tennessee	2,086.81	994.58	1,359.96	990.38	1,268.46	1,110.80	1,857.43	1,048.56	1,008.35	1,110.92	0.00	1,126.62	13,962.87
Texas	761.74	118.78	223.33	305.37	256.91	255.95	191.64	171.69	202.71	204.30	236.64	240.76	3,169.82
Utah	67.50	0.00	45.00	36.00	40.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	189.00
Virginia	717.10	107.15	97.86	18.46	95.63	0.00	78.03	50.23	0.00	51.99	0.00	153.18	1,369.63
Virgin Islands	0.00	0.00	96.34	0.00	79.88	25.99	0.00	25.59	20.75	0.00	37.44	0.00	285.99
West Virginia	37.05	66.37	53.75	64.54	60.44	146.89	72.92	101.89	112.95	180.82	600.90	83.83	1,582.35
TOTALS	\$34,435.07	\$37,692.34	\$32,996.35	\$30,450.55	\$34,280.19	\$34,332.45	\$28,197.29	\$35,763.74	\$26,529.52	\$32,073.25	\$34,511.17	\$29,108.10	\$390,370.02

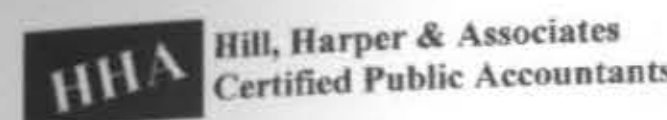
2012
The Together Way Plan Gifts/Executive Office
Designated

	January	February	March	April	May	June	July	August	September	October	November	December	Year To Date Totals
Alabama	\$173.33	\$269.31	\$230.56	\$242.13	\$274.56	\$229.18	\$207.60	\$300.84	\$229.16	\$429.45	\$196.79	\$259.75	\$3,042.66
Arkansas	0.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00
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
California	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
Canada	9.62	9.76	9.78	10.00	0.00	29.37	10.00	0.00	20.00	10.00	10.00	0.00	118.53
Florida	151.60	0.00	117.00	0.00	0.00	163.00	0.00	0.00	129.80	0.00	0.00	0.00	561.40
Georgia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Illinois	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indiana	70.99	71.00	71.00	71.00	71.00	71.01	72.84	183.89	104.07	97.66	73.18	72.64	1,030.28
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
Michigan	100.00	0.00	100.00	0.00	100.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	400.00
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	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	117.00	75.00	75.00	119.00	10.00	75.00	115.00	140.00	75.00	330.00	75.00	10.00	1,216.00
Ohio	0.00	0.00	25.00	25.00	25.00	25.00	0.00	0.00	0.00	100.00	0.00	0.00	200.00
Oklahoma	66.72	250.00	0.00	61.36	0.00	0.00	163.16	0.00	0.00	366.45	0.00	0.00	907.69
Oregon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
South Carolina	210.32	270.61	297.84	306.27	262.88	237.18	181.13	326.08	0.00	539.18	384.02	584.48	3,599.99
Tennessee	365.00	20.00	396.49	317.00	20.00	20.00	244.00	20.00	215.00	463.00	0.00	20.00	2,100.49
Texas	0.00	0.00	0.00	0.00	0.00	0.00	87.00	0.00	0.00	0.00	0.00	0.00	87.00
Utah	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virginia	0.00	0.00	0.00	0.00	0.00	54.27	0.00	0.00	0.00	0.00	0.00	0.00	54.27
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.58	0.00	0.00	61.58
West Virginia	111.29	0.00	79.17	43.99	0.00	40.76	33.75	41.93	41.44	78.63	112.92	0.00	583.88
TOTALS	\$1,375.87	\$965.68	\$1,901.84	\$1,195.75	\$763.44	\$944.77	\$1,114.48	\$1,112.74	\$1,314.47	\$2,475.95	\$738.99	\$1,059.79	\$14,963.77

2012 Gifts to National Ministries

State	Executive	FWB	Home	International	Master's	Retirement	Welch	WNAC	Commission for	Historical	Media	Music	Totals
									Ther. Integrity	Commission	Commission	Commission	
Alabama	\$7,148.17	\$4,027.18	\$562,985.59	\$4,011,607.99	\$2,930.92	\$780.90	\$78,147.15	\$5,806.24	\$28.11	\$25.15	\$25.11	\$25.16	\$1,000,516.67
Alaska	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00
Arizona	734.09	15.84	21,484.68	22,392.66	43.86	95.95	372.12	688.23	0.00	0.00	0.00	0.00	20.00
Arkansas	97,765.19	7,188.00	169,071.77	579,823.07	19,056.62	16,728.71	69,683.18	22,457.15	597.46	597.46	597.46	597.46	46,003.71
California	6,965.37	499.81	103,325.38	98,991.86	1,149.25	1,149.25	9,294.00	2,814.11	40.85	40.74	40.74	40.85	1,003,013.12
Colorado	990.09	95.05	16,831.31	37,930.04	80.98	132.65	2,052.00	58.69	3.57	2.93	2.91	2.86	184,510.75
Connecticut	0.00	0.00	25,112.43	4,270.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	87,899.75
Delaware	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29,322.72
Florida	11,841.61	882.85	229,517.48	8,210.00	0.00	0.00	1,290.00	150.00	0.00	0.00	0.00	0.00	9,650.00
Georgia	15,967.78	1,289.79	143,210.15	107,787.51	2,705.77	1,965.04	100,794.31	2,885.06	70.09	69.50	69.50	69.24	458,793.14
Hawaii	0.00	0.00	0.00	344,703.88	2,844.21	80,791.55	305.00	10,718.83	98.37	97.04	97.04	98.63	611,897.12
Idaho	0.00	0.00	281.00	12,141.11	0.00	0.00	350.00	0.00	0.00	0.00	0.00	0.00	1,568.00
Illinois	10,432.63	785.22	1,039.00	251,572.30	4,082.34	1,802.57	49,371.48	3,887.14	63.99	63.77	63.77	63.82	13,530.41
Indiana	1,026.17	224.56	49,107.35	50,779.31	4,077.11	4,044.56	3,168.85	981.48	199.76	199.76	199.76	3.65	106,899.11
Iowa	289.17	21.87	3,100.00	2,075.00	61.02	61.02	1,425.00	0.00	0.00	0.00	0.00	0.00	6,600.00
Kansas	4,190.72	34.62	131,809.16	23,415.71	51.00	751.93	10,918.48	4,820.78	1.81	1.81	1.81	1.94	32,082.18
Kentucky	0.00	0.00	8,000.00	2,078.99	0.00	0.00	400.00	0.00	26.06	25.64	25.64	25.35	300,621.72
Louisiana	0.00	0.00	0.00	6,785.79	0.00	0.00	1,411.37	0.00	0.00	0.00	0.00	0.00	11,078.59
Maine	0.00	0.00	0.00	1,620.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	3,603.00
Maryland	0.00	0.00	0.00	144,096.12	5,931.32	549.17	9,203.59	4,905.00	19.01	19.61	19.61	0.00	8,197.16
Massachusetts	3,609.44	275.36	88,919.30	94,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,329.25
Michigan	4,441.49	289.05	24,329.25	89,577.20	781.12	874.44	37,603.51	2,395.00	24.08	24.08	24.08	24.08	1,435.00
Minnesota	92,549.40	6,852.45	210,134.88	503,068.70	15,862.83	15,862.83	131,509.51	10,961.25	565.63	565.63	565.63	565.77	890,757.30
Mississippi	0.00	0.00	0.00	94,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Montana	0.00	0.00	0.00	2,300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,300.00
Nebraska	0.00	0.00	5,060.00	2,115.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,175.00
New Hampshire	0.00	0.00	0.00	1,200.00	0.00	0.00	1,500.00	0.00	0.00	0.00	0.00	0.00	2,700.00
New Jersey	0.00	0.00	0.00	6,948.32	27.19	25.30	221.24	823.50	0.00	0.00	0.00	0.00	2,700.00
New Mexico	147.80	10.88	5,360.00	1,005.00	0.00	0.00	40.00	0.00	0.00	0.00	0.00	0.00	2,700.00
New York	18,881.43	1,646.13	576,121.84	866,219.86	4,342.07	3,325.88	158,368.48	15,015.81	781.84	108.24	108.24	117	25,472.56
North Carolina	900.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,465.50
Northwest Association	20,121.60	1,554.32	157,344.42	206,520.67	4,313.82	3,489.55	40,006.52	4,546.97	142.80	121.85	121.78	121.02	1,645,611.12
Ohio	81,505.68	6,299.33	100,837.96	572,155.31	16,535.71	14,167.32	81,889.05	10,848.19	495.94	492.85	492.68	491.64	438,809.39
Oregon	0.00	0.00	180.00	0.00	0.00	0.00	2,000.00	210.00	0.00	0.00	0.00	0.00	946,012.66
Pennsylvania	3,994.38	171.57	136,681.88	516,458.09	269.62	2,876.21	107,815.02	6,097.16	0.00	0.00	0.00	0.00	46,158.16
Rhode Island	16,285.82	1,487.62	593,663.17	1,304,076.77	11,338.59	4,341.51	227,117.53	9,999.87	627.62	343.38	343.29	297.33	2,169,982.30
South Carolina	3,509.41	542.83	78,685.79	146,393.91	761.71	843.28	17,633.02	2,270.89	24.48	21.44	21.32	21.46	249,179.54
South Dakota	1,423.80	103.18	174,530.47	35,847.00	0.00	32.34	17,864.08	3,173.80	1.16	1.16	1.16	1.16	7,489.88
Tennessee	2,181.26	137.75	102,953.84	129,915.56	240.66	234.34	2,027.00	1,509.64	302.00	302.00	302.00	302.00	268,438.17
Texas	0.00	0.00	12,275.00	725.00	418.87	875.69	18,053.04	0.00	0.00	0.00	0.00	0.00	6,891.70
Utah	0.00	0.00	0.00	240.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	254,973.14
Virginia	3,509.41	542.83	78,685.79	146,393.91	761.71	843.28	17,864.08	3,173.80	1.16	1.16	1.16	1.16	7,489.88
West Virginia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,000.00
Wisconsin	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,030.00
Wyoming	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Puerto Rico	347.57	20.98	49,348.52	1,966.77	87.44	48.94	1,338.04	0.00	1.76	1.76	1.76	1.76	53,156.10
Other	0.00	0.00	314,377.82	167,237.91	0.00	0.00	100.00	4,191.00	0.00	0.00	0.00	0.00	481,765.73
Foundation	0.00	0.00	25,852.95	0.00	0.00	0.00	468.00	0.00	0.00	0.00	0.00	0.00	13,309.89
WNAC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28,375.59
TOTALS	\$407,407.15	\$311,98.18	\$4,658,953.77	\$6,810,258.08	\$74,190.91	\$1,203,323.53	\$130,873.45	\$4,392.19	\$2,852.42	\$3,197.45	\$3,213.88	\$3,213.88	\$13,488,348.59

*HM-Other includes interest, miscellaneous sources and states.
 *IM-Other includes miscellaneous income, investment gains/losses.
 *Master's Men-Total does not include dues, sales, DRT, Conference or Tournament fees, or restricted Endowment contributions.
 *WNAC-Total does not include student scholarships, sales or gifts designated to other departments.



Independent Auditors' Report

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

We have audited the statements of financial position of Building Services Fund of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used that and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Building Services Fund of the National Association of Free Will Baptists, Inc. as of December 31, 2012 and 2011, and 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

Franklin, Tennessee
March 21, 2013

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

Statements of Financial Position

December 31, 2012 and 2011

Assets		
	2012	2011
Current assets:		
Cash and cash equivalents:		
Cash in bank	\$ 269,028	216,022
Funds held by Free Will Baptist Foundation	57,137	49,683
Accounts receivable	326,165	265,705
	11,715	7,194
Total current assets	337,880	272,899
Property, plant and equipment:		
Land and land improvements	220,078	218,896
Building	1,572,435	1,563,210
Building services equipment	125,107	125,107
Departmental workstations	77,228	77,228
Less accumulated depreciation	1,994,848	1,984,441
	1,553,170	1,481,773
Net property, plant and equipment	441,678	502,668
	\$ 779,558	775,567
Liabilities and Net Assets		
Accounts payable	\$ 21,700	-
Net assets:		
Unrestricted net assets:		
Undesignated:		
Operations	264,324	223,216
Net investment in property, plant and equipment	441,678	502,668
Designated:	706,002	725,884
Stewardship promotion	13,726	18,492
Reserve for telephone system replacement	38,130	31,191
	51,856	49,683
Total net assets	757,858	775,567
	\$ 779,558	775,567

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, 2012 and 2011

	2012			2011	
	Operations	Stewardship Education	Reserve for Telephone System Replacements	Totals	Totals
Revenues:					
Building rental	\$ 278,114	-	-	278,114	279,710
Reimbursement from departments	488,317	-	-	488,317	415,150
Interest income	33	515	939	1,487	1,397
Other	409	-	-	409	1,301
Net revenues	766,873	515	939	768,327	697,558
Expenses:					
Expenses incurred for departments:					
Employee benefits	319,646	-	-	319,646	265,073
Stewardship office expense	5,281	-	-	5,281	5,174
Leadership conference	25,631	-	-	25,631	22,575
Property and liability insurance	51,775	-	-	51,775	45,111
Telephone	22,362	-	-	22,362	17,896
Mailroom and other	63,833	-	-	63,833	63,572
	488,528	-	-	488,528	419,401
Building operating expenses:					
Salaries	72,153	-	-	72,153	71,453
Payroll taxes	5,520	-	-	5,520	5,466
Employee benefits	28,739	-	-	28,739	27,194
Janitorial services	31,762	-	-	31,762	34,543
Depreciation	71,396	-	-	71,396	71,586
Audit and legal	4,005	-	-	4,005	4,345
General insurance	16,811	-	-	16,811	15,737
Supplies and office expense	7,975	-	-	7,975	9,509
Utilities / telephone	38,056	-	-	38,056	36,617
Repairs and maintenance	10,392	-	-	10,392	9,724
Mailroom and other	10,699	-	-	10,699	11,964
	297,508	-	-	297,508	298,138
Total expenses	786,036	-	-	786,036	717,539
Excess of expenses over revenues	(19,163)	515	939	(17,709)	(19,981)
Expenditures for stewardship education	5,281	(5,281)	-	-	-
Provision for telephone system replacement	(6,000)	-	6,000	-	-
Decrease in net assets	(19,882)	(4,766)	6,939	(17,709)	(19,981)
Net assets at beginning of year	725,884	18,492	31,191	775,567	795,548
Net assets at end of year	\$ 706,002	13,726	38,130	757,858	775,567

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Decrease in net assets	\$ (17,709)	(19,981)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	71,396	71,586
Decrease in receivables	(4,521)	11,176
Increase in accounts payable	21,700	-
Net operating activities	70,866	62,781
Cash Flows from Investing Activities		
Purchase of property and equipment	(10,406)	(9,285)
Net investing activities	(10,406)	(9,285)
Increase in cash and cash equivalents	60,460	53,496
Cash and cash equivalents, at beginning of year	265,705	212,209
Cash and cash equivalents, at end of year	\$ 326,165	265,705
Cash and cash equivalents consists of:		
Cash in bank	\$ 269,028	216,022
Funds held by Free Will Baptist Foundation	57,137	49,683
	\$ 326,165	265,705

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2012 and 2011

Building Services 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 Building Services have been prepared on the accrual basis of accounting.

As required by generally accepted accounting principles, Building Services reports information regarding its financial position and activities according to three classes of net assets, as applicable:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body. The amount of unrestricted net assets is presented in the statements of financial position, and the net change is presented in the statements of activities.

Building Services does not have amounts to report in the remaining two classes of net assets which are:
Temporarily and Permanently Restricted Net Assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Building Services 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.

Accounts Receivable

Accounts receivable are deemed to be fully collectible by management and no reserve is considered necessary.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$2,000 are capitalized and depreciated over their usable lives on 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.

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.

Fair Value Measurements

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.

Compensated Absences

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

Income Taxes

Building Services is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts. There is no unrelated business income for 2012 and 2011. Further, management believes that Building Services has no activities which will lead to income taxes being levied.

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

**2014
BUILDING SERVICES
BUDGETS
FINANCIAL REPORT**

(1) Summary of Significant Accounting Policies, continued

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation. These changes, if any, had no effect on net assets as reported.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through March 21, 2013, the date these financial statements were available to be issued.

(2) Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net assets as designated. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2011, from which the summarized information was derived.

(3) Pension

Building Services 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 \$3,124 in 2012 and \$3,756 in 2011. 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

Building Services has entered into noncancelable lease arrangements relating to mailing equipment. Total rent expense amounted to \$5,964 for 2012 and 2011. The minimum payments required are \$5,964 for 2013.

(5) Rental Income

Building Services rents office space of the National Office Building located in Antioch, Tennessee to various denominational agencies. The lease covers a period of one year, to be renegotiated and renewed by mutual agreement effective January 1 of each year. Each lease agreement is cancelable by either party with a 90 day written notice. Rental income amounted to \$278,114 in 2012 and \$279,710 for 2011. Rentals for 2013 are expected to approximate 2012 levels.

(6) Concentration of Credit Risk

Building Services holds real property which is used to house certain departments and agencies of the National Association of Free Will Baptists. Further, Building Services provides group benefit and other services which are billed to the respective departments at the appropriate costs. Certain receivables remain from year to year relating to these aforementioned services. Building Services has an accounting risk of loss to the extent of the balances of these unsecured accounts receivable and funds held by Free Will Baptist Foundation. Further, bank balances in excess of the amount of FDIC insurance is subject to risk of accounting loss. Management does not anticipate nonperformance by the financial institutions.

(7) Designations of Unrestricted Net Assets

Stewardship Promotion

Funds accumulated from operations have been set aside to provide material to foster special giving for various departments of the National Association of Free Will Baptists.

	2012	2011
\$	13,726	18,492

Reserve for Telephone System Replacement

Established to fund the future need to purchase a telephone system.

\$	38,130	31,191
----	--------	--------

	2012 Budget	2012 Actuals*	2013 Budget	2014 Budget
PROJECTED INCOME				
Square Footage (20,330 @ \$1.16 = \$23,582.80 mo.)	\$280,029.60	\$279,634.20	\$278,114.40	\$282,993.60
Total Income	\$280,029.60	\$279,634.20	\$278,114.40	\$282,993.60

PROJECTED EXPENSES

Audit & Legal	\$4,000.00	\$4,004.64	\$4,000.00	\$4,000.00
Replacement Reserve	6,000.00	6,000.00	1,200.00	6,000.00
General Supplies	5,000.00	2,607.95	5,000.00	4,000.00
Insurance (Employee)	25,218.55	25,614.84	26,365.62	35,120.13
Insurance (Plant)	22,000.00	21,196.92	22,000.00	22,900.00
Janitorial Services	30,000.00	31,762.37	35,000.00	30,000.00
Janitorial Supplies	1,000.00	2,671.10	3,500.00	3,000.00
Mail Room	9,000.00	7,978.48	10,000.00	9,000.00
Mail Truck	2,200.00	2,255.75	2,500.00	2,500.00
General Maintenance/Contingency Fund	50,478.21	6,006.01	32,867.95	34,883.79
Network Expense	6,500.00	2,211.53	4,500.00	4,500.00
Payroll Taxes (Employer's S.S.)	5,330.36	5,519.68	5,629.95	5,545.73
Postage Meter/UPS	500.00	484.70	500.00	550.00
Retirement	3,124.50	3,124.44	3,956.80	3,250.73
Salaries	69,677.98	72,152.75	73,594.08	72,493.22
Telephone	5,000.00	6,425.11	10,000.00	7,500.00
Utilities	35,000.00	31,630.53	37,000.00	37,000.00
Other	0.00	465.00	500.00	750.00
Total Expenses	\$280,029.60	\$232,111.80	\$278,114.40	\$282,993.60

*Budget comparison does not include depreciation expense.

BUILDING SERVICES SALARY BREAKDOWN

	2012		2013		2014
Maintenance Superintendent/ Mail Room Supervisor					
Salary	\$32,815.84		\$33,472.16	2.00%	\$34,141.60
Social Security	2,510.41	7.65%	2,560.62	7.65%	2,611.83
Insurance (Dental/Health/Life)	18,055.91		19,373.99		25,925.90
Disability	193.61		197.49		201.44
Retirement	1,640.79	5.00%	1,673.61	5.00%	1,707.08
Christmas Bonus	0.00		0.00		0.00
	55,216.57		57,277.86		64,587.85
Receptionist/Phone System Administrator/Assistant Bookkeeper					
Salary	29,674.14		30,267.62	2.00%	30,872.97
Social Security	2,270.07	7.65%	2,315.47	7.65%	2,361.78
Insurance (Dental/Health/Life)	6,793.95		7,289.91		8,810.64
Disability	175.08		178.58		182.15
Retirement	1,483.71	5.00%	1,513.38	5.00%	1,543.65
Christmas Bonus	0.00		0.00		0.00
	40,396.95		41,564.96		43,771.19
Assistant Receptionist/Phone System Administrator/Assistant Bookkeeper					
Salary	0.00		2,522.30		0.00
Social Security			192.96	7.65%	
Insurance (Dental/Health/Life)			607.49		
Disability			14.88		
Retirement			126.12	5.00%	
Christmas Bonus			0.00		
			3,463.75		
Part-time Worker					
Salary	7,188.00	75 days (11.98 hr.)	7,332.00	75 days (12.22 hr.)	7,478.64
Social Security	549.88	7.65%	560.90	7.65%	572.12
	7,737.88		7,892.90		8,050.76

HHA Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

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

We have audited the statements of financial position of One Magazine of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used that and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and 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

Franklin, Tennessee
March 21, 2013

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

Statements of Financial Position

December 31, 2012 and 2011

	Assets	
	2012	2011
Current assets:		
Cash and interest bearing deposits	\$ 191,109	146,090
Accounts receivable	4,369	4,308
Total current assets	195,478	150,398
Other assets:		
Funds held by Free Will Baptist Foundation for endowment fund purposes	22,983	21,975
Fixed assets:		
Furniture and equipment	18,456	18,456
Less accumulated depreciation	(16,960)	(15,260)
Net fixed assets	1,496	3,196
	\$ 219,957	175,569
	Liabilities and Net Assets	
Liabilities:		
Accounts payable	\$ 927	-
Total liabilities	927	-
Net assets:		
Unrestricted - operations	196,047	153,594
Temporarily restricted - endowment earnings	1,983	975
Permanently restricted - endowment funds	21,000	21,000
Total net assets	219,030	175,569
	\$ 219,957	175,569

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, 2012 and 2011

	2012				
	Unrestricted Operations	Temporarily Restricted Net Assets	Permanently Restricted Funds	Total	2011
Revenues:					
Assessments to publish One Magazine from Free Will Baptist departments and agencies	\$ 430,960	-	-	430,960	427,773
Revenues for additional pages printed	518	-	-	518	1,000
Net results from endowments held by Free Will Baptist Foundation	1,143	1,008	-	2,151	(265)
Other	30	-	-	30	568
Total revenues	432,651	1,008	-	433,659	429,076
Expenses:					
Direct cost of publication:					
Printing	157,786	-	-	157,786	172,118
Postage and mailing services	93,139	-	-	93,139	94,308
Design	36,607	-	-	36,607	31,765
Graphics expense	1,751	-	-	1,751	3,828
Writer's fees	2,543	-	-	2,543	1,611
Total direct cost of publication	291,826	-	-	291,826	303,630
Employee compensation:					
Salary	64,522	-	-	64,522	64,687
Payroll Taxes	4,936	-	-	4,936	4,949
Retirement	2,903	-	-	2,903	2,903
Other employee benefits	7,541	-	-	7,541	7,010
Total employee compensation	79,902	-	-	79,902	79,549
Operating expenses:					
Supplies and other office expense	12,395	-	-	12,395	11,857
Travel	4,375	-	-	4,375	3,349
Depreciation	1,700	-	-	1,700	2,061
Total operating expenses	18,470	-	-	18,470	17,267
Total expenses	390,198	-	-	390,198	400,446
Increase in net assets	42,453	1,008	-	43,461	28,630
Net assets at beginning of year	153,594	975	21,000	175,569	146,939
Net assets at end of year	\$ 196,047	1,983	21,000	219,030	175,569

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase in net assets	\$ 43,461	28,630
Adjustments to reconcile increase in net assets to net operating activities:		
Depreciation	1,700	2,061
Decrease in accounts receivable	(61)	3,616
Increase (decrease) in accounts payable	927	(37,181)
Net operating activities	46,027	(2,874)
Cash Flows from Investing Activities		
Change in investment with Free Will Baptist Foundation	(1,008)	1,372
Net investing activities	(1,008)	1,372
Increase (decrease) in cash and cash equivalents	45,019	(1,502)
Cash and cash equivalents, at beginning of year	146,090	147,592
Cash and cash equivalents, at end of year	\$ 191,109	146,090

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2012 and 2011

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. Approval was also 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 certain Free Will Baptist organizations as indicated in note 2.

(1) Summary of Significant Accounting Policies

Basis of Presentation

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

As required by generally accepted accounting principles, One Magazine reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body.

Temporarily restricted net assets - Net assets whose use is subject to donor imposed stipulations and / or the passage of time.

Permanently restricted net assets - Net assets to be maintained in perpetuity as directed by donor imposed stipulations.

The amount of each of the classes of net assets are presented in the statements of financial position and the change in each class of net assets is presented in the statements of activities.

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.

Accounts Receivable

Accounts receivable are deemed to be fully collectible by management and no reserve is considered necessary.

Fixed Assets

Furniture and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on 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.

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.

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

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

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. For the years ended December 31, 2012 and 2011, funds held by Free Will Baptist Foundation were valued at market using Level 2 inputs.

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.

Endowment Funds

Investments of endowment funds are held by Free Will Baptist Foundation and are valued using Level 2 inputs (as described above) based on fair market value quotes. As required by generally accepted accounting principles, the original donor contribution is maintained as permanently restricted net assets. All resulting net accumulated investment gains or losses are maintained either as temporarily restricted net assets (if net gains) or unrestricted net assets (if net losses). The balances relating to endowment funds are as follows:

	2012	2011
Permanently restricted net asset:		
Original donor investment (corpus)	\$ 21,000	21,000
Temporarily restricted net assets:		
Balance at beginning of year	\$ 975	2,347
Investment earnings, including investment gains and losses	2,151	(265)
Distributions of earnings to unrestricted net assets	(1,143)	(1,107)
	\$ 1,983	975

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

Income Taxes

One Magazine is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts. There is no unrelated business income for 2012 and 2011. Further, management believes that One Magazine has no activities which will lead to income taxes being levied.

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation. These changes, if any, had no effect on net assets as reported.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through March 21, 2013, the date these financial statements were available to be issued.

**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 to entities of the National Association of Free Will Baptists:

	2012	2011
Executive Office:		
Administrative budget	\$ 116,433	116,433
Convention budget	17,463	17,463
Free Will Baptist Foundation	46,575	46,575
Welch College - formerly Free Will Baptist Bible College	49,542	51,696
Board of Home Missions	71,022	71,022
International Missions	43,298	40,751
Master's Men	8,382	8,382
Randall House Publications	46,575	46,575
Board of Retirement and Insurance	23,288	23,288
Women Nationally Active for Christ	8,382	5,588
	\$ 430,960	427,773

Revenues are expected to approximate \$431,000 in 2013.

(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.

Endowment investments are held by Free Will Baptist Foundation, as further discussed in note 1 above.

Randall House Publications provides printing and related services to One Magazine. For these services, One Magazine expended \$212,529 in 2012 and \$206,475 in 2011.

(4) **Pension**

The One Magazine 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 \$2,903 in 2012 and \$2,903 in 2011. 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 and accounts receivable from various Free Will Baptist departments. Further, bank balances in excess of the amount of FDIC insurance are subject to risk of accounting loss. Management does not anticipate nonperformance by the financial institutions.

(6) **Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2011, from which the summarized information was derived.

**2014
ONE MAGAZINE
BUDGETS
FINANCIAL REPORT**

REVENUE	2012 Budget	2012 Actuals*	2013 Budget	2014 Budget
Convention	\$17,463.47	\$17,463.48	\$17,463.47	\$17,463.47
Executive Office	116,433.44	116,433.48	116,433.44	116,433.44
Free Will Baptist Foundation	46,575.15	46,575.12	46,575.15	46,575.15
Home Missions	71,022.23	71,022.24	71,022.23	71,022.23
International Missions	30,563.28	43,297.98	40,751.05	50,938.81
Master's Men	8,382.11	8,382.12	8,382.11	8,382.11
Randall House Publications	46,575.15	46,575.12	46,575.15	46,575.15
Retirement & Insurance	23,287.57	23,287.56	23,287.57	23,287.57
Welch College	51,695.58	49,541.64	46,526.04	46,526.04
WNAC	8,382.11	8,382.12	8,382.11	8,382.11
Endowment	1,000.00	2,151.33	0.00	0.00
Reimbursements	1,000.00	518.24	1,000.00	500.00
Subscription Revenue	1,000.00	30.00	500.00	100.00
Total Revenue	\$423,380.09	\$433,660.43	\$426,898.32	\$436,186.08
EXPENSES				
Salary & Benefits	\$73,650.11	\$74,557.36	\$75,142.35	\$78,474.42
Auto/Cell Phone Allowance	5,344.80	5,344.82	5,451.70	5,560.73
Audit & Legal	4,000.00	4,527.14	4,700.00	4,700.00
Books, Dues & Registrations	750.00	666.20	1,000.00	1,500.00
Computer Software/Services	3,000.00	2,808.89	3,000.00	5,000.00
Design	36,000.00	36,607.45	35,000.00	35,000.00
Graphics	4,500.00	1,750.80	4,500.00	4,500.00
Mail Services	10,000.00	3,759.91	10,000.00	10,000.00
Postage	92,000.00	87,543.31	93,000.00	100,000.00
Postal Returns	2,000.00	1,836.10	2,000.00	2,000.00
Printing	180,000.00	157,787.62	180,000.00	170,000.00
Promotion	1,000.00	1,410.56	1,200.00	2,000.00
Supplies	2,000.00	1,105.42	2,000.00	2,000.00
Telephone	0.00	0.00	50.00	0.00
Travel	4,000.00	4,375.25	5,000.00	7,000.00
Website	0.00	0.00	0.00	2,000.00
Writer's Fees	2,000.00	2,542.93	2,000.00	2,000.00
Other	3,135.18	1,875.79	2,854.27	4,450.93
Total Expenses	\$423,380.09	\$388,499.55	\$426,898.32	\$436,186.08

*Budget comparison does not include depreciation expense.



FREE WILL BAPTIST
INTERNATIONAL
MISSIONS

REPORT OF THE GENERAL DIRECTOR

REJOICING IN HIM

For International Missions, 2012 can be divided into two distinct segments. The first portion was a bit gloomy and heavy. We started the year with the distinct possibility that by December we might be considering shutting down operations. Our liquid assets were critically low. We saw few indications things would change. Missionaries who were stateside were in an indefinite holding pattern. Some people believed Free Will Baptist International Missions just might be a sinking ship.

During the second segment, the gloom vanished and was trumped by great rejoicing. By the National Association meeting in July, we were in awe of what God had done through His people in the Free Will Baptist denomination. I stood before you last year with the great news that our World Missions Offering (WMO) had surpassed all previous records and the board had given the green light for our missionaries to return to their fields. By October, the WMO exceeded one million dollars. These gifts, along with incremental increases in monthly giving, allowed us to accelerate the process of releasing our missionaries. Delegates present at the business meeting responded with a standing ovation. God had clearly manifested His power and provision.

Blessings in the financial realm were impressive. But we rejoice as we witness renewed interest among Free Will Baptist young people in serving through International Missions. We have seen an influx of people inquiring about ministry with us and have been blessed to send out two new couples (Heath and Joni Hubbard and Jonathan and Amy Postlewaite) and one single lady (Jenny S.). Following close on their heels, two more couples (Doug and Miriam Bishop and Joel and Lydie Teague) are due to leave as soon as they acquire adequate support. In April of this year, two couples (Josh and Lydia Provow and Daniel and Katie Speer) and a single lady (Samantha H.) were approved to serve with us or with a partner agency working in Asia. And it doesn't stop here! More young people hope to be ready to go before the board within the next year.

We have also seen advancement of our ministries around the world. In every country in which we serve a good number of converts, baptisms, and church plants were reported in 2012. The number of missionaries on some of the fields opened during the '50s and '60s is diminishing rapidly. However, we are not discouraged, because well-trained national leaders are guiding the believers to a greater awareness of their responsibility to reach the unreached of their country and the world. We know we have ministered properly when we see this progression in the churches planted.

We are at a strategic moment in our history. The national church is pressing forward, unreached nations are becoming more resistant to the gospel, and the call to go to the hard places is staring us in the face. The question before us: will we as Free Will Baptists address these natural transitions with divine direction, humble commitment, and supernatural power?

FROM HERE TO THERE

According to my research, approximately 80 different types of ships exist. They range from aircraft carriers to hydrofoils, from whaling ships to barges, and a variety of subtypes of each. Every ship has a particular function that dictates its size, weight, speed, equipment, and other logistical considerations.

As we well know, illustrations carry the inherent risk of exaggerating or stretching the lines of comparison or commonality. Taking such risks into consideration, I will build on the last statement of the opening paragraph, *"There was a feeling among some that Free Will Baptist International Missions just might be a sinking ship."*

Rather than attempting to isolate one ship type as a model for International Missions, I think we can agree ships are constructed for a specific purpose and must be equipped to fulfill their designed purpose. International Missions' designed purpose is summarized in our mission statement: *"We exist to facilitate church planting movements among unreached peoples."* That statement dictates how, why, where, and with whom we work. But, because the ship (i.e., International Missions) was crippled, we were not able to fulfill our purpose.

As I look back over my last two years in the role of general director, I see a great and wonderful transition taking place in us as an organization. I told the board in our December 2012 meeting that our potentially sinking ship has experienced a remarkable transformation.

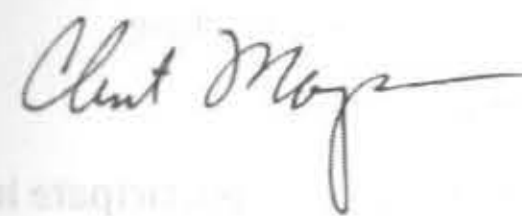
When I first took the helm in February 2011, our ship was battered, beaten, and in great need of repair. Substantial time in dry dock was imperative to complete essential reparations to get her back in the water. We have spent these last two years doing those "repairs and renovations": fasting and praying and seeking God's directions; rebuilding relationships with our constituency; solidifying our support base; rendering functional programs and structures; clarifying IM goals and objectives; communicating our vision; and setting our sights on the unreached people of this world.

No doubt upkeep and improvements on our ship will continue to be needed, but she is back in the water, ready to take to the high seas again. A ship is not meant to sit in dock, but go places and accomplish given tasks.

I shared this imagery with our board and then stated: "We, the IM leadership, believe the repairs are done, the ship is painted, she is sitting in the water again, and ready to hit the high seas. We are asking you as our board to help chart the course for the future. If you do, and you want me to be your captain, I am ready to do so."

It is not my intention to paint some fanciful picture of an exotic cruise ship docking in romantic locations. No, I believe this is a battle ship ready to sail into restricted waters to drop well-trained soldiers of the cross among resistant people.

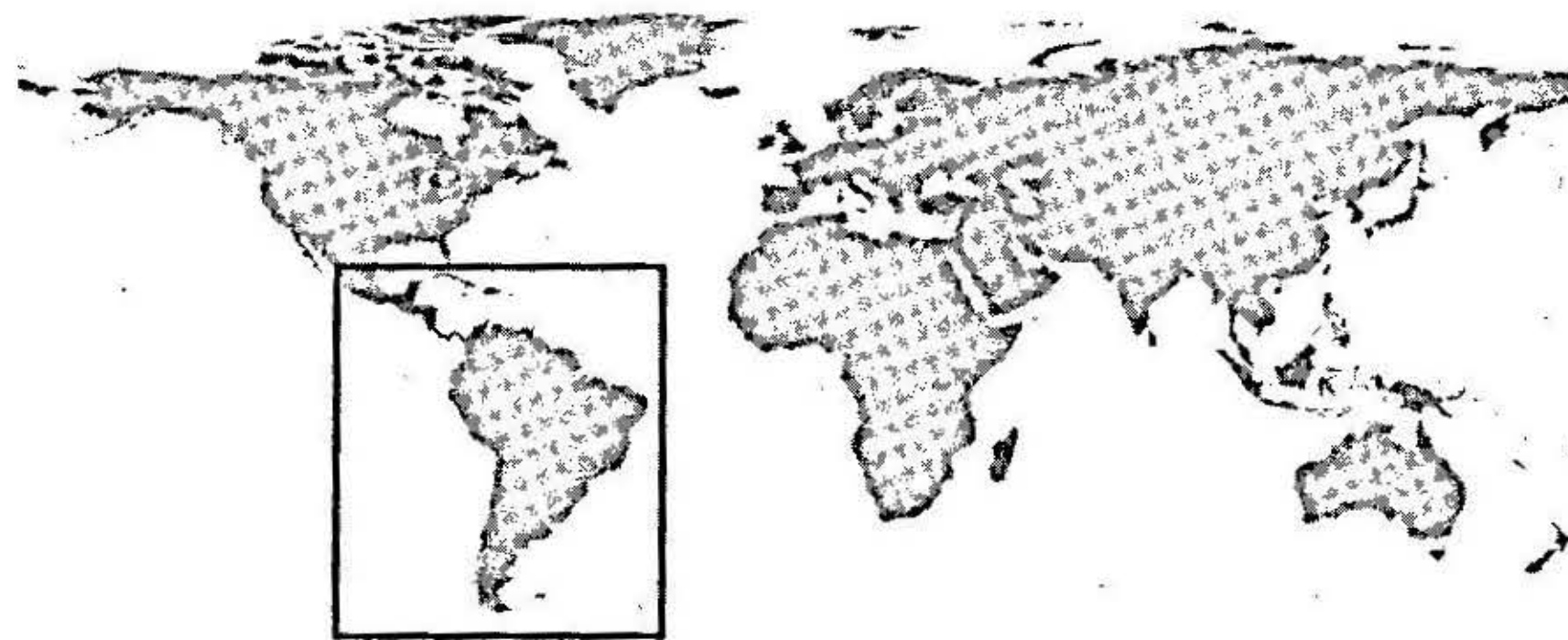
We are asking you to join us as we press forward as your mission agency. Without you we cannot penetrate these last frontiers of missions. But, with all of us working together, we can and will accomplish great things for our Lord.



2012 IN REVIEW

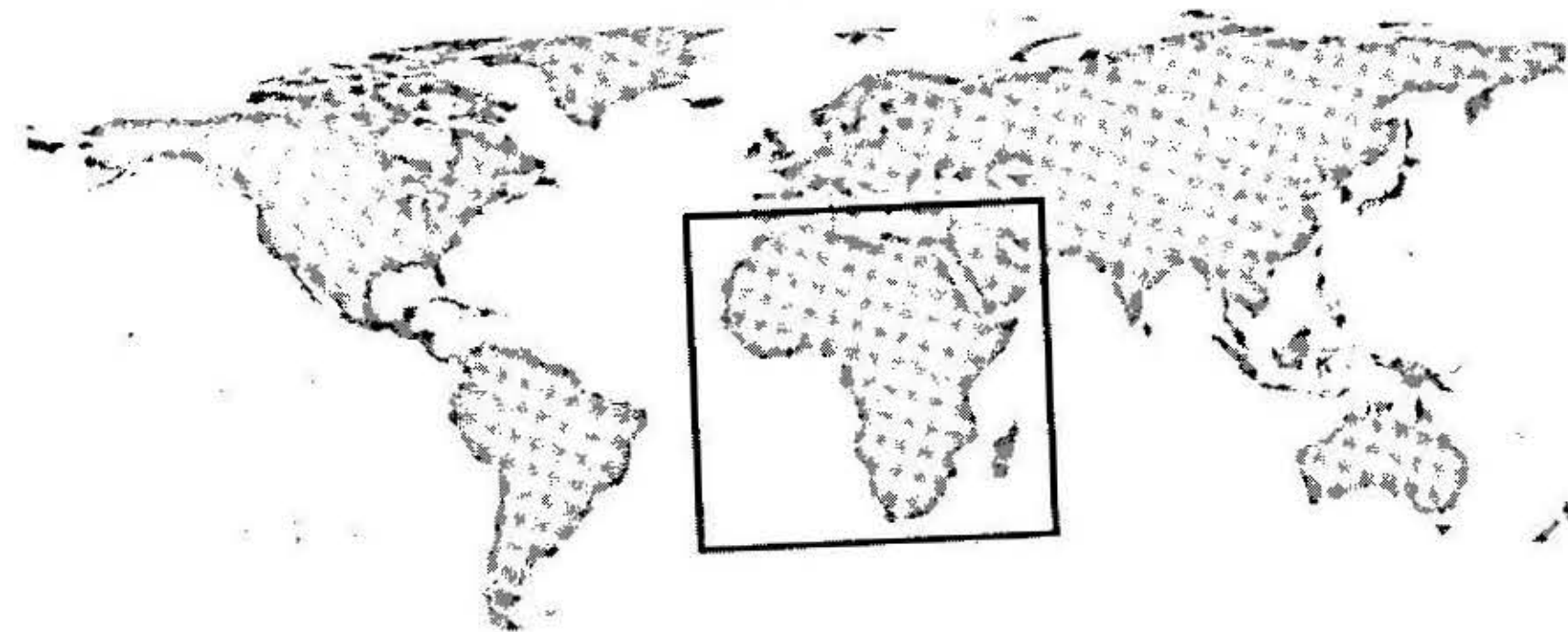
Free Will Baptists around the globe are struggling with financial and economic difficulties, facing persecution with faith, fighting apathy and disinterest. Yet they are growing, stretching themselves, and participating in the Great Commission. As you partner with IM, you play a significant role in the spread of the gospel through missionaries, national pastors and leaders, and partner agencies. Because of your participation in 2012, we can celebrate!

Central and South America



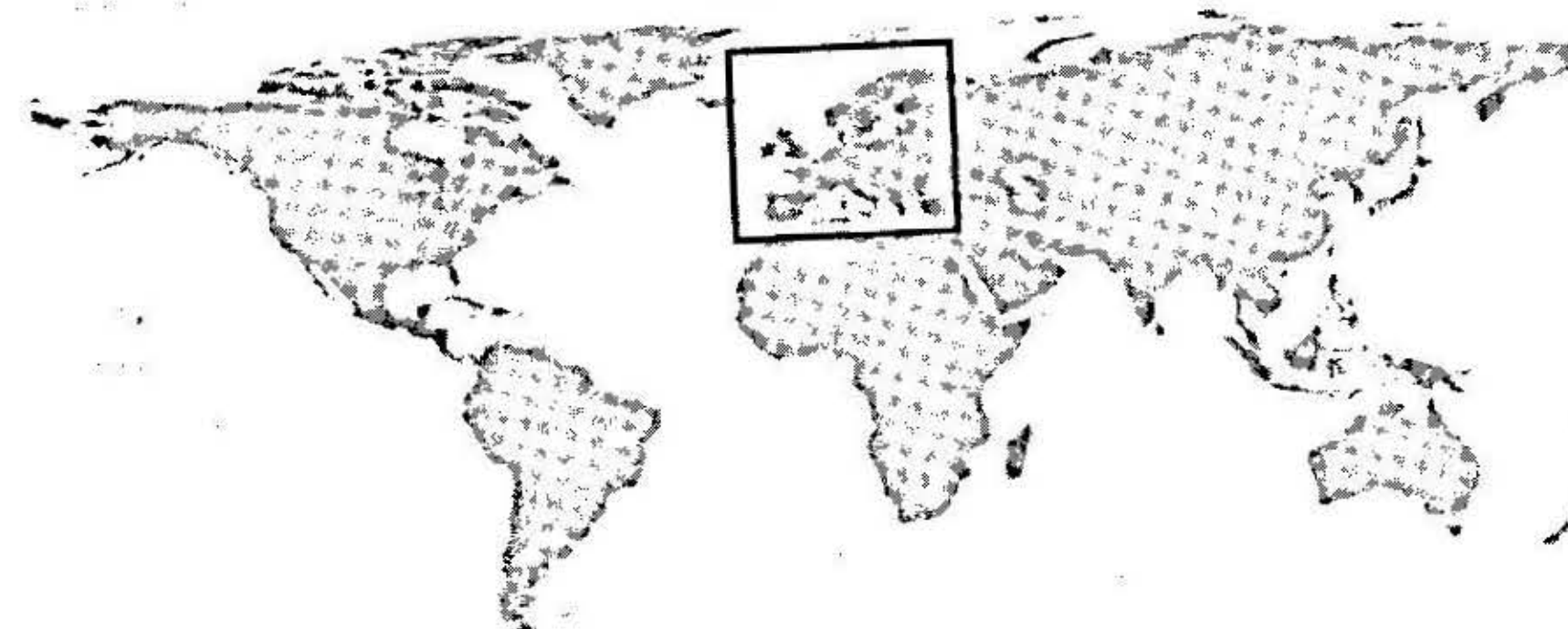
- Nine churches in **Brazil** celebrated **78 conversions** and **75 baptisms** (19 churches did not provide their information). Churches are supporting Brazilian missionaries in **India, Turkey, and Uruguay**.
- Our continuing partnership with **Cuban** believers allowed us to participate in the **training of 120 workers**.
- **Panamanian** leaders maintain their emphasis on the responsibility of each established church to plant more churches. As a result, 10 churches and 20 mission works reaped a harvest of **almost 200 converts**.
- **Uruguayan** believers battle poverty, materialism, and humanism on a daily basis. Still, at least **21** men, women, and children **came to Christ**.

Africa



- 25 churches in **Côte d'Ivoire** reported an attendance of over 5,000 people in their congregations and mission outreaches with **131 converts** and **84** people participating in baptism.

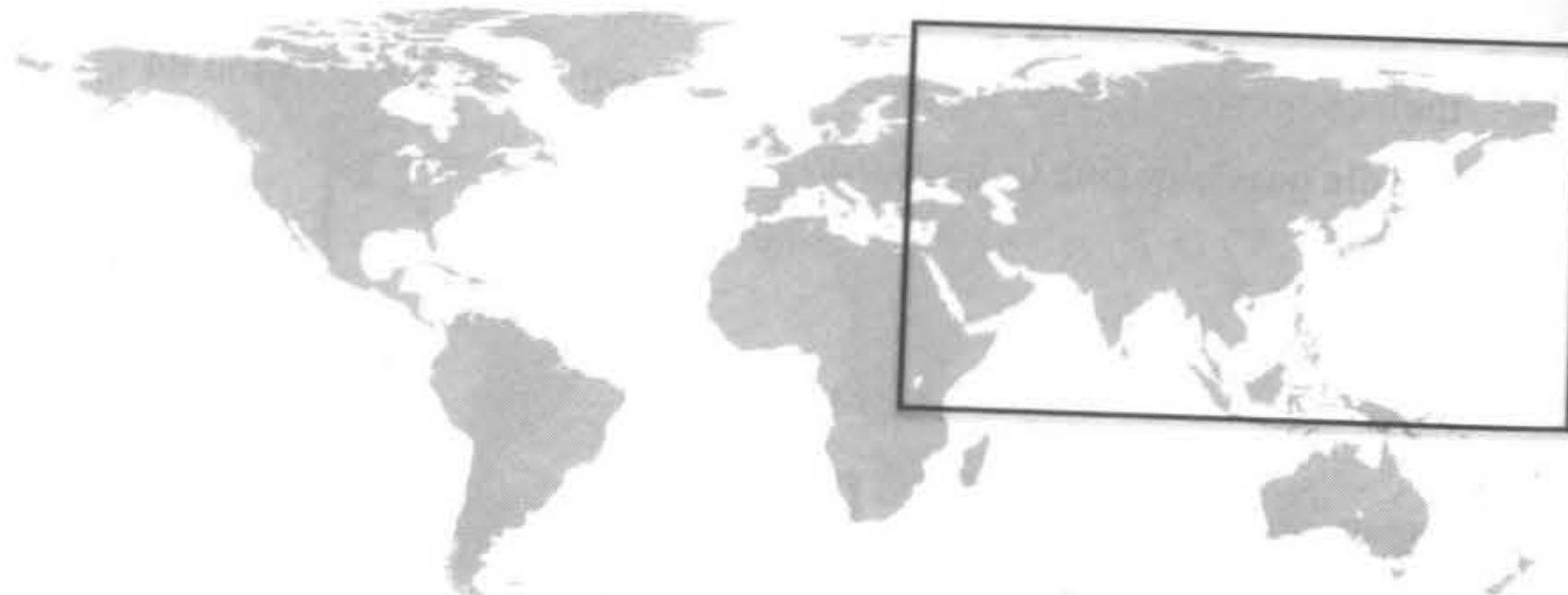
Europe



- The work in **Svishtov, Bulgaria**, welcomed **four new Christians** to their family, in spite of continuing hostility toward Christianity.

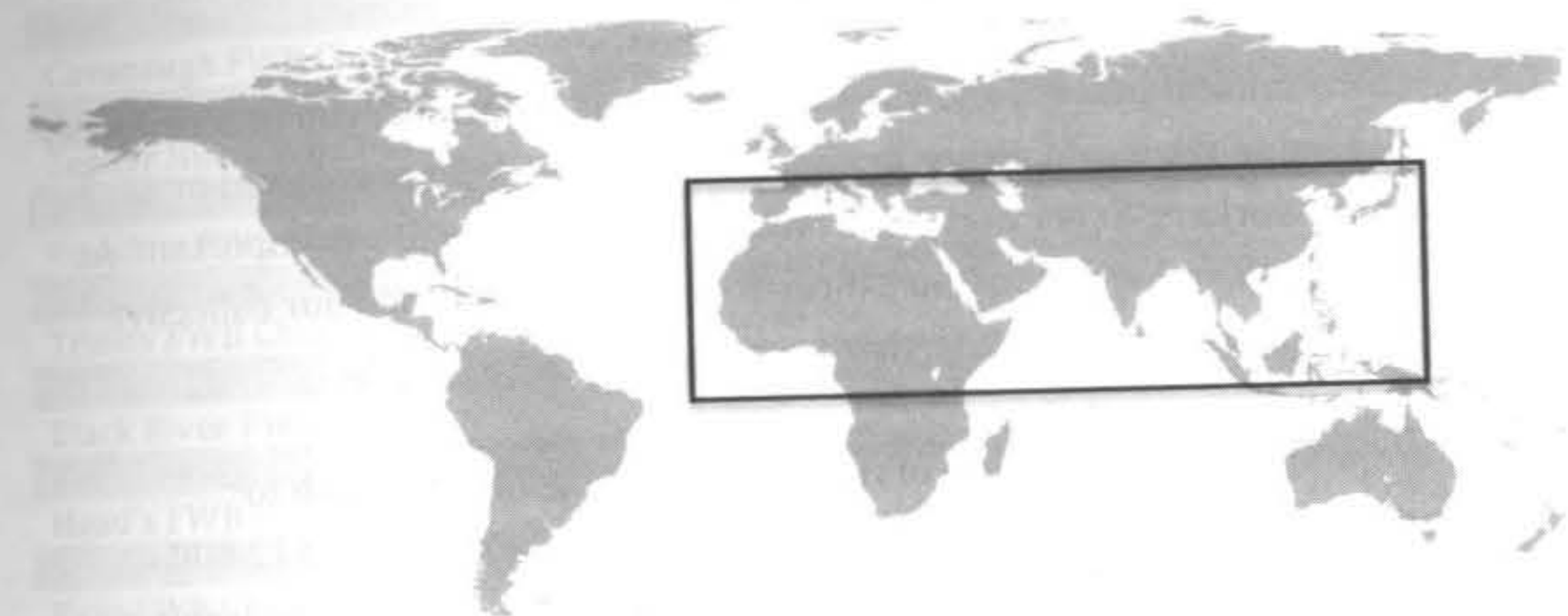
- Four churches and two mission works in **France** boast an attendance of almost 260 each week, with **six new believers** in this hard place that some believe may be on the brink of revival.
- Eight **Russian** churches reported **83 conversions** and well over **600 in weekly attendance**.
- Churches and believers in **Spain** continue to stagger under a crippling economy and job losses, yet four churches reported a combined weekly attendance of 174 people with **seven conversions** and **five baptisms**.

Asia



- 136 ordained and practicing ministers serve more than **19,000 believers** in almost 200 churches and mission works in **India** where **578** men and women publically **proclaimed Christ through baptism**.
- In **Japan**, repercussions of the 2011 tsunami continue to lead to openness to spiritual discussions with **six new believers** coming to Christ and publically proclaiming their faith through baptism.

Creative Access



- Free Will Baptists are actively working in **Cambodia, China, Mongolia, Myanmar, Nepal, Pakistan, Senegal, and South Korea**.
- Additionally, we are partnering with established organizations to spread the gospel, plant churches, and train leaders in **Kazakhstan, Kyrgyzstan, Laos, Morocco, Tajikistan, Turkmenistan, Uzbekistan, and Vietnam**.

Numbers are not the story; nor do they effectively communicate the transformed lives, mended marriages, and restored relationships that result from an individual confronting Christ's sacrifice and grace. We encourage you to visit with missionaries and the French and Panamanian believers present in Tampa to hear a few of the stories behind the numbers.

A GLANCE AT FINANCES

God uses the faithful prayers and sacrificial giving of people like you to accomplish His work around the world. Every prayer shores up the defenses of tired or discouraged workers. Every donation—whether large or small—is important. As each of us obediently yields to God's direction, He works through our collective obedience enabling us to reach farther together.

As we emphasize the importance of regular, monthly giving, we wish to acknowledge the 62 churches whose total giving to IM in 2012 was \$12,000 or more. Although it may not have been donated in this manner, this represents a \$1,000 or more per month throughout the year.

62 CHURCHES DONATED \$12,000 OR MORE IN 2012

Church	City	State	Amount
Unity FWB Church	Greenville	NC	\$153,130.74
Bethel FWB Church	Kinston	NC	\$118,190.00
Donelson FWB Church	Nashville	TN	\$113,384.67
Horse Branch FWB Church	Turbeville	SC	\$67,391.08
Cofer's Chapel FWB Church	Nashville	TN	\$46,123.62
First FWB Church	Albany	GA	\$45,382.62
Grace FWB Church	Lake City	SC	\$41,683.94
First FWB Church	Russellville	AR	\$41,488.20
Westside FWB Church	Johnsonville	SC	\$36,400.67
Hannon FWB Church	Liberal	MO	\$35,363.44
Sherwood Forest FWB Church	New Bern	NC	\$35,096.77
First FWB Church	Washington	NC	\$33,331.00
Ina FWB Church	Ina	IL	\$32,237.00
Bethlehem FWB Church	Ashland City	TN	\$29,846.06
Ebenezer FWB Church	Glennville	GA	\$28,652.97
Union Grove FWB Church	Atkins	AR	\$28,054.62
Cross Timbers FWB Church	Nashville	TN	\$27,887.91
Peace FWB Church	Florence	SC	\$26,447.84
Blue Point FWB Church	Cisne	IL	\$25,526.30
First FWB Church	Pocahontas	AR	\$25,316.16
Community Bible Study Canda	Thornhill	ON	\$25,000.00
Macedonia FWB Church	Purdy	MO	\$24,954.56
Central FWB Church	Royal Oak	MI	\$24,537.35
Red Bay FWB Church	Red Bay	AL	\$23,906.29
Bethany FWB Church	Timmons ville	SC	\$23,381.00

First FWB Church	N Little Rock	AR	\$23,352.45
New Hope FWB Church	Joelton	TN	\$21,852.69
Cavanaugh FWB Church	Fort Smith	AR	\$21,565.82
Piney Grove FWB Church	Guin	AL	\$21,123.08
Zephyr Hills FWB Church	Asheville	NC	\$20,598.01
Winfield First FWB Church	Winfield	AL	\$20,014.13
Freedom FWB Church	Plain City	OH	\$20,000.00
Good Springs FWB Church	Pleasant View	TN	\$19,777.00
Trinity FWB Church	Greenville	NC	\$17,647.91
Mt. Zion FWB Church	Pell City	AL	\$17,535.38
Black River FWB Church	Andrews	SC	\$16,907.77
Temple FWB Church	Winterville	NC	\$16,433.43
Head's FWB Church	Cedar Hill	TN	\$16,377.75
Sand Hill FWB Church	Coward	SC	\$16,262.61
First FWB Church	Beaufort	NC	\$16,047.08
Bethany FWB Church	Broken Arrow	OK	\$16,000.00
Fellowship FWB Church	Kingsport	TN	\$15,820.00
Grace For The World Ministries	Dickson	TN	\$15,525.00
First FWB Church	Gastonia	NC	\$15,416.00
Faith Chapel Baptist Church	Jacksonville	NC	\$15,318.56
North Warren FWB Church	Warren	MI	\$15,036.71
Smithville FWB Church	Smithville	TN	\$14,618.71
Mt Olive FWB Church	Guin	AL	\$14,222.24
Liberty FWB Church	Lawley	AL	\$13,793.84
Beulah FWB Church	Pamplico	SC	\$13,749.37
Madison FWB Church	Madison	AL	\$13,749.00
First FWB Church	Star City	AR	\$13,733.08
Garner FWB Church	Garner	NC	\$13,670.26
First FWB Church	Sulligent	AL	\$13,323.24
Tippett's Chapel FWB Church	Clayton	NC	\$13,258.45
Porter FWB Church	Wheelersburg	OH	\$12,866.55
Union Chapel FWB Church	Chocowinity	NC	\$12,750.00
Temple FWB Church	Darlington	SC	\$12,745.33
New Liberty FWB Church	Bankston	AL	\$12,592.29
First FWB Church	Northport	AL	\$12,590.95
New Hope FWB Church	Jesup	GA	\$12,179.75
New Life Fellowship FWB Church	Statesboro	GA	\$12,067.58

During last year's financial crisis, a number of churches creatively promoted and sacrificially participated in the **World Missions Offering**. Together, churches contributed a record-setting **\$1,018,090.37!** Some churches gave for the first time; others made extraordinary efforts. Over and over again, we heard pastors and laypeople marvel at the way God blessed their efforts as they often doubled and tripled their goals. To each participant we say a heartfelt thank you. Due to the

remarkable effort, we chose to list each church that gave; however, only those giving \$1,000 or more have the amounts listed. The rest of the churches are listed in alphabetical order.

584 CHURCHES DONATED TO THE WMO IN 2012*

220 Churches Gave \$1,000 or More

Church	City	State	Amount
Bethel FWB Church	Kinston	NC	\$100,000.00
Unity FWB Church	Greenville	NC	\$67,226.47
Ebenezer FWB Church	Glennville	GA	\$20,139.42
Zephyr Hills FWB Church	Asheville	NC	\$18,123.43
First FWB Church	Pocahontas	AR	\$15,645.00
Red Bay FWB Church	Red Bay	AL	\$14,711.25
Faith FWB Church	Lubbock	TX	\$12,486.00
Head's FWB Church	Cedar Hill	TN	\$11,536.00
First FWB Church	Seffner	FL	\$11,419.82
Madison FWB Church	Madison	AL	\$10,533.00
First FWB Church	Beaufort	NC	\$10,103.08
Davis FWB Church	Davis	NC	\$10,030.00
Bethany FWB Church	Broken Arrow	OK	\$10,000.00
Ina FWB Church	Ina	IL	\$9,050.00
First FWB Church	Dickson	TN	\$8,671.15
Cofer's Chapel FWB Church	Nashville	TN	\$8,448.00
Sulphur FWB Church	Sulphur	OK	\$8,228.32
Peace FWB Church	Florence	SC	\$7,742.00
First FWB Church	Washington	NC	\$7,529.00
Horse Branch FWB Church	Turbeville	SC	\$7,500.00
Tupelo FWB Church	Tupelo	MS	\$7,500.00
First FWB Church	Gastonia	NC	\$6,629.50
Sherwood Forest FWB Church	New Bern	NC	\$6,521.43
Trinity FWB Church	La Grange	NC	\$6,369.25
First FWB Church	Albany	GA	\$5,998.20
Travelers Rest FWB Church	Colquitt	GA	\$5,684.66
First FWB Church	Farmington	MO	\$5,668.81
Hartville FWB Church	Hartville	MO	\$5,636.45
Grifton FWB Church	Grifton	NC	\$5,410.95
Donelson FWB Church	Nashville	TN	\$5,325.00
Cross Timbers FWB Church	Nashville	TN	\$5,293.30
Brush Creek FWB Church	Argillite	KY	\$5,279.00
Harrison FWB Church	Minford	OH	\$5,257.82
New Hope FWB Church	Joelton	TN	\$5,199.71
Sherwood Forest FWB Church	El Sobrante	CA	\$5,102.71

First FWB Church	Springfield	MO	\$5,059.03
Macedonia FWB Church	Purdy	MO	\$5,054.56
First FWB Church	Sulligent	AL	\$5,000.00
First FWB Church	Newport	TN	\$5,000.00
Piney Grove FWB Church	Guin	AL	\$5,000.00
Philadelphia FWB Church	Folkston	GA	\$4,690.50
First FWB Church	Checotah	OK	\$4,667.86
Bethel FWB Church	South Roxana	IL	\$4,655.33
Fellowship FWB Church	Bryan	TX	\$4,487.46
Porter FWB Church	Wheelersburg	OH	\$4,172.42
Tabernacle FWB Church	Coward	SC	\$4,004.16
Limestone FWB Church	Limestone	TN	\$4,000.00
Faith Fellowship	Matthews	NC	\$3,968.04
Cool Ridge FWB Church	Cool Ridge	WV	\$3,933.00
Heartland FWB Church	Oklahoma City	OK	\$3,895.00
Bethlehem FWB Church	Ashland City	TN	\$3,884.00
North Warren FWB Church	Warren	MI	\$3,767.30
New Oak Grove FWB Church	Nauvoo	AL	\$3,696.00
Trinity FWB Church	Bowling Green	KY	\$3,630.06
Canyon Country FWB Church	Canyon	TX	\$3,500.00
Madison FWB Church	Lucasville	OH	\$3,410.08
Heritage FWB Church	Columbus	OH	\$3,343.06
Fairdale FWB Church	Fairdale	WV	\$3,277.63
Good Springs FWB Church	Pleasant View	TN	\$3,117.00
Ten Mile FWB Church	Madison Heights	MI	\$3,101.85
First FWB Church	Mount Vernon	IL	\$3,002.00
First FWB Church	Morehead City	NC	\$3,000.00
Blue Point FWB Church	Cisne	IL	\$2,973.94
Fairview FWB Church	Spartanburg	SC	\$2,940.51
Ambassador FWB Church	Cincinnati	OH	\$2,915.00
Sciotodale FWB Church	Portsmouth	OH	\$2,869.50
First FWB Church	Mountain Grove	MO	\$2,813.81
Nolan FWB Church	Williamson	WV	\$2,732.62
Hurricane Chapel FWB Church	Dickson	TN	\$2,721.87
First FWB Church	Blakely	GA	\$2,700.00
Bellview FWB Church	Colquitt	GA	\$2,678.00
Louisa FWB Church	Louisa	KY	\$2,670.00
Reynoldsburg FWB Church	Reynoldsburg	OH	\$2,661.00
Cross Creek FWB Church	Olive Branch	MS	\$2,654.52
Hillsboro FWB Church	Hillsboro	OH	\$2,646.63
Stratford FWB Church	Stratford	OK	\$2,601.43
First FWB Church	Ypsilanti	MI	\$2,577.76
Piney Grove FWB Church	Bristol	GA	\$2,542.00
Highland Drive FWB Church	Lincolnton	NC	\$2,538.00
New Hope FWB Church	Jesup	GA	\$2,533.00
Locust Grove FWB Church	Locust Grove	OK	\$2,521.00
Victory FWB Church	O'Fallon	IL	\$2,515.76
Bright Light FWB Church	College Station	TX	\$2,511.80
First FWB Church	Russellville	AR	\$2,504.58

Harmony FWB Church	Flint	MI	\$2,500.00
Rocky Pass FWB Church	Marion	NC	\$2,500.00
Central FWB Church	Royal Oak	MI	\$2,485.70
Marincek FWB Church (Brazil)			\$2,467.76
Faith FWB Church	Glenpool	OK	\$2,444.34
Westside FWB Church	Johnsonville	SC	\$2,409.00
Calvary FWB Church	Salem	IL	\$2,353.41
Ryanwood Fellowship FWB Ch	Vero Beach	FL	\$2,350.00
White Oak Hill FWB Church	Bailey	NC	\$2,234.00
Black River FWB Church	Andrews	SC	\$2,205.00
Kirby FWB Church	Flat Rock	MI	\$2,148.99
Immanuel FWB Church	Durham	NC	\$2,124.00
West Tulsa FWB Church	Tulsa	OK	\$2,100.00
Bear Point FWB Church	Sesser	IL	\$2,080.00
Emmanuel FWB Church	Wabash	IN	\$2,071.95
Jerome FWB Church	Jerome	ID	\$2,064.00
New Life Fellowship FWB Church	Statesboro	GA	\$2,053.93
Mineral Springs FWB Church	Muldrow	OK	\$2,039.00
Tippett's Chapel FWB Church	Clayton	NC	\$2,019.86
Ebenezer FWB Church	Miami	FL	\$2,000.00
First FWB Church	Jesup	GA	\$2,000.00
Sunnylane FWB Church	Del City	OK	\$2,000.00
New Hope First FWB Church	Sumner	WA	\$1,999.70
Kingsview FWB Church	Oklahoma City	OK	\$1,987.21
New Zion FWB Church	Shorterville	AL	\$1,981.00
First FWB Church of Chipley	Chipley	FL	\$1,942.27
Thomaston FWB Church	Thomaston	TX	\$1,940.00
Winfield First FWB Church	Winfield	AL	\$1,930.33
Murry Spur	Muldrow	OK	\$1,927.97
Sand Hill FWB Church	Coward	SC	\$1,919.75
Forest Valley FWB Church	Springfield	OH	\$1,919.00
First Bible FWB Church	New Castle	IN	\$1,898.56
First FWB Church	Florence	AL	\$1,881.73
Sylvan Park FWB Church	Nashville	TN	\$1,875.50
First FWB Church	Duncanville	TX	\$1,859.77
Ben Avenue FWB Church	Kannapolis	NC	\$1,852.50
Eastside FWB Church	Florence	SC	\$1,836.35
Hazel Dell FWB Church	Sesser	IL	\$1,831.69
Heritage FWB Church	Fredericksburg	VA	\$1,800.00
Grace FWB Church	Louisa	VA	\$1,793.43
Bethany FWB Church	Timmons ville	SC	\$1,786.00
First FWB Church	Northport	AL	\$1,781.91
The Heights Church	Noblesville	IN	\$1,753.72
Collin Creek FWB Church	Plano	TX	\$1,750.00
Mt. Elon FWB Church	Pamplico	SC	\$1,725.55
Central FWB Church	Grandview	MO	\$1,725.00
Rose Hill FWB Church	Monticello	AR	\$1,722.47
South Fremont FWB Church	Springfield	MO	\$1,700.00
First FWB Church of Johnston City	Johnston City	IL	\$1,663.34

Harmony FWB Church	Lake Butler	FL	\$1,661.16
Cleveland FWB Church	Cleveland	OH	\$1,651.50
Mt. Bethel FWB Church	Rose Bud	AR	\$1,645.00
Knights Chapel FWB Church	Cookeville	TN	\$1,644.94
Rescue FWB Church	Whittington	IL	\$1,640.25
Beacon FWB Church	Raytown	MO	\$1,613.54
Lighthouse FWB Church	Florence	SC	\$1,607.90
First FWB Church	Dothan	AL	\$1,600.00
Corner Stone FWB Church	Murfreesboro	TN	\$1,595.04
Community FWB Church	Westland	MI	\$1,577.00
First FWB Church	Glasgow	KY	\$1,575.00
Marysville FWB Church	Marysville	OH	\$1,572.35
First FWB Church	Houston	TX	\$1,550.00
Shady Grove Church	Clarks ville	TN	\$1,513.76
Riverside Fellowship FWB Church	Clinton Township	MI	\$1,502.17
Betsy Layne FWB Church	Pikeville	KY	\$1,500.00
First FWB Church	Owensboro	KY	\$1,500.00
Grace For The World Ministries	Dickson	TN	\$1,500.00
Mill Branch FWB Church	Johnsonville	SC	\$1,500.00
Pittsburg FWB Church	Pittsburg	IL	\$1,500.00
North Valley FWB Church	Phoenix	AZ	\$1,492.81
First FWB Church	Benton	IL	\$1,492.64
Generations FWB Church	Joplin	MO	\$1,486.99
Community FWB Church	West Jefferson	OH	\$1,461.00
Grace FWB Church	Arnold	MO	\$1,444.04
Crosspoint FWB Church	Salt Lake City	UT	\$1,417.00
Cedar Hill FWB Church	Asheville	NC	\$1,412.00
Union FWB Church	Wheelersburg	OH	\$1,408.00
Shallowford FWB Church	Marietta	GA	\$1,376.59
Westerville FWB Church	Westerville	OH	\$1,372.10
Wildwood FWB Church	Porter	TX	\$1,350.00
New Liberty FWB Church	Bankston	AL	\$1,337.84
Center Point FWB Church	Birmingham	AL	\$1,335.00
First FWB Church	Crossett	AR	\$1,331.89
Kingspointe Fellowship	Kingsland	GA	\$1,317.78
Richmond FWB Church	Richmond	CA	\$1,308.00
Damascus FWB Church	Marianna	FL	\$1,305.50
Northview FWB Church	Statesville	NC	\$1,297.00
Good Hope FWB Church	Henderson	TX	\$1,270.87
Bay Branch FWB Church	Timmons ville	SC	\$1,260.00
First FWB Church	Vernon	AL	\$1,219.63
Grace FWB Church	Broken Arrow	OK	\$1,215.13
Southside FWB Church	Paintsville	KY	\$1,215.00
Hardin Valley FWB Church	Knoxville	TN	\$1,207.93
First FWB Church	Chillicothe	OH	\$1,201.82
Pikeville FWB Church	Pikeville	KY	\$1,200.00
Southgate FWB Church	Southgate	MI	\$1,195.00
First FWB Church	Springfield	OH	\$1,174.99
Harmony FWB Church	Hampton	TN	\$1,162.00

First FWB Church	Stanley	NC	\$1,152.87
Memorial FWB Church	Surrency	GA	\$1,124.92
West Williamson FWB Church	Turkey Creek	KY	\$1,120.00
Arnold View FWB Church	Creal Springs	IL	\$1,101.20
White Oaks FWB Church	Macon	GA	\$1,091.45
First FWB Church	Lawton	OK	\$1,086.35
Northridge FWB Church	Guymon	OK	\$1,075.00
Ashland City FWB Church	Ashland City	TN	\$1,068.00
Blackwelder Memorial FWB Ch	Lake Butler	FL	\$1,065.15
Southern Oaks FWB Church	Oklahoma City	OK	\$1,065.00
Harmony FWB Church	Parkville	MO	\$1,051.00
Oak Grove FWB Church	Scheller	IL	\$1,050.00
Pardue Memorial FWB Church	Clarksville	TN	\$1,050.00
Unity FWB Church	Bradley	IL	\$1,046.00
Peace FWB Church	Granite City	IL	\$1,045.50
Calvary FWB Church	Rutherford College	NC	\$1,030.00
First FWB Church	Jasper	AL	\$1,020.00
First Original FWB Church	Jacksonville	NC	\$1,011.24
Harper Road FWB Church	Joelton	TN	\$1,005.00
Mt Zion FWB Church	Joelton	TN	\$1,002.91
Bethesda Chapel FWB Church	Beaver	OH	\$1,000.00
Clinton FWB Church	Clinton	OH	\$1,000.00
Corinth FWB Church	Waynesboro	MS	\$1,000.00
Cornerstone Free Will Baptist Church	Midland	VA	\$1,000.00
Covenant FWB Church	Southside	TN	\$1,000.00
Cross Pointe FWB Church	Baltimore	OH	\$1,000.00
First FWB Church	Haskell	OK	\$1,000.00
Harrah FWB Church	Harrah	OK	\$1,000.00
Harris Memorial FWB Church	Greeneville	TN	\$1,000.00
Hillview FWB Church	Reynoldsburg	OH	\$1,000.00
Homerville FWB Church	Homerville	GA	\$1,000.00
Keystone FWB Church	Johnson City	TN	\$1,000.00
Liberty FWB Church	Waycross	GA	\$1,000.00
Life FWB Church	Fresno	CA	\$1,000.00
North Zulch FWB Church	North Zulch	TX	\$1,000.00
Northridge FWB Church	Dayton	OH	\$1,000.00
Woodhaven FWB Church	Woodhaven	MI	\$1,000.00
Zion Hill Free Will Baptist Church	Millwood	GA	\$1,000.00

REACHING FARTHER TOGETHER, THESE CHURCHES DONATED \$133,095.29

Church	City	State
Ada First	Ada	OK
Ahoskie FWB Church	Ahoskie	NC

Alcala FWB Church (Spain)		
Alpedrete FWB Church (Spain)		
Antlers FWB Church	Antlers	OK
Arbor Grove FWB Church	Hoxie	AR
Auxier FWB Church	Auxier	KY
Baxley FWB Church	Baxley	GA
Bay FWB Church	Hartsfield	GA
Bear Thicket New Beginning FWB Church	Grovespring	MO
Beatty FWB Church	Springfield	OH
Beaverton FWB Church	Beaverton	AL
Beech Springs FWB Church	Saltillo	MS
Beeson Chapel FWB Church	Beeson	WV
Belleville FWB Church	Belleville	MI
Bellville FWB Church	Bellville	OH
Belton FWB Church	Belton	MO
Bethania FWB Church (Panama)		
Bethlehem FWB Church	Cordele	GA
Beulah FWB Church	Pamplico	SC
Blackland Chapel FWB Church	Oil Trough	AR
Bloss Memorial FWB Church	Arlington	VA
Bright Star FWB Church	Ethel	WV
Bunker Hill First FWB Church	Bunker Hill	IN
Cabool First FWB Church	Cabool	MO
Calvary Chapel FWB Church	Hollywood	FL
Calvary FWB Church	Plant City	FL
Calvary FWB Church	Durham	NC
Calvary FWB Church	Swannanoa	NC
Calvary FWB Church	Ravenna	OH
Calvary FWB Church	Georgetown	SC
Calvary FWB Church	Rochelle	VA
Calvary FWB Church	Nolensville	TN
Cane Ridge FWB Church	Jacksonville	NC
Cardinal Village FWB Church	Erin	TN
Carlisle FWB Church	Francis	OK
Cedar Grove FWB Church	Jakin	GA
Cedar Springs FWB Church	Carbon Hill	AL
Cedrom Grove FWB Church	Mulberry	AR
Centerpoint FWB Church	Norton	VA
Central FWB Church		
Chame Mission (Panama)	Mountainburg	AR
Chester FWB Church		
Chitre FWB Church (Panama)		
Christian Hill FWB Church	Rochelle	GA
Christian Home FWB Church	Blountstown	FL
Church of Second Chances	Joliet	IL
Clear Springs FWB Church	Mustang	OK
Clear View FWB Church	McKinney	TX
Clinton FWB Church	Clinton	OK
Cocoa FWB Church	Cocoa	FL
Columbia Original FWB Church	Columbia	SC

Community FWB Church	Pocola	OK
Copper Mines FWB Church	Fredericktown	MO
Corinth FWB Church	Dunn	NC
Cornerstone-Fellowship FWB Church	Manning	SC
Cotton Heights Fwb Church	Meridian	MS
Country Side Church	Velma	OK
Cove City FWB Church	Cove City	NC
Cowarts Creek Church	Dothan	AL
Cross Roads FWB Church	Cochran	GA
Crossroads FWB Church	Effingham	IL
Crossroads FWB Church	Jenks	OK
Crosswalk FWB Church	Lubbock	TX
Crystal Hill FWB Church	Mcloud	OK
Cuba FWB Church	Lawton	OK
Cypress Fork FWB Church	Cuba	MO
Dailyville FWB Church	Manning	SC
Damascus FWB Church	Waverly	OH
Deep Creek FWB Church	Conway	SC
Demaree FWB Church	Midville	GA
Depriest Chapel FWB Church	Visalia	CA
Discovery Family Church	Gattman	MS
Dry Branch FWB Church	Maryville	IL
East 38th St FWB Church	Drybranch	WV
East Nashville FWB Church	Anderson	IN
Eastmont FWB Church	Nashville	TN
Eastside FWB Church	Dayton	OH
Enterprise FWB Church	Muldrow	OK
Faith FWB Church	Lavaca	AR
Faith FWB Church	Chandler	IN
Faith FWB Church	Moore's Hill	IN
Faith FWB Church	Ray	MI
Faith FWB Church	Darlington	SC
Faith FWB Church	Oakland	TN
Faith FWB Church	Wichita Falls	TX
Faith FWB Church	Norton	VA
Faith Ministries Church	Metter	GA
Family Fellowship FWB Church	Hayward	CA
Farmersville FWB Church	Farmersville	CA
Fellowship FWB Church	Albany	GA
Fellowship FWB Church	Taylor	MI
Fellowship FWB Church	Park Hills	MO
Fellowship Tabernacle	Xenia	OH
First FWB Church	Fayette	AL
First FWB Church	Huntsville	AL
First FWB Church	Samson	AL
First FWB Church	Tuscaloosa	AL
First FWB Church	Batesville	AR
First FWB Church	Lowell	AR
First FWB Church	Mountain Home	AR

First FWB Church	Mulberry	AR
First FWB Church	Tucson	AZ
First FWB Church	Bakersfield	CA
First FWB Church	Clovis	CA
First FWB Church	Panama City	FL
First FWB Church	Brunswick	GA
First FWB Church	Cairo	GA
First FWB Church	Columbus	GA
First FWB Church	Eastman	GA
First FWB Church	Rolling Prairie	IN
First FWB Church	Topeka	KS
First FWB Church	Lexington	KY
First FWB Church	Cape Girardeau	MO
First FWB Church	O Fallon	MO
First FWB Church	Ozark	MO
First FWB Church	Amory	MS
First FWB Church	Mount Holly	NC
First FWB Church	Austintown	OH
First FWB Church	Columbus	OH
First FWB Church	Blackwell	OK
First FWB Church	Oklahoma City	OK
First FWB Church	Pryor	OK
First FWB Church	Charleston	SC
First FWB Church	Darlington	SC
First FWB Church	Greenwood	SC
First FWB Church	Hartsville	SC
First FWB Church	Kingstree	SC
First FWB Church	Springfield	TN
First FWB Church	Carthage	TX
First FWB Church	Henderson	TX
First FWB Church	Weatherford	TX
First FWB Church	Pennington Gap	VA
First FWB Church (Campinas, Brazil)		
First FWB Church of Decatur	Decatur	AL
First FWB Church of Palm Bay	Palm Bay	FL
First FWB Church Panama City (Panama)		
Fordland FWB Church	Fordland	MO
Forest Hill FWB Church	Adel	GA
Forestdale FWB Church	Birmingham	AL
Free Water FWB Church	Guin	AL
Free Will Baptist Chapel	Madison Heights	MI
Free Will Baptist Church	Christiansted	VI
Free Will Baptist Worship Cent	Tahlequah	OK
Freedom FWB Church	Inez	KY
Friends Fwb Church	Seminole	OK
Friendship FWB Church	Ashland City	TN
Friendship Fwb Church	Haltom City	TX
Fulton FWB Church	Fulton	MS
FWB Church of New Castle Co	New Castle	DE

Gahanna FWB Church	Gahanna	OH
Garner FWB Church	Garner	NC
Glamorgan Chapel	Wise	VA
Glen Echo FWB Church	Kennedy	AL
Glennville FWB Church	Glennville	GA
God's Tree of Life	Creal Springs	IL
Grace FWB Church	Orange Park	FL
Grandview FWB Church	Maynard	AR
Great Lakes Conf of FWB	Ravenna	OH
Greater Vision Free Will Baptist Church	Haines City	FL
Greenbrier FWB Church	Adair	OK
Greenwood FWB Church	Camilla	GA
Greenwood FWB Church	Springfield	TN
Hall FWB Church	Antlers	OK
Hanna Memorial FWB Church (India)		
Hannon FWB Church	Liberal	MO
Harmony FWB Church	West Frankfort	IL
Harvest FWB Church	Jasper	AL
Hazel Creek FWB Church	Kirksville	MO
Heaven Bound Free Will Baptist Church	Lakeland	FL
Hebrew FWB Church	Donalsonville	GA
Hendersonville FWB Church	Hendersonville	TN
Heritage FWB Church	Springfield	IL
Hickory Grove FWB Church	Abbeville	AL
High Street FWB Church	Ada	OH
Highland Ave FWB Church	Prestonsburg	KY
Hillcrest FWB Church	Wagoner	OK
Holly Fork FWB Church	Morehead	KY
Hoyt FWB Church	Whitefield	OK
Hyde Park FWB Church	Norfolk	VA
Iglesia Bautista Libre	Houston	TX
Iglesia Bautista Libre Cedros	Hialeah	FL
Immanuel FWB Church	Winterville	NC
Japan National Assn. of FWB		
Jefferson Rd FWB Church	Sumter	SC
Jones Chapel Church	Neosho	MO
Jones Chapel FWB Church	Florence	AL
Lafayette FWB Church	Stigler	OK
Lake Hamilton FWB Church	Lake Hamilton	FL
Lavergne FWB Church	La Vergne	TN
Leadington FWB Church	Leadington	MO
Lebanon Green Hills FWB Church	Lebanon	MO
Liberty Baptist Church	Durham	NC
Liberty Bible FWB Church	Oakwood	GA
Liberty FWB Church	Guin	AL
Liberty FWB Church	Lawley	AL
Liberty FWB Church	Vernon	AL
Liberty FWB Church	Gainesville	GA
Liberty FWB Church	Ahoskie	NC

Liberty FWB Church	Ayden	NC
Liberty FWB Church	Manning	SC
Liberty FWB Church	Orangeburg	SC
Liberty FWB Church of Portland	Portland	TN
Lifegate FWB Church	Tyler	TX
Light of Life FWB Church	Mcallen	TX
Lighthouse Fellowship FWB Church	Hanford	CA
Lighthouse FWB Church	Saint Petersburg	FL
Lighthouse FWB Church	Bedford	VA
Lingo FWB Church	Gatewood	MO
Little Star FWB Church	Johnsonville	SC
Long Run FWB Church	Lucasville	OH
Loudendale FWB Church	Charleston	WV
Lovely FWB Church	Lovely	KY
Lovewell FWB Church	Richton	MS
Low Country FWB Church	Charleston	SC
Lowery FWB Church	Tahlequah	OK
Lyons FWB Church	Lyons	GA
Macedonia FWB Church	Millport	AL
Macedonia FWB Church	Sparta	NC
Magnolia FWB Church	Headland	AL
Maple Lane FWB Church	St. Marys	WV
Martin Hill FWB Church	Booneville	MS
Marvin Chapel Church	Marianna	FL
McArthur FWB Church	Mc Arthur	OH
McGregor Chapel FWB Church	Pontotoc	MS
McGuffey FWB Church	Alger	OH
Midtown Free Will Baptist Church	Taylor	MI
Midway FWB Church	Moultrie	GA
Midway FWB Church	Healdton	OK
Mothers Home FWB Church	Colquitt	GA
Mount Hope Fwb Church	Wheelersburg	OH
Mt Ararat FWB Church	Eastman	GA
Mt Ariel FWB Church	Conway	SC
Mt Pleasant FWB Church	Centreville	AL
Mt. Calvary FWB Church	Marion	NC
Mt. Harmony FWB Church	Vernon	AL
Mt. Hope FWB Church	Dingess	WV
Mt. Moriah FWB Church	Gordo	AL
Mt. Moriah FWB WAC	Gordo	AL
Mt. Pleasant FWB Church	Hamburg	AR
Myrtle FWB Church	Myrtle	MO
Nason FWB Church	Bonnie	IL
New Beginning FWB Ministries	Oak Grove	MO
New Center Point FWB Church	Greenwood Springs	MS
New Hope FWB Church	Midland City	AL
New Hope FWB Church	Moultrie	GA
New Hope FWB Church	Warsaw	IN
New Hope FWB Church	Fredericktown	MO

New Life FWB Church	Licking	MO
New Life FWB Church	Monett	MO
New Light FWB Church	Morgan	GA
New Prospect FWB Church	Sylvester	GA
New Salem FWB Church	Blakely	GA
New Salem FWB Church	Decatur	TX
New Town FWB Church	Lake City	SC
North Columbus FWB Church	Columbus	OH
Oak Hill FWB Church	Saint Clair	MO
Oak Street Chapel FWB Church	Flatwoods	KY
Oak Vale FWB Church	Princeton	WV
Oceana FWB Church	Oceana	WV
Oilton FWB Church	Oilton	OK
Olivet FWB Church	Marshall	MO
One FWB Church	Oklahoma City	OK
Ouro Verde FWB Mission Church (Brazil)		
Ozark FWB Church	Ozark	AR
Parita FWB Church (Panama)		
Peace FWB Church	Morristown	TN
Pine Level FWB Church	Alma	GA
Pine Prairie FWB Church	Huntsville	TX
Pleasant Hill F.W.B. Church	Norman	OK
Pleasant Hill FWB Church	Vienna	GA
Pleasant Hill FWB Church	Dover	TN
Pleasant Valley FWB Church	Warren	AR
Pleasant View FWB Church	Walnut Hill	IL
Pocola Heights FWB Church	Pocola	OK
Poulan FWB Church	Sylvester	GA
Primera Iglesia Bautista Libre	Hialeah	FL
Primera Iglesia Boutista Libre	Weslaco	TX
Primera Iglesia Hispana Bauista Libre De West Palm	Lake Worth	FL
Prospect FWB Church	Dunn	NC
Puritan FWB Church	Hamden	OH
Rains FWB Church	Rains	SC
Redeemer FWB Church	London	OH
Rejoice FWB Church	Columbia	MO
Rejoice FWB Church	Antioch	TN
Republic FWB Church	Republic	MO
Richland FWB Church	Nashville	TN
Roans Chapel FWB Church	Bakersville	NC
Rouge FWB Church	Wyandotte	MI
Rupert FWB Church	Rupert	ID
Salina First FWB Church	Salina	OK
Samantha FWB Church	Leesburg	OH
Sammy Clark Branch FWB Church	Dana	KY
San Vicente (Panama)		
Serenity FWB Church	Fredericton	NB
Sheraton Park Church	Greensboro	NC
Shiloh FWB Church	Mc David	FL

Slaughters Creek FWB Church	Cabin Creek	WV
Smyrna FWB Church	New Smyrna Beach	FL
Solid Rock FWB Church	Tifton	GA
Sophia FWB Church	Sophia	WV
Soul's Harbor FWB Church	Vinemont	AL
South Charleston FWB Church	South Charleston	OH
South Highland FWB Church	Muscle Shoals	AL
South Mountain FWB Church	Marshall	AR
Southside FWB Church	Darlington	SC
Spring Grove FWB Church	Jesup	GA
Springfield FWB Church	Vernon	AL
Springfield FWB Church	Springfield	OH
St. Mark FWB Church	Phenix City	AL
St. Sebastien (France)		
Stacy FWB Church	Stacy	NC
Stockton FWB Church	Stockton	MO
Stonewall FWB Church	Stonewall	OK
Stoney Hill FWB Church	Reidsville	GA
Sulphur Springs FWB Church	Northport	AL
Sutton FWB Church	Pocahontas	AR
Swannanoa FWB Church	Swannanoa	NC
Temple FWB Church	Darlington	SC
Three Rivers FWB Church	Cranberry Twp	PA
Tick Ridge FWB Church	Wheelerburg	OH
Toms Creek FWB Church	Williamsport	KY
Townley FWB Church	Townley	AL
Trinity FWB Church	Darlington	MD
Trinity FWB Church	Ypsilanti	MI
Trinity FWB Church	Bridgeton	MO
Trinity FWB Church	Richton	MS
Trinity FWB Church	Oklahoma City	OK
Turner's Chapel FWB Church	Butler	GA
Two Rivers FWB Church	Clarksville	TN
Union Arbor FWB Church	Beckville	TX
Union Chapel FWB Church	Winfield	AL
Union FWB Church	Gordo	AL
Union FWB Church	West Frankfort	IL
Union Hill FWB Church	Slocumb	AL
Union Springs FWB Church	Pansey	AL
Unity Free Will Baptist Church	White House	TN
Unity FWB Church	Sylacauga	AL
Unity FWB Church	Lebanon	MO
Unity FWB Church	Cleveland	OH
Unity FWB Church	Murfreesboro	TN
University FWB Church	Durant	OK
Urbana FWB Church	Urbana	OH
Victory FWB Church	Kansas City	MO
Victory FWB Church	Jackson	TN
Victory FWB Church	Pecks Mill	WV

Villalba FWB Church (Spain)		
Wabash FWB Church	Wabash	IN
Wakefield FWB Church	Wakefield	OH
Waltonville FWB Church	Bonnie	IL
Weems Road FWB Church	Columbus	GA
West Greene FWB Church	Greeneville	TN
White Plains FWB Church	Blakely	GA
White Savannah FWB Church	Conway	SC
Whittaker FWB Church	Whittaker	MI
Williams Hill FWB Church	Hemingway	SC
Windwood FWB Church	Oklahoma City	OK
Wolf Creek FWB Church	Springfield	MO
Wolf FWB Church	Seminole	OK
Woodland Chapel Church	Kitts Hill	OH
Woodstock FWB Church	Woodstock	OH
Woodward FWB Church	Woodward	OK

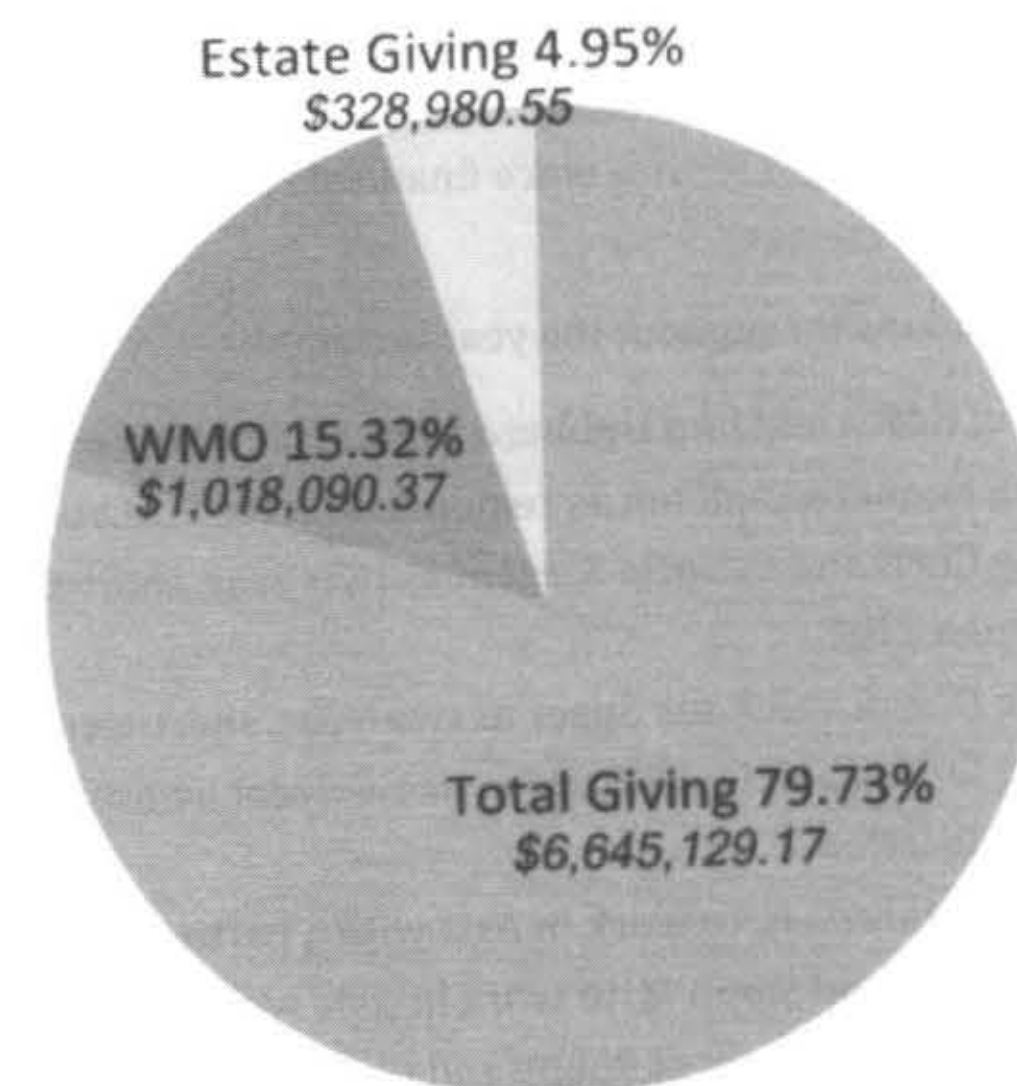
**This list represents 582 churches. Many more than these indicated a plan to participate. If your church gave and is not listed, please let us know. Your gift may have come in undesignated, been grouped with other gifts, or we may have made a clerical error.*

The generosity of our churches and the efforts of state leaders propelled the following states into our 2012 top ten states in overall giving.

10 STATES GAVE MORE THAN \$5.5 MILLION

\$1,304,076.77	Tennessee
\$866,219.86	North Carolina
\$579,823.07	Arkansas
\$572,155.31	Oklahoma
\$516,458.09	South Carolina
\$503,068.70	Missouri
\$401,607.99	Alabama
\$344,703.88	Georgia
\$251,572.30	Illinois
\$206,520.67	Ohio

It is our desire to continue to grow the World Missions Offering. However, as the following pie chart demonstrates, the vast majority of our income (even in 2012) is due to churches and individuals who faithfully make consistent, monthly donations. To each of you, we are enormously grateful.



SUMMARY OF BOARD MEETINGS

The Board of International Missions met three times, conducted two email ballots, and held one phone conference from May 24, 2012, to May 1, 2013. Board members for the period were Danny Williams (chairman, AL), Jeff Manning (vice-chairman, NC), Tom McCullough (secretary, MI), Nelson Henderson (AR), Mark Price (OH), Rob Morgan (TN), Greg McAllister (CA), Brad Ransom (OK), and Jan Banks (OK).

Prior to the National Association convening in Memphis, Tennessee, the board gathered to review financial improvements and approved the release of missionaries to their fields of service since financial criteria set by the board in December 2011 had been met.

Additional board actions throughout the year included:

- Reassigning Heath and Joni Hubbard from Spain to Japan
- Appointing Kenneth Eagleton as regional director for Latin America
- Appointing Chris and Victoria Sargent as two-year, short-term interns to Spain through THP
- Appointing Daniel and Katie Speer as two-year, short-term interns to Japan
- Appointing Joshua and Lydia Provow as two-year, short-term interns to an unspecified location
- Seconding Samantha H. to work in Asia with a partner organization
- Seconding Jacob and Sarah M. to work in Asia with a partner organization
- Accepting the retirements of Bobby and Geneva Poole after 53 years of service in Brazil
- Accepting the resignations of Tim and Di Keener following 10 years in France
- Accepting the resignation of Kimberly Johnson (Brazil), following a leave-of-absence

Free Will Baptist International Missions

2014 Operational Budget Summary

Category	2012 Proposed Budget	2012 Actuals	2013 Proposed Budget	2014 Proposed Budget
Field Ministries & Projects	\$ 924,587.02	\$ 990,578.17	\$ 1,203,280.93	\$ 1,174,040.40
Missionary Compensation & Benefits	\$ 3,870,334.59	\$ 3,196,979.89	\$ 3,838,472.95	\$ 3,780,083.66
Missionary Travel/Transportation	\$ 446,073.93	\$ 643,825.89	\$ 462,530.94	\$ 762,830.06
Mobilization & Development	\$ 974,103.40	\$ 660,368.76	\$ 519,596.25	\$ 664,153.10
Administration	\$ 1,034,901.07	\$ 725,521.04	\$ 976,118.93	\$ 859,892.77
Grand Totals	\$ 7,250,000.00	\$ 6,117,073.75	\$ 7,000,000.00	\$ 7,250,000.00

These are 2014 Proposed Budgets for the 2014 Fiscal Year. Actuals are for the 2013 Fiscal Year. Budgets are subject to change.

2014 Operational Budget Breakout

Functional Description	2014 Amt	Functional Description	2014 Amt
Missionary Salary	\$1,211,588.76	Int'l Missions Month	\$2,748.85
Missionary COLA	\$313,825.47	One Magazine	\$65,972.46
Missionary Housing - Field	\$676,247.90	Board Expenses	\$18,142.43
Missionary Housing - US	\$226,846.20	Office Travel Domestic	\$17,582.65
Missionary Christmas Bonus	\$23,944.77	Travel Insurance	\$477.20
Missionary Social Security Taxes	\$252,107.81	Department Insurance	\$2,907.19
Missionary Fieldside Transportation	\$183,507.88	Candidate Expenses	\$1,099.54
Missionary Cell Phones	\$39,640.65	Recruiting	\$549.77
Missionary Vehicle Purchases	\$105,555.93	Mobilization	\$714.70
Missionary Medical Insurance	\$611,454.04	Employee Recognition	\$4,013.32
Missionary Furlough Expenses	\$1,099.54	Strategic Planning Retreat	\$10,995.41
Missionary Overseas Travel	\$109,060.18	COLA Indirects	\$7,250.97
Missionary Children's Schooling	\$49,589.30	Compassion/Relief	\$1,549.31
Missionary Language School/Cont Ed	\$30,864.11	Cell Phone Usage	\$8,576.42
Missionary Furniture/Appliances	\$13,194.49	Meals/Entert/Lodging Others	\$2,473.97
Missionary Children's College	\$8,054.14	Orientation for New Missionary	\$274.89
Missionary Retirement	\$49,544.25	Mission Community Development	\$219.91
Missionary Non US Taxes	\$41,177.81	Donor Development	\$2,199.08
Missionary Special Projects	\$183,238.49	Advisory Council	\$1,649.31
Missionary Newsletters	\$37,571.31	Office Travel International	\$41,232.78
Missionary Miscellaneous	\$28,961.91	Missionary Stateside Assignment - Fuel	\$66,572.20
Missionary Equipment	\$32,820.26	Missionary Stateside Assignment - Airfare	\$13,194.49
Missionary Meeting Places	\$89,172.77	Missionary Stateside Assignment - Lodging	\$21,990.82
Missionary Maintenance Mission Prop	\$34,525.58	Missionary Stateside Assignment - Meals	\$27,468.52
Missionary Evangelism	\$85,260.60	Missionary Stateside Assignment - ReEntry	\$4,947.83
Missionary National Workers	\$101,698.49	Missionary Stateside Assignment - Internet	\$1,319.45
Missionary Other Supporting	\$298,793.65	Missionary Stateside Assignment - EveryOne Car	\$2,199.08
Missionary Overseas Shipping	\$17,086.87	Missionary Stateside Assignment - Equipment	\$7,147.02
Missionary Dental & Optical	\$73,922.14	Missionary Stateside Assignment - National Conv	\$19,791.74
Missionary Customs Charges	\$1,429.40	Missionary Stateside Assignment - Misc	\$1,099.54
Missionary COLA Equalization	\$59,135.51	WMO Ambassador Travel	\$19,241.97
Missionary Other Insurance	\$22,672.53	WMO Ambassador Honorariums	\$10,995.41
Missionary Field Admin Expenses	\$3,458.06	WMO Campaign Expenses	\$5,497.70
ELIC Personnel	\$104,458.39	WMO Coin Banks	\$22,854.94
Office Salary	\$543,919.89	WMO Ambassador Training	\$8,597.25
Office Housing	\$81,541.95	Professional Services	\$7,971.67
Office Social Security	\$71,327.63	Auditing Expenses	\$14,294.03
Office Christmas Bonus	\$12,028.11	Rent - 5233 Mt View Rd	\$98,958.68
Office Insurance	\$114,445.36	Software Expense	\$11,215.32
Office Retirement	\$29,173.38	Office/Computer Equipment	\$10,995.41
Audio Visual	\$549.77	Office Equip Maint	\$1,099.54
Film and Art	\$6,597.25	Office Supplies	\$11,820.06
Video	\$23,090.36	Other Expenses	\$296,766.09
Promotional Materials	\$9,675.96	Bank Service Charges	\$7,971.67
Services and Dues	\$439.82	Depreciation Expense	\$101,157.76
Info Services Materials	\$659.72	Credit Card Process Fees	\$7,971.67
Telephone	\$7,421.90	Website	\$30,512.26
Copier Expense	\$4,068.30	Internet Service Provider	\$2,748.85
Regular Postage	\$14,074.12	Vehicle Fuel	\$18,032.47
Miscellaneous Mailings	\$5,772.59	Vehicle Maintenance	\$8,597.25
Books and Subscriptions	\$1,539.36	Vehicle Repairs	\$21,441.05
Together Way Campaign	\$2,309.04	Vehicle Registration	\$1,583.34
Surveys	\$549.77	Vehicle Insurance	\$13,194.49
Reentry	\$1,374.43		
Seminary/Training Expense	\$24,244.88		
National Convention	\$27,763.41		
		Totals	7,250,000.00

Free Will Baptist International Missions

Directors Compensation Detail

	2012	2013	2014 Proposed
General Director - Clint Morgan			
Salary	38,886.87	40,773.48	42,716.68
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	10,141.13	10,445.37	10,758.73
Retirement	1,886.61	3,238.67	3,335.83
Insurance	12,552.42	12,552.42	14,495.88
Christmas Bonus	1,209.36	1,245.64	1,283.01
Total Cost of Employment	88,676.39	92,255.58	96,590.13
Director of Advancement - Mark McPeak			
Salary	22,295.75	28,072.29	29,814.46
Housing and Utilities	27,037.50	30,000.00	30,000.00
Social Security	7,955.48	9,364.73	9,645.67
Retirement	1,480.00	2,903.61	2,990.72
Insurance	16,044.79	20,064.00	20,064.00
Christmas Bonus	948.72	1,116.77	1,150.28
Total Cost of Employment	75,762.23	91,521.41	93,665.13
Director of Field Operations - Jeff Turnbough			
Salary	32,380.86	34,072.29	35,814.46
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	9,091.97	9,364.73	9,645.67
Retirement	1,691.43	2,903.61	2,990.72
Insurance	12,552.42	12,552.42	14,495.88
Christmas Bonus	1,084.25	1,116.77	1,150.28
Total Cost of Employment	80,800.93	84,009.83	88,097.01
Director of Financial Operations - Robert Conley			
Salary	56,380.86	58,072.29	59,814.46
Social Security	8,983.73	9,253.24	9,530.84
Retirement	1,691.43	2,903.61	2,990.72
Insurance	18,336.90	18,336.90	21,492.72
Christmas Bonus	1,084.25	1,116.77	1,150.28
Total Cost of Employment	86,477.16	89,682.81	94,979.02

Insurance Costs are Projected - Actual Premium Costs May Vary

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Board of International Missions of the
National Association of Free Will Baptists
and Subsidiary

We have audited the accompanying consolidated financial statements of the Board of International Missions of the National Association of Free Will Baptists and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

-1-

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BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2012 and 2011, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedules of Functional Expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blankenship CPA Group, PLLC

April 2, 2013

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
ASSETS		
Cash	\$ 1,337,993	\$ 1,005,834
Investments in trusts	385,854	225,896
Investments	3,081	2,268
Prepaid expenses	55,290	64,930
Receivables from employees and missionaries	309,597	276,550
Note receivable	-	54,108
Property and equipment, net	975,951	917,661
Total assets	\$ 3,067,766	\$ 2,547,247
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 232,467	\$ 230,351
Notes payable	221,968	241,530
Accrued severance payable	114,657	121,544
Total liabilities	569,092	593,425
Net assets:	1,985,802	1,504,712
Unrestricted	486,631	422,869
Temporarily restricted	26,241	26,241
Permanently restricted	-	-
Total net assets	2,498,674	1,953,822
Total liabilities and net assets	\$ 3,067,766	\$ 2,547,247

The accompanying notes are an integral part of these consolidated financial statements.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Unrestricted:		
Revenue:		
Contributions	\$ 3,583,527	\$ 2,726,295
Gain on settlement of note receivable	194,090	-
Gain on disposal of property and equipment	32,407	17,054
Investment income	7,078	11,005
Other income	4,415	6,895
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>2,929,614</u>	<u>2,874,134</u>
Total revenue	<u>6,751,131</u>	<u>5,635,383</u>
Expenses:		
General fund	1,191,045	988,913
Missionary/field ministry	5,011,550	5,341,751
IMpact	<u>67,446</u>	<u>112,436</u>
Total expenses	<u>6,270,041</u>	<u>6,443,100</u>
Increase (decrease) in unrestricted net assets	<u>481,090</u>	<u>(807,717)</u>
Temporarily restricted:		
Revenue:		
Contributions	2,993,376	2,955,943
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(2,929,614)</u>	<u>(2,874,134)</u>
Increase in temporarily restricted net assets	<u>63,762</u>	<u>81,809</u>
Total increase (decrease) in net assets	544,852	(725,908)
Net assets, beginning of year	<u>1,953,822</u>	<u>2,679,730</u>
Net assets, end of year	<u>\$ 2,498,674</u>	<u>\$ 1,953,822</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash flows from operating activities:	\$ 544,852	\$ (725,908)
Increase (decrease) in net assets		
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	179,365	151,362
Unrealized gain on investments	(7,078)	(11,005)
(Gain) loss on disposal of property and equipment	(7,235)	184,484
Gain on settlement of note receivable	(194,090)	-
(Increase) decrease in		
Receivables from employees and missionaries	(33,047)	61,359
Prepaid expenses	9,640	(19,325)
Increase (decrease) in		
Accounts payable and accrued expenses	2,116	24,799
Accrued severance payable	<u>(6,887)</u>	<u>(25,074)</u>
Net cash provided by (used in) operating activities	<u>487,636</u>	<u>(359,308)</u>
Cash flows from investing activities:	(333,725)	(148,129)
Purchases of property and equipment	103,305	101,118
Proceeds from sale of property and equipment	248,198	-
Proceeds from the settlement of note receivable	(250,000)	-
Purchases of investments	96,307	200,000
Proceeds from sale of investments	<u>(135,915)</u>	<u>152,989</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:	(19,562)	(18,352)
Payments on notes payable	<u>(19,562)</u>	<u>(18,352)</u>
Net cash used in financing activities		
Increase (decrease) in cash	332,159	(224,671)
Cash, beginning of year	<u>1,005,834</u>	<u>1,230,505</u>
Cash, end of year	<u>\$ 1,337,993</u>	<u>\$ 1,005,834</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u>\$ 18,138</u>	<u>\$ 16,536</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Board of International Missions of the National Association of Free Will Baptists is a not-for-profit organization (the "Organization") affiliated with the National Association of Free Will Baptists, located in Antioch, Tennessee. The purpose of the Organization is to establish and support Free Will Baptist Mission Churches throughout the world. The Organization's support comes primarily from donor contributions.

The Organization has established a not-for-profit subsidiary (the "subsidiary", the Hanna Project) to meet the physical and spiritual needs of hurting people around the world.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies used are as follows:

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 and its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Income Tax

The Organization is exempt from federal income tax by Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2012, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted revenue and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Cash

Cash includes checking deposits and cash on hand both in the United States and on the international mission fields.

Investments in Trusts

Investments in trusts are composed of four 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 fair market value. The remaining trusts are invested in government securities and valued at cost, which approximates fair market value.

Investments

Investments are composed of equity securities and are valued at quoted fair market price.

Property and Equipment

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,000 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:

Buildings	39 years
Automobiles	3 - 5 years
Office furniture and equipment	3 - 10 years

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 3 - INVESTMENTS IN TRUSTS

Investments are carried at quoted fair market values. The Organization's trusts at December 31, consisted of the following:

	2012	2011
General Reserves Trust	\$ 355,444	\$ 196,307
Support Services Endowment	24,291	23,635
St. Sebastian Trust	3,885	3,780
Scholarship Endowment	<u>2,234</u>	<u>2,174</u>
	<u>\$ 385,854</u>	<u>\$ 225,896</u>

The total investment income was \$6,264 and \$10,698 for 2012 and 2011, respectively.

Accounting principles generally accepted in the United States of America require the Organization to disclose the basis for considering market participants assumptions in fair value measurements. Fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). As of December 31, 2012 and 2011, all of the Organization's investments are valued using Level 1 measurements.

NOTE 4 - INVESTMENTS

Investments are carried at quoted fair market values. The Organization's investments at December 31, 2012 and 2011 consisted of equity securities. Unrealized gains were \$814 and \$307 for 2012 and 2011, respectively. There were no realized gains or losses. The equity securities are valued with Level 1 inputs as more fully described in Note 3.

NOTE 5 - RECEIVABLES FROM EMPLOYEES AND MISSIONARIES

Included in receivables from missionaries and employees is \$254,418 and \$252,562 in 2012 and 2011, respectively in funds advanced to missionaries. When a missionary goes to the field they are given advance funds to establish their missionary work. These funds are normally netted with future expense reimbursements. Any funds still outstanding are due back from the missionary when the missionary resigns or retires.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6 - NOTE RECEIVABLE

Note receivable consisted of an obligation from a note secured by land owned by a Free Will Baptist Mission project in Korea. During 2012 the property was foreclosed and the Organization received proceeds of \$248,198 which resulted in a gain on settlement of \$194,090.

NOTE 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2012	2011
Land	\$ 187,213	\$ 198,463
Buildings	561,638	595,388
Office furniture and equipment	39,979	39,979
Cameras and projectors	69,339	149,325
Automobiles	1,024,689	936,373
Computer equipment	<u>109,972</u>	<u>115,355</u>
	1,992,830	2,034,883
Less accumulated depreciation	<u>(1,016,879)</u>	<u>(1,117,222)</u>
Total	<u>\$ 975,951</u>	<u>\$ 917,661</u>

Depreciation expense amounted to \$179,365 and \$151,362 for 2012 and 2011, respectively. Depreciation expense in the amount of \$96,777 and \$81,011 is included in the general fund expenses for 2012 and 2011, respectively, while the remainder is included in missionaries' expenses.

Gains on disposal and expenses for donation of property and equipment totaled to a net gain of \$7,235 for 2012. This net gain consisted of gains on sale totaling \$32,407 and a donation of land and buildings of \$25,172 included in missionaries' expenses.

Gains on disposal and expenses for donation of property and equipment totaled to a net loss of \$184,484 for 2011. This net loss consisted of gains on sale totaling \$17,054 and a donation of land and buildings of \$201,538 included in missionaries' expenses.

NOTE 8 - ACCRUED SEVERANCE PAYABLE

The Organization provides a non-contractual, lump sum payment to missionaries at the time of separation to assist with their transition back to the United States. This amount is based on the number of years of service multiplied by an amount set by the Organization and provides for immediate vesting. The Organization discontinued this benefit on December 31, 2009 and, when cash flow allows, will begin pay-out of these funds to all missionaries.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following as of December 31:

	2012	2011
Note payable to Free Will Baptist Foundation for the Miharashidai property requiring monthly payments of principal and interest of \$1,390 with an interest rate of 6.9%. The note matures in March 2019.	\$ 82,555	\$ 93,055
Note payable to Free Will Baptist Foundation for the Yahata property requiring monthly payments of principal and interest of \$1,477 with an interest rate of 6.0%. The note matures in August 2023.	<u>139,413</u>	<u>148,475</u>
	<u>\$ 221,968</u>	<u>\$ 241,530</u>

Annual principal maturities of notes payable are as follows as of December 31:

Year ending December 31,	
2013	\$ 20,910
2014	22,316
2015	23,815
2016	25,417
2017	27,142
Thereafter	<u>102,368</u>
	<u>\$ 221,968</u>

NOTE 10 - 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 Organization contributes up to 5% of gross salary for missionaries and administrative employees. Employees are allowed to contribute but are not required to contribute. Pension expenses amounted to \$161,442 and \$146,154 for 2012 and 2011 respectively. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase one of several types of annuity contracts.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 - LEASE

The Organization leases space from the National Association of Free Will Baptists on a year-to-year basis. The rent expense amounted to \$85,457 and \$87,053 for 2012 and 2011, respectively.

NOTE 12 - CONCENTRATIONS

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$796,191 at December 31, 2012. The Organization maintains its cash with a high quality financial institution which the Organization believes limits these risks.

NOTE 13 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Missionary/field ministry	\$ 105,984	\$ 95,020
Impact	248,672	269,108
Subsidiary	<u>131,975</u>	<u>58,741</u>
	<u>\$ 486,631</u>	<u>\$ 422,869</u>

These net assets are restricted due to donor restrictions.

Permanently restricted net assets are restricted to:

	2012	2011
Support Services Endowment	\$ 25,031	\$ 25,031
MK Scholarship Endowment	<u>1,210</u>	<u>1,210</u>
	<u>\$ 26,241</u>	<u>\$ 26,241</u>

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 2, 2013 which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

BOARD OF INTERNATIONAL MISSIONS OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS AND SUBSIDIARY CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
General fund:	\$ 320,383	\$ 337,057
Salaries	166,114	67,581
Missionary stateside assignment	96,777	81,011
Depreciation	85,457	87,053
Office rent	78,849	60,799
Health insurance	53,236	44,183
Department auto	50,250	29,960
Housing	40,488	40,713
Employer payroll taxes	35,683	40,751
One Magazine	32,338	18,922
Department travel	30,617	23,571
Office supplies and equipment	23,825	7,510
Convention	20,878	14,440
Legal and professional	20,604	9,615
WMO coin bank	15,251	13,167
Telephone and internet	13,904	17,258
Website	12,737	1,335
WMO campaign	12,319	16,958
Board members	11,002	10,485
Fees and service charges	10,662	5,099
Video and audio visual	10,135	13,905
WMO Ambassador travel	9,870	9,306
Retirement	8,260	10,210
Postage	7,783	3,663
Publicity and promotion	6,000	10
COLA indexes	3,694	7,144
WMO Ambassador honorariums	2,880	1,851
Seminars, training and retreats	2,865	542
Donor development	1,975	4,523
Department insurance	1,830	5,166
Staff recognition	1,778	1,238
Visitor meals, entertainment and lodging	1,447	-
Benevolence	1,072	794
Recruiting and candidate	82	38
Impulse video magazine	-	1,937
Other field ministry	-	1,118
Advisory council	-	-
Total general fund	\$ 1,191,045	\$ 988,913

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Missionary/field ministry:		
Japan	\$ 1,007,110	\$ 1,007,830
France	830,578	867,567
Subsidiary	674,135	714,102
Spain	422,080	473,292
India	374,617	361,890
Panama	300,761	520,088
Uruguay	265,421	359,943
Student ministries	235,040	220,718
Brazil	190,270	282,089
Other projects	170,624	51,927
Ivory Coast	164,120	154,352
Bulgaria	155,560	80,546
Field operations	108,243	136,397
Russia	56,913	58,000
Missionary medical	28,410	17,218
Unreached people	24,168	26,653
Korea	3,500	9,139
Total missionary/field ministry	<u>5,011,550</u>	<u>5,341,751</u>
IMpact:		
Project expenses	<u>67,446</u>	<u>112,436</u>
Total functional expenses	<u>\$ 6,270,041</u>	<u>\$ 6,443,100</u>

Welch College

President's Report

2013 President's Report Welch College

A Transformational Mission

As I write these words, we have just experienced Commencement exercises on the campus of Welch College. Watching these students walk across the stage to receive their degrees, and seeing the transformation of their lives as a result of their experience at Welch College, confirms why we are here: *students*. We are providing an excellent spiritual learning environment where they find their place in God's world and are equipped to fulfill their callings.

One of those graduates, Beth Cyrus, gave a senior testimony at Commencement. In her remarks, she spoke of her life being transformed by her experience at Welch college: "The theme that kept recurring was that of striving for excellence—a concept I was familiar with, but in a different context. I always strove for excellence out of a desire to be complimented—to make others proud of me. But this idea of striving for excellence as an act of worship to God, in absolutely every area of life—this was all new to me."

Beth went on to share: "The innate pulse of our college mission and environment has been a catalyst of spiritual maturity in me. . . . The genuine model of Christian community that our college exemplifies has taught me to humble myself to the service of others—to be committed, graceful, and ultimately subservient to the ministry of Christ. . . . I am tremendously humbled by all that I have learned and experienced in the past five years and pray that God would use the education I have received to equip me as an instrument of His glory."

This transformation is not unique to Beth. It is common to our graduates, and it gives us the resolve we need to continue, even in the midst of the challenges of a difficult economy, to fulfill our mission, "to educate leaders to serve Christ, His Church, and His world through biblical thought and life."

A Promising Future

The future is challenging, yet promising. Our alumni, churches, and supporters have enthusiastically rallied behind our new name. We believe our new name will open more new doors of opportunity for us in the future—something that will be crucial in a time of increasing competitiveness in a sluggish economic environment.

In cooperation with Capital Education, a leading online higher education company, we are moving forward this fall, offering our first-ever online bachelor's degree in ministry. This will expand our reach, allowing us to deliver our academic mission to adult students who are not able to relocate to our physical campus, and enabling them to fulfill their callings with excellence.

Along with our new name, we have started a new online presence with our new website, www.Welch.edu. Our first new website in a decade, the *Welch.edu* site is aesthetically attractive and user-friendly and will aid us in recruiting students and promoting the college.

Working Toward Relocation

Perhaps the most exciting development at Welch College is the process of campus relocation. In 2008 we purchased a 66-acre campus site in the bustling Hendersonville-Gallatin area of Greater Nashville. Then the

Great Recession and flat-lining of the Nashville real estate market stalled our plans for selling the West End campus.

This economic reality changed our sales strategy. We have contracted with two of the best high-end real estate professionals in Nashville: Rick French and Ellen Christianson. They have moved us to a strategy of selling the campus to more than one buyer, rather than marketing it to one big developer. This has involved the *staging* of our campus sale, enabling us to sell properties earlier that are not central to the student experience, so that we will not have as much property to sell at one time.

This strategy has been successful. We've just completed the first stage of our campus sale, having sold Ennis Hall, the Cook Building, the Missionary-in-Residence Home, and the President's Home (that means that my family is temporarily living in off-campus housing until we complete the sale and build our new campus). The funds from the sale of these homes have been used to pay down debt and will all be spent on relocation.

With our new realtors in place and with the Nashville real estate market beginning to recover, more buyers are interested in the West End campus than ever. Pray with us that God will make the campus sale as fast and smooth as possible, enabling us to move forward with the dream of campus relocation, as we continue to fulfill our mission for God's glory and the extension of His Kingdom.

The Pension Crisis

It is becoming more and more expensive to offer a Welch College education. This increased expense has been caused by the worst economy since the Great Depression and unprecedented costs for the college. *Most of these expenses were triggered by new government-imposed rules on our pension plan.*

As a result of adverse market conditions, in 2006 the federal government changed the regulations for organizations with traditional pension plans. These changes took effect in 2008. Welch College had one of these old-fashion pension plans, instituted more than fifty years ago.

This change in federal regulations required the college to pay more than \$850,000 in unexpected pension expenses over five years in an attempt to bring the pension plan to fully-funded status—over \$850,000 in *unanticipated cash expenses!*

In addition to these extra cash expenses, the college has had to borrow more than \$2.3 million to terminate the pension. Not knowing what the market would do or what further changes governmental regulators might make, we ended the plan, distributing retirement funds to pension plan participants. *This brings the total pension-related debt to more than \$3 million since 2008.* All this came on top of the turbulent economy we and other ministries face. More detailed information about this crisis is available in a brochure at the college booth.

In short, the college had no source of funding for this astronomical, unexpected expense. This came at a time when small denominational Bible colleges across the country are struggling because of decreased giving, and more and more students are staying home to attend lower-cost state schools.

Now more than ever, we need your help to erase this deficit. This will allow us to hold down tuition costs and give more scholarships to students who have answered God's call but cannot afford to attend Welch College. We will be able to help them find their place in God's kingdom and give them tools to fulfill that calling.

Please be assured that Welch College is ever mindful of being a good steward of the funds you give us. We have diligently cut expenses and are recognized for our conservative and responsible financial practices both by our peers and accrediting agencies.

Challenging Times

Our out-of-state and non-ministry student enrollment has declined during the economic downturn, whereas our Tennessee and ministry enrollment have remained stable. This picture fits exactly with what experts such as Moody's Investors Service, Noel-Levitz, and Stevens Strategy have said the past four years, and continue to say, with regard to the enrollment challenges that the current economy poses to small, private, less-competitive, tuition-dependent, low-endowment institutions.

Even before the economic downturn, our primary competition was community and local state colleges (about 85% of Free Will Baptist college students attend them). This was demonstrated by the survey Noel-Levitz conducted five years ago of students who had inquired about Welch College but did not enroll. Since that time, many more students are opting for low-cost, at-home community colleges rather than going off to school. The research shows that this is primarily financially driven.

Over the past four years, the Moody's Investor Services Higher Education Outlook has explained why schools like ours are challenged in this economy and students are staying home for lower-cost options: Household net worth has decreased sharply, and families are worried about job loss and other economic factors, thus mitigating the workability of "luxuries" like private college education.

While some larger private Christian universities are maintaining enrollments, most enrollment growth is a result of the addition of adult, online, and graduate programs. This makes our offering of the online B.S. in General Christian Ministry starting this fall, our relationship with Capital Education, and our attempt to move toward graduate programs in ministry and education of strategic importance.

It is sobering to read Moody's "Characteristics Associated with a Negative Outlook." It sounds just like us:

- Moderately selective to non-selective institutions with a more regional student draw
- Moderate to very weak pricing power and more limited ability to grow net tuition
- Less diversified business lines with heavy reliance on student charges and/or state appropriations often accounting for upwards of 60% of revenues
- Small, if any, fundraising or research enterprises
- Modest endowments or limited liquidity providing little support for operating budget and debt
- Typically small or medium-sized enrollments and lack of economies of scale

These are challenging times for small Christian colleges, and at times like these ***we need our Free Will Baptist people to renew their vision for Christian higher education in a Free Will Baptist context.*** Consider these facts about what we are facing at this time:

- Only 12 percent of college students in the states we draw from leave their state to attend college.
- Not more than 5 percent of college students attend Christian colleges.
- Only 7 percent of the American population is in college.
- If Free Will Baptists are average in their higher education attendance, statistics show that we should have 630 students attending Christian colleges.

- The total headcount of all Free Will Baptist colleges last fall was 695.
- Total fall enrollment at Free Will Baptist colleges has decreased by 19.9% since 2006 (ours has decreased by 17.8%).
- Total fall enrollment at Free Will Baptist colleges topped 1,000 only once in history, in 2004.
- Higher education enrollment as a whole is in decline, and community colleges and online education are on the rise and competing more than ever for Free Will Baptist students.
- David Kinnaman (the Barna Group) and other experts are lecturing to groups of Christian higher education professionals about the way the "young people leaving the church" phenomenon is affecting Christian college enrollments.

Building for the Future

Despite the above challenges, Welch College is on the move forward in building its quality as a truly Christian community of faith and learning.

- We continue to build a stellar faculty and staff who receive accolades from all over the evangelical community and are leaders in both the Christian and secular accreditation and professional agencies of which we are members.
- We have a vibrant, spiritually committed student body that is alive for the Great Commission and its demands on their lives, whether they are called to a full-time church vocation or to be salt and light in the secular world.
- Over the past few years, we have markedly increased our rates of freshmen retention, graduation, average ACT score, students in the top 25% of graduating class, etc., such that we are now comparable to larger universities with greater financial resources that have more competitive admissions policies.
- Even though we cannot compete with such universities on the basis of their consumer appeal, marketing, facilities, etc., we stack up very competitively when it comes to our actual education and product.
- Even in this time when fewer young people are answering the call to ministry in their high school years, we are continuing to attract young men who have answered the call to preach, maintaining a solid ministry major enrollment even while out-of-state, non-ministry major numbers have declined in the challenging economy.
- Through our online Associate's degree program, we are reaching out to more and more men who have answered the call to ministry in mid-career, a trend that will continue as we open the online B.S. in ministry this fall.
- We continue to graduate top-notch young pastors, missionaries, teachers, businesspeople, and other professionals who continue to make us proud and who are strongly committed to conservative theology and Free Will Baptist faith and practice.
- We are emphasizing spiritual formation and each individual's role in the local church and the Great Commission and are seeing the results of this in our recent students and graduates.
- We continue to be ranked as one of the top 50 southern baccalaureate colleges by *U.S. News and World Report*, outranking schools that have twenty and thirty times our endowment and financial resources.
- We are ahead of many colleges in our move toward offering online bachelor's degrees with Capital Education, in an era where we have lost a sizable percentage of our student population (married adults) to online programs because of the changing face of higher education.

We pray that the Lord will renew our people's vision for Christian higher education in a Free Will Baptist context, realizing how necessary the ministry of Welch College is to raising up the next generation of godly, Great-Commission ministry and lay leaders, and preserving our biblical theology and Free Will Baptist identity.

Thanks

In closing, I want to thank our stellar faculty and staff for their dedicated service to the kingdom through Welch College. Each of them serves sacrificially and with great distinction.

I especially want to congratulate Dr. Etta Crittenden (Ed.D., learning and leadership, University of Tennessee, Chattanooga), Dr. Ian Hawkins (Ph.D., chemistry, Middle Tennessee State University), and Dr. Barry Raper (D.Min., biblical spirituality, Southern Baptist Theological Seminary), all three of whom earned their doctoral degrees this past academic year. They are examples of the hard work, dedication, and spiritual commitment of our faculty and staff.

Lastly, I want to thank the people and churches of the National Association of Free Will Baptists. Your support of Welch College makes it possible for us to fulfill our mission to educate leaders to serve Christ, His Church, and His world through biblical thought and life. I thank you from the bottom of my heart for your continued prayers, your financial support in these turbulent times, and the students with whom you bless us.

In Christ,

J. Matthew Pinson
President

Registration Report 2012-2013

ENROLLMENT 337

States

Alabama	13	Kentucky	6	South Dakota	1
Arkansas	13	Louisiana	1	Tennessee	148
California	4	Michigan	13	Texas	1
Florida	8	Missouri	8	Virginia	3
Georgia	7	Mississippi	8	West Virginia	3
Illinois	4	North Carolina	19	Wisconsin	1
Indiana	1	Ohio	9	International	57
Kansas	1	South Carolina	8		

The student body represents 22 states (USA) and four other countries (Canada, Cuba, Kazakhstan, and Panama).

Classification

Freshman	90
Sophomore	78
Junior	43
Senior	41
Non-Degree Part-Time	60
Special	25

Vocational

Pastoral*	19	English	9	Psychology	17
Youth Ministry/CE	21	Exercise Science	5	Science/Nursing	17
Missions	12	General Studies	12	Special	25
Ministry Students (B.S./ASM)	39	History	2	Teacher Education**	66
Business	30	Music	3	Non-Degree Part-Time	60

*There are some pastoral students listed in other majors.

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

Other Categories

Full-Time	205	Male	169	New	64
Part-Time	132	Female	168	Returning	8
Dorm	151	Single	245	Continuing	152
Commuter	60	Married	92	Transfer	28
ADP	21	Free Will Baptist	270	Non-Degree Part-Time	60
Lifetime Learning	80	Other	67	Special	25
Online	25				

Financial Aid Report 2012-2013

Type of Aid	Number of Recipients	Amount of Aid
Institutional Loans	8	\$ 10,899.35
College-Administered Scholarships	364	1,016,172.21
Federal Pell Grants	132	483,866.86
Federal SEOG Grants	22	14,635.31
Federal Work-Study	8	13,097.50
Federal TEACH Grant	3	12,000.00
Federal Stafford Loans (Subsidized)	145	541,400.00
Federal Stafford Loans (Unsubsidized)	155	506,849.00
Federal Plus Loans	24	235,095.00
TSAA Grants	4	36,000.00
Tennessee HOPE Scholarship	42	163,750.00
Tennessee Helping Heroes Grant	0	0.00
Tennessee Dual Enrollment Grant	24	11,700.00
Alternative Loans	8	58,600.00
External Scholarships	62	79,650.00
TOTAL FINANCIAL AID ADMINISTERED, 2012-2013		\$3,183,715.23

Welch Library Report 2012-2013

EOS Statistics

Reference	2,592
General Collection	63,112
Curriculum Lab	2,534
Audiovisuals	438
Music Collection	74
Ministry Lab	45
E-books	44,963
ERIC Microfiche	74,630
Historical Collection	3,133
Microfiche Books	427
TOTAL	191,948

Synopsis of Minutes for the Board of Trustees

July 18, 2011

The Board met at the national convention. The 2010 audit was reviewed and approved. The Board recommended that the name of the college be changed to Welch College, and that the college's Charter and By-Laws be amended to reflect the change.

November 6, 2012 (conference call)

The Board voted to access the full \$1 million line of credit from the Free Will Baptist Foundation.

December 5, 2012 (regular meeting)

The Board voted that short-term operational debt, whether from an internal or external source, not exceed \$1.3 million at the end of 2012-2013 fiscal year without Board approval.

The Board approved a motion that the proceeds of the sale of the president's home and \$140,000 from the sale of the Cook and Ennis buildings be used to alleviate short-term debt instead of long-term debt.

The Board approved a motion that the college borrow \$2.4 million from the Free Will Baptist Foundation to terminate the pension plan.

The Board elected to close the three-year Associate of Christian Ministries degree, and to close the Youth Ministry and Christian Education programs and rename them "Youth and Family Ministry."

The Board decided to use only contractor(s) that are performance bonded for the construction of the new campus.

February 3, 2013 (email vote)

The Board approved a resolution extending the amount of funds needed from the Free Will Baptist Foundation to terminate the Pension, if need be, by up to \$148,000.

March 8, 2013 (email vote)

The Board approved a resolution of the sale of property donated to Welch College.

May 8-9, 2013 (regular meeting)

The Board adopted the 2013-2014 Budget.

The Board voted to revise the Student Handbook to remove the ban on G- and PG-rated films.

The Board voted that short-term operational debt, whether from an internal or external source, not exceed \$1.45 million for the budget year 2013-2014 without Board approval.

The Board voted to continue to hold executive sessions as needed.

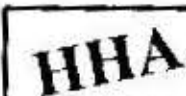
Salary Breakdowns

	2011-2012	2012-2013	2013-2014
President*			
Salary	\$65,437	\$65,437	\$65,437
Social Security	5,006	5,006	5,006
Retirement**	11,112	7,838	327
Medical Insurance	9,701	10,447	10,447
Life Insurance	<u>331</u>	<u>331</u>	<u>344</u>
	\$91,587	\$89,059	\$81,561
Provost			
Salary	\$53,096	\$53,096	\$53,096
Social Security	4,062	4,062	4,062
Retirement**	9,016	6,360	265
Medical Insurance***	0	0	0
Life Insurance	<u>331</u>	<u>331</u>	<u>344</u>
	\$66,505	\$63,849	\$57,767
Vice President for Financial Affairs			
Salary	\$51,434	\$47,500	\$47,500
Social Security	3,935	3,634	3,634
Retirement**	8,735	5,720	238
Medical Insurance	0	3,442	3,442
Life Insurance	<u>331</u>	<u>331</u>	<u>344</u>
	\$64,435	\$60,627	\$55,158
Vice President for Institutional Advancement			
Salary	\$48,429	\$50,000	\$50,000
Social Security	3,705	3,825	3,825
Retirement**	8,033	4,400	250
Medical Insurance	6,671	7,229	7,229
Life Insurance	<u>331</u>	<u>331</u>	<u>344</u>
	\$67,169	\$65,785	\$61,648

*Housing provided (with Social Security variation). Vehicle provided.

**Pension plan dissolved in 2012-2013. See notes to financials in 2013 audit for details. Budget for 2013-2014 provides 1/3 of 1% of salary (.005) to establish individual retirement accounts for qualified employees if funding available.

***Voluntarily declined.



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

The Board of Trustees Welch College (Formerly Free Will Baptist Bible College)

We have audited the statements of financial position of Welch College (formerly Free Will Baptist Bible College) (a nonprofit organization) as of May 31, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Welch College (formerly Free Will Baptist Bible College) continues to experience operational deficits and liquidity issues. See note 17 for further discussion on this matter and management's plan to mitigate these adverse conditions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Welch College (formerly Free Will Baptist Bible College) as of May 31, 2013 and 2012, and 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

July 15, 2013

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WELCH COLLEGE (Formerly Free Will Baptist Bible College) Statements of Financial Position May 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 942,150	832,001
Investments in marketable securities, at market value	310,471	170,085
Accounts receivable, net of allowance for doubtful accounts	147,839	469,750
of \$80,500 in 2013 and \$75,000 in 2012	14,544	460,368
Prepaid expenses	1,415,004	1,932,204
Total current assets		
Non current assets:		
Cash and cash equivalents	82,500	117,929
Restricted for endowments	246,995	221,497
Restricted for student loans		
Investments in marketable securities, at market value:	1,191,288	1,191,188
Restricted for endowments	30,000	30,000
Investment in land - gift in kind	324,169	448,839
Campaign pledges receivable		
Loans to students, net of allowance for doubtful loans	169,955	184,324
of \$30,000 in 2013 and 2012	2,044,907	2,193,777
Total non current assets		
Property, plant and equipment:		
Investment in property, plant and equipment	14,184,607	14,600,382
Accumulated depreciation	4,888,552	4,897,027
Net property, plant and equipment		
Total assets	\$ 12,755,966	13,829,336
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 95,963	126,174
Current portion of long-term debt	149,520	72,863
Line of credit		500,000
Notes payable	140,516	138,061
Student deposits and agency funds	163,863	166,362
Accrued salaries	100,084	111,442
Deferred revenues	40,001	
Total current liabilities	689,947	1,114,902
Other liabilities:		
Long-term debt	4,669,195	3,387,735
Excess pension liability (converted to long-term debt 2013)		1,941,521
Asset retirement obligation	279,018	261,375
Total liabilities	5,638,160	6,705,533
Net assets:		
Unrestricted funds	4,669,021	4,767,240
Temporarily restricted funds	664,905	590,571
Permanently restricted funds	1,783,880	1,765,992
Total net assets	7,117,806	7,123,803
Total liabilities and net assets	\$ 12,755,966	13,829,336

See accompanying notes to financial statements.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Statements of Activities and Changes in Net Assets
For the years ended May 31, 2013 and 2012

	2013				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2013	Total 2012
Revenues:					
Tuition and fees	\$ 1,960,718	-	-	1,960,718	2,019,802
Federal grants and contracts	-	25,228	-	25,228	24,458
Private gifts	1,390,815	129,111	32,244	1,552,170	1,846,554
Income from investment transactions including endowment income and gain or loss transactions	14,869	136,609	6,243	157,721	(75,744)
Revenues of auxiliary enterprises	969,773	-	-	969,773	920,393
Other sources	12,835	-	(20,599)	(7,764)	199,220
Net assets released from restrictions	4,349,010	290,948	17,888	4,657,846	4,934,683
	216,614	(216,614)	-	-	-
Total revenues	4,565,624	74,334	17,888	4,657,846	4,934,683
Expenditures:					
Educational and general:					
Instruction	1,272,731	-	-	1,272,731	1,405,162
Academic support	359,254	-	-	359,254	373,395
Student services	598,373	-	-	598,373	629,640
Institutional support	1,674,271	-	-	1,674,271	1,804,845
Total educational and general expenditures	3,904,629	-	-	3,904,629	4,213,042
Auxiliary enterprises:					
Dormitories	448,203	-	-	448,203	473,166
Dining hall	390,201	-	-	390,201	419,753
Bookstore	24,141	-	-	24,141	18,607
Snack shop	23,925	-	-	23,925	18,520
Total auxiliary enterprises expenditures	886,470	-	-	886,470	930,046
Total expenditures	4,791,099	-	-	4,791,099	5,143,088
	(225,475)	74,334	17,888	(133,253)	(208,405)
Gain from disposition of real estate	1,034,254	-	-	1,034,254	674,764
Loss related to pension liability change	(906,998)	-	-	(906,998)	(509,627)
Increase (decrease) in net assets	(98,219)	74,334	17,888	(5,997)	(43,268)
Net assets:					
Beginning of year	4,767,240	590,571	1,765,992	7,123,803	7,167,071
End of the year	\$ 4,669,021	664,905	1,783,880	7,117,806	7,123,803

See accompanying notes to financial statements.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Statements of Cash Flows
For the years ended May 31, 2013 and 2012

	2013				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2013	Total 2012
Cash flows from operating activities					
Cash collected from students	\$ 3,025,182	-	-	3,025,182	2,907,234
Federal grants	-	26,089	-	26,089	27,085
Federal grant funds considered to be agency fund transactions	485,416	-	-	485,416	471,075
Private gifts and grants	1,648,264	63,786	-	1,712,050	1,176,826
Investment income	(5,859)	16,951	-	11,092	13,083
Other revenues	12,735	-	-	12,735	212,241
Cash paid for scholarships, to vendors and for payroll	(4,396,347)	(216,614)	-	(4,612,961)	(5,081,602)
Cash paid for federal grant funds considered agency transactions	(485,416)	-	-	(485,416)	(471,075)
Net operating activities cash flows	283,975	(109,788)	-	174,187	(745,133)
Cash flows from investing activities					
Proceeds from sale of real property	1,261,100	-	-	1,261,100	839,618
Proceeds from sale of marketable investments	-	-	-	-	137,112
Purchase of marketable investments	-	-	-	-	(141,398)
Expended for plant assets	(24,751)	-	-	(24,751)	(87,178)
Student notes receivable, net change	-	-	14,369	14,369	26,171
Net investing activities cash flows	1,236,349	-	14,369	1,250,718	774,325
Cash flows from capital activities					
Campaign pledges receivable collected	-	163,929	-	163,929	130,153
Gifts received for:					
Endowments and student loans	-	-	32,244	32,244	159,757
Proposed new campus	-	26,066	-	26,066	239,892
Other student loan transactions:					
Interest income on student loans and investment income	-	-	6,243	6,243	1,253
Collection costs and other transactions	-	-	(18,144)	(18,144)	(19,993)
Net capital activities cash flows	-	189,995	20,343	210,338	511,062
Cash flows from financing activities					
Line of credit transactions, net	(500,000)	-	-	(500,000)	285,000
Repayment of debt, net	(1,037,480)	-	-	(1,037,480)	(156,452)
Interfund activities	124,850	(80,207)	(44,643)	-	-
Notes payable for student loans, net	2,455	-	-	2,455	(8,473)
Net financing activities cash flows	(1,410,175)	(80,207)	(44,643)	(1,535,025)	120,075
Cash and cash equivalents					
Net increase (decrease)	110,149	-	(9,931)	100,218	660,329
Beginning of year	832,001	-	339,426	1,171,427	511,098
End of year	\$ 942,150	-	329,495	1,271,645	1,171,427
Supplemental disclosures:					
Interest paid				\$ 220,257	147,748

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)
Statements of Cash Flows, continued
For the years ended May 31, 2013 and 2012

	2013			Total 2013	Total 2012
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
Cash and cash equivalents consist of the following:					
Current assets	\$ 942,150	-	-	942,150	832,001
Non current assets:					
Cash restricted for endowments	-	-	82,500	82,500	117,929
Cash restricted for student loans	-	-	246,995	246,995	221,497
Total cash and cash equivalents	\$ 942,150	-	329,495	1,271,645	1,171,427
Reconciliation of change in net assets to net operating activities cash flows					
Change in net assets	\$ (98,219)	74,334	17,888	(5,997)	(43,268)
Gain from disposition of real estate	(1,034,254)	-	-	(1,034,254)	(674,764)
Loss related to pension liability change	906,998	-	-	906,998	509,627
Transactions considered to be capital additions:					
Gifts for endowments and student loans	-	-	(32,244)	(32,244)	(159,757)
Proposed new campus	-	(65,325)	-	(65,325)	(254,450)
Net other transactions from student loan funds	-	-	14,356	14,356	11,768
Depreciation and amortization	205,205	-	-	205,205	213,683
Accretion of asset retirement obligation	17,643	-	-	17,643	16,527
Loss (gain) on investments	(20,829)	(119,658)	-	(140,487)	90,080
(Increase) decrease in current assets:					
Accounts receivable:					
Student accounts	57,189	-	-	57,189	14,273
Employee and other	912	-	-	912	3,606
Bequest	248,965	-	-	248,965	(248,965)
Federal student financial aid funds	-	861	-	861	2,627
Accrued interest	-	-	-	-	(14,000)
Unrestricted pledges receivable	8,484	-	-	8,484	7,444
Less allowance for doubtful accounts	5,500	-	-	5,500	20,000
Prepaid expenses	(9,552)	-	-	(9,552)	(240,848)
Increase (decrease) in current liabilities:					
Accounts payable / accrued expenses	(30,211)	-	-	(30,211)	56,472
Student deposits and agency funds	(2,499)	-	-	(2,499)	(5,791)
Accrued salaries	(11,358)	-	-	(11,358)	(7,954)
Deferred revenues	40,001	-	-	40,001	(41,443)
Net operating activities cash flows	\$ 283,975	(109,788)	-	174,187	(745,133)

See accompanying notes to financial statements.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements
May 31, 2013 and 2012

During the 2013 fiscal year, Free Will Baptist Bible College changed its name to Welch College. This name change was approved by the National Association of Free Will Baptists at its annual convention in July 2012. Welch 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 accounting principles generally accepted in the United States of America.

As required by generally accepted accounting principles, the College reports information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body.

Temporarily restricted net assets - Net assets whose use is subject to donor imposed stipulations and / or the passage of time.

Permanently restricted net assets - Net assets to be maintained in perpetuity as directed by donor imposed stipulations.

The amount of each of the classes of net assets are presented in the statements of financial position and the change in each class of net assets is presented in the statements of activities.

Contributions

Contributions (including promises to give) are recognized as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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 and reported on the statements of activities as net assets released from restrictions.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among net asset categories, such amounts are reflected as reclassifications in the statements of activities.

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. The College had no such in-kind contributions for 2013 and 2012.

Unconditional Promises to Give - Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. Promises to give are recognized after being discounted to the anticipated net present value of the future cash flows.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

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

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.

Student Accounts Receivable

The College grants credit to its students by allowing tuition and fees to be paid under various payment options. The College does not require collateral for student accounts receivable. The College evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of the specific students, historical trends and other information available.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. For the years ended May 31, 2013 and 2012, investments in marketable securities were valued at market using Level 1 and Level 2 inputs; land investments were valued using Level 3 inputs.

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.

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.

Asset Retirement Obligations

Upon acquisition, and when reasonably estimable, the College recognizes the fair value of the liability related to the legal obligation to perform asset retirement activity on tangible long-lived assets.

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.

Deferred Revenue

Deferred revenue consists of amounts billed or received prior to year end for services rendered after year end. These revenues pertain primarily to summer semester tuition and fees.

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.

WELCH COLLEGE
(Formerly 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. There is no unrelated business income tax for 2013 and 2012. Management has determined that the College has no activities that would lead to income tax liabilities, further all activities generating revenue are in furtherance of the College's tax exempt purpose.

Endowment Funds

Investments of endowment funds are held in marketable securities and are valued using Level 1 and Level 2 inputs (as described above) based on fair market values. As required by generally accepted accounting principles, the original donor contribution (corpus) is maintained as permanently restricted net assets. Net investment gains and income in excess of corpus are carried as temporarily restricted net assets until expended for their intended purposes; conversely, net accumulated investment deficits are carried as a component of unrestricted net assets.

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.

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.

Fund Raising Costs

For fiscal years ended May 31, 2013 and 2012, expenses totaling \$367,808 and \$321,434, respectively, were related to expenses associated with fund raising and are classified in the statements of activities under institutional support.

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 combined net assets.

Summarized Financial Information

The financial statements include certain prior year financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended May 31, 2012, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through July 15, 2013, the date these financial statements were available to be issued.

WELCH COLLEGE
(Formerly 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, 2012	\$ 1,288,993	1,361,273	72,280	72,280	-
Balance May 31, 2013					
Permanently Restricted Funds:					
Common stock	\$ 120	120	-	-	-
Mutual funds	164,762	164,762	-	-	-
FWB Foundation invested	1,026,406	1,026,406	-	-	-
Unrestricted / Temporarily Restricted Funds:					
Common stock	4,900	5,022	122	122	-
Mutual funds / annuity contract	15,228	60,802	45,574	45,574	-
FWB Foundation invested	77,677	244,647	166,970	166,970	-
	\$ 1,289,093	1,501,759	212,666	212,666	-
Current assets		2013	2012		
Non current assets:		\$ 310,471	170,085		
Restricted for endowments		1,191,288	1,191,188		
Reconciliation of income (loss) from investment activities:		\$ 1,501,759	1,361,273		
Earnings and endowment income		\$ 17,335	62,567		
Realized gain on stock sales		-	56,335		
Unrealized gain (loss) due to change in the cumulative change in market value pools		140,386	(194,646)		
		\$ 157,721	(75,744)		
The Free Will Baptist Foundation holds funds for the benefit of the College as follows:					
Endowments from which the College receives income		\$ 972,000	879,000		
Gifts to pass to the College at some future date		\$ 440,000	327,000		

(3) **Endowments**

The College's endowments consist of numerous individual funds established to benefit unrestricted operations and to provide scholarships to students who meet individual donor requirements. All endowment funds are donor-restricted funds. No funds have been designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The College has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the individual fund to the extent directed by the fund donors. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is or will be classified as temporarily restricted net assets until those amounts are appropriated for

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)
Notes to Financial Statements, continued

(3) **Endowments, continued**

expenditure by the College in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1> The duration and preservation of the fund;
- 2> The purposes of the donor-restricted endowment fund;
- 3> General economic conditions;
- 4> The possible effect of inflation and deflation;
- 5> The expected total return from income and the appreciation of investments;
- 6> Other resources of the College; and
- 7> The investment policies of the College.

Endowment net asset composition:

	2013	2012
Permanently restricted net assets		
Donor-restricted endowment funds	\$ 1,349,994	1,320,077
Temporarily restricted net assets:		
Funds available scholarships	99,310	40,351
Funds available for future unrestricted endowment income	18,866	8,582
Total temporarily restricted net assets	118,176	48,933
	\$ 1,468,170	1,369,010

Portion of endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets:				
Endowment net assets - May 31, 2011	\$ 30,267	149,833	1,164,598	1,344,698
Investment return:				
Income from endowment assets including earnings and gain or loss transactions	(13,684)	(63,540)	-	(77,224)
Donor contributions	-	-	155,479	155,479
Appropriation of net assets	(8,001)	(45,942)	-	(53,943)
Endowment net assets - May 31, 2012	\$ 8,582	40,351	1,320,077	1,369,010
Investment return:				
Income from endowment assets including earnings and gain or loss transactions	23,523	109,274	-	132,797
Donor contributions	-	-	29,917	29,917
Appropriation of net assets	(13,239)	(50,315)	-	(63,554)
Endowment net assets - May 31, 2013	\$ 18,866	99,310	1,349,994	1,468,170

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(3) **Endowments, continued**

Return Objectives and Risk Parameters

The College has established investment and spending policies for the purpose of providing general guidelines for the prudent investment management of its endowment assets. To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

The College's investment policy allows expenditure of a maximum of 5% of corpus from the funds carried as temporarily restricted net assets up to the accumulated balance of such funds. This spending policy was implemented during the year ended May 31, 2011.

(4) **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 a 5.5% interest factor.

The following summarizes pledges receivable:

	2013	2012
Post dated check books and bank draft agreements	\$ 73,764	80,748
Proposed future campus relocation	477,569	660,119
Pledges for operations	36,836	39,236
	588,169	780,103
Less allowance for potential uncollectible pledges	(127,400)	(172,980)
Less discount to present value of future cash flows	(39,400)	(52,600)
Total pledges receivable	\$ 421,369	554,523

Pledges are recorded in the statement of financial position as follows:

Pledges for unrestricted operations	\$ 97,200	105,684
Campaign pledges for future campus relocation	324,169	448,839
	\$ 421,369	554,523

Pledges are expected to be collected during years ended May 31, as follows:

2014	\$ 187,364
2015	110,510
2016	78,530
2017	23,890
2018	17,972
years thereafter	3,103
	\$ 421,369

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(5) **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection effects are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of May 31, 2013 and 2012 amounted to \$80,500 and \$75,000, respectively.

Accounts receivable included in current assets is as follows:

	2013	2012
Student accounts	\$ 101,449	158,638
Employee and other	5,097	6,009
Federal student financial aid funds	10,593	11,454
Bequest receivable	-	248,965
Accrued interest	14,000	14,000
Unrestricted pledges receivable	97,200	105,684
	228,339	544,750
Allowance for doubtful accounts	80,500	75,000
	\$ 147,839	469,750

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

Components of property, plant and equipment are as follows:

	2013	2012
Land	\$ 3,026,510 *	488,812
Proposed campus architectural and other costs	435,223 *	1,155,836
Proposed campus land	3,160,000 *	5,031,793
Buildings	4,561,154	4,946,974
Equipment	2,174,345	2,153,587
Library books	827,375	823,380
	14,184,607	14,600,382
Accumulated depreciation and amortization	4,888,552	4,897,027
Net investment in plant	\$ 9,296,055	9,703,355
Depreciation and amortization charged to expenditures	\$ 205,205	213,683

* The College reevaluated carrying values of certain of its nonoperating properties based on appraisals and sales values of properties offered for sale. This revaluation had no effect on net assets.

(7) **Line of Credit - Current Liability**

Line of credit agreement with Pinnacle National Bank at 5%, with a maximum amount of \$500,000, expired September 2012

	2013	2012
	-	500,000
	\$ -	500,000

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

Notes payable:

Permanently Restricted Funds - Student Loan Funds
5% unsecured demand notes payable to individuals

	2013	2012
	\$ 90,516	88,061
Unrestricted Funds - Currently Due: 5% unsecured demand notes payable to individual	50,000	50,000
Notes Payable	\$ 140,516	138,061

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(8) **Notes Payable and Long-Term Debt, continued**

Long Term Debt:

Loans held by Free Will Baptist Foundation:

Line of credit agreement at 1% over prime rates, with a maximum amount of \$1,000,000 expiring May 2016. Secured by endowment fund investments. \$ 375,000 680,000

Promissory notes secured by land acquired for potential relocation (see note 16) located in Gallatin, Tennessee and certain properties included in the existing campus in Nashville, Tennessee.

4.5% term loan, beginning March 2013 monthly payments of \$28,333 are required including principal and interest. This loan is subject to call on February 5, 2018, which will require a payment of approximately \$3,703,700 or to be refinanced. This loan is a consolidation of debt relating to the Gallatin property purchase for potential relocation and the amount required to terminate the pension plan as discussed in note 10.

4,443,715

4.5% term loan which required monthly payments of \$13,918 including principal and interest. This loan is a portion of consolidation of debt disclosed above.

2,200,000

Term loan with an original interest rate of 4.5% adjusted quarterly to yield 1% to 1.25% above the published prime lending rate in the Wall Street Journal. Beginning August 2012 monthly payments including principal and interest required. This loan was paid in full during the year ended May 2013

580,598

4,818,715 3,460,598

Less current portion of long-term debt

149,520 72,863

Long-term debt

\$ 4,669,195 3,387,735

Principal maturities of unrestricted fund long-term debt are as follows: 2014 - \$149,520; 2015 - \$156,389; 2016 - \$538,573; 2017 - \$171,088; 2018 and thereafter \$3,803,145.

(9) **Asset Retirement Obligation - Asbestos Removal**

The College recognizes the fair value of the liability related to the legal obligation to perform asset retirement activities on tangible long-lived assets. The liability recorded, amounting to \$279,018 at May 31, 2013 and \$261,375 at May 31, 2012 relates to the future removal of asbestos from existing buildings.

The liability will increase annually through a charge to expenditures until the asbestos is removed to account for the cost of inflation and imputed interest costs, as follows for the next five years:

	Charge to Expenditures	Liability Balance
As of and for the year ended May 31:		
2014 \$	18,834	297,852
2015	20,105	317,957
2016	21,462	339,419
2017	22,911	362,330
2018	24,457	386,787

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(10) **Pension Plan and Cumulative Adjustment for Excess Pension Liabilities**

The College had a defined benefit pension plan which covered 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. The College's funding policy was to fund pension costs accrued. The plan assets consisted of investments held and managed by Equitable Trust the plan administrator.

Effective September 1, 2008, the pension plan was frozen by action of the Board of Trustees during the December 2008 meeting and no additional deposits for future benefits were made after that date. Effective December 2011, the College started the process to terminate the plan. Application was made to the appropriate governmental agencies for approval to terminate the plan.

During the year ended May 2013, the plan termination was approved which required the College to buyout each of the pension plan participants in an appropriate amount to provide like benefits that the pension plan would have provided. This buyout required borrowing from Free Will Baptist Foundation of \$2,334,025 which is included in the consolidated debt disclosure in note 8 above.

In compliance with the Pension Plan Act of 2007, during June 2008 the College began making deposits to the pension plan in order to eliminate the underfunded status of the pension plan. These deposits amounted to \$142,500 in 2013 and \$324,200 in 2012. These deposits are no longer required because the plan is terminated.

Accounting principles generally accepted in the United States of America require the College to recognize the cumulative effect of the underfunded status of its pension plan as a liability in the statement of financial position and as a decrease to unrestricted net assets. The effect on net assets by fiscal year is as follows:

Charge To Net Assets

	Annual	Cumulative
2009	1,296,891	1,296,891
2010	(295,345)	1,001,546
2011	430,348	1,431,894
2012	509,627	1,941,521
2013	906,998	2,848,519

The following table sets forth the plan's funded status and required disclosures.

Reconciliation of benefit obligations:

	2013	2012
Benefit obligation at beginning of year	\$ 4,547,716	4,114,930
Service cost	-	-
Interest cost	142,042	228,843
Plan amendments	-	-
(Gain) loss due to actuarial experience	902,717	(42,294)
Gain due to changes in actuarial assumptions	-	466,258
Curtailment gain	-	-
Benefits paid to plan participants	(5,592,475)	(220,021)
Benefit obligation at end of year	\$ -	4,547,716

Reconciliation of asset value:

	2013	2012
Plan assets at beginning of year	\$ 3,061,571	2,889,919
Actual return of plan assets	54,379	67,473
Employer contributions	2,476,525	324,200
Benefits paid to plan participants	(5,592,475)	(220,021)
Plan assets at end of year	\$ -	3,061,571

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

	2013	2012
(10) Pension Plan and		
Cumulative Adjustment for Excess Pension Liabilities, continued		
Reconciliation of funded status:		
Funded status at end of year (liability)	\$ -	(1,486,145)
Unrecognized net transition obligation asset	-	-
Unrecognized prior service cost	-	-
Unrecognized net loss	-	1,941,521
Amount included in prepaid expense	\$ -	455,376
Accumulated benefit obligation at end of year	\$ -	4,547,716
Vested benefit obligation at end of year	\$ -	4,542,695
Reconciliation of unfunded status of pension plan:		
Unfunded status of pension plan at beginning of year	\$ 1,941,521	1,431,894
Amount of loss recognized during the year	(111,088)	(97,089)
(Gain) loss due to actuarial experience	902,717	(42,294)
(Gain) loss due to curtailment	-	-
(Gain) loss due to changes in actuarial assumptions	-	466,258
(Gain) loss due to assets	115,369	182,752
Cumulative charge to net assets	(2,848,519)	-
Unfunded status of pension plan at end of year	\$ -	1,941,521
Net periodic benefit cost:		
Service cost at end of year	\$ -	-
Interest cost on projected benefit obligation	142,042	228,843
Expected return on plan assets	(169,748)	(250,225)
Amortization of transition obligation	-	-
Amortization of prior service costs	-	-
Amortization of net loss	111,088	97,089
Net periodic benefit cost	\$ 83,382	75,707
Assumptions used for determination of net pension cost:		
Assumed discount rate	4.75%	7.75%
Expected long-term rate of return	8.50%	8.50%
Actuarial valuation method	Projected	Projected
	Unit Credit	Unit Credit
Assumptions used for determination of end of year obligations:		
Assumed discount rate	N/A	4.75%
Expected long-term rate of return	N/A	N/A
Actuarial valuation method	N/A	Projected
	N/A	Unit Credit

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

- (11) 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 its loan funds. The College also maintains certain accounts for sponsored groups and others, and 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 balances.

The following additional instruments also subjects the College to risk of accounting loss which approximates:

Cash funds in banks in excess of the FDIC insurable limit	\$ 842,000
Funds invested with Free Will Baptist Foundation	1,448,000
Marketable securities	231,000

- (12) Net Assets**
Net assets of the College consist of the following as of May 31, 2013 and 2012.

	2013			Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	2012
Operations	\$ 7,517,540	-	-	7,517,540	6,708,761
Excess pension liabilities	(2,848,519)	-	-	(2,848,519)	(1,941,521)
Cumulative endowment losses	-	-	-	-	-
Unexpended funds restricted for:					
Operating purposes	-	20,567	-	20,567	12,105
Scholarships:					
Donor gifts	-	210,211	-	210,211	194,758
Available for distributions	-	118,179	-	118,179	48,933
from endowment returns	-	315,948	-	315,948	334,775
Potential relocation	-	-	433,886	433,886	445,915
Student loan funds	-	-	264,778	264,778	264,778
True endowment funds	-	-	1,085,216	1,085,216	1,055,299
Scholarship endowment funds	-	-	-	-	-
Total net assets	\$ 4,669,021	664,905	1,783,880	7,117,806	7,123,803

- (13) Net Assets Released From Restrictions**

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

Expenditures made for donor imposed restrictions:	
Private scholarships	\$ 83,483
Federal Supplemental Educational Opportunity Grant	15,611
Federal Work Study Program	9,617
Other instructional and institutional	10,512
Unrestricted endowment income allocated	13,239
Potential relocation	84,152
Net assets released from restrictions	\$ 216,614

Certain federal grants to students amounting to \$485,416 and \$471,075 for 2013 and 2012, respectively, are not included in expenditures or net assets released from restrictions. Federal Pell and other similar 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.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(14) Related Party Transactions

Concentrations

The College has funds invested with the Free Will Baptist Foundation totaling approximately \$1,448,000 or 54% of its total cash and cash equivalents, and investments. Further, the College has liabilities to the Foundation amounting to \$4,818,715 which amount to 85% of the College's total recorded liabilities.

Executive Office of the National Association of Free Will Baptists

The denomination began a publication (One Magazine) during the year ended May 31, 2006 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 recognized \$47,388 in 2013 and \$51,696 in 2012 as their share of the funding requirement. Free Will Baptist Foundation funded \$8,616 of the One Magazine cost in 2013.

(15) Commitments and Contingencies

Litigation

The College, in the normal course of operations, may be a defendant in lawsuits. Management is not aware of any pending asserted or unasserted claims against the College.

Estate Bequests

The College, in the normal course of operations, is the beneficiary of estate bequests. These bequests are recognized as revenues in the period the amount can be determined, either by notices from the estate or receipt of the bequest, whichever comes first.

(16) Note Receivable - Related Party

In previous years, a note receivable from a former member of the College's Board of Trustees was written off to expense. The write off was due to collection concerns and the value of the property securing the note receivable had become impaired. During the fiscal year 2012, the property was sold and College was repaid the entire original balance of the obligation amounting to \$200,000. This amount is reflected as other sources of revenues on the statement of activities and changes in net assets.

(17) Potential Relocation of Campus

The College leadership remains committed to relocation of the current campus in order to further its core mission. Sale of the existing campus property is an important component of the relocation project. Subsequent to the fiscal year ended 2013, the College received a letter of intent to purchase the existing campus.

Plans for the new campus have progressed through the programming and schematic design stage and are in design development.

The College purchased a 66 acre tract of land during August 2008 which is intended to serve as the site for the new campus. This site located in the Greater Nashville Tennessee Area will provide for the expansion of programs consistent with the College's strategic plans.

The College is continuing to obtain estimates of campus construction and related costs. The financial plan to complete the project is based on a planned capital fund raising campaign, use of the proceeds derived from sale of the existing campus and long term borrowings.

WELCH COLLEGE
(Formerly Free Will Baptist Bible College)

Notes to Financial Statements, continued

(18) Liquidity, Operational Deficits and Management's Plan

The College has experienced losses from operations in fiscal years 2011, 2012 and 2013. Borrowings for operations, whether through line of credit advances or internal borrowing from restricted funds, have increased from 2011 to the 2013 level which is virtually the same as 2012. Further, the College has experienced cumulative unrestricted operating cash deficits from 2011 to 2013 amounting to \$467,829, which is net of 2013 positive cash flow of \$283,975. These adverse conditions have been caused by the decline in world economies, negative trending in campus based enrollment and excess costs related to termination of the defined benefit pension plan.

In order to sustain operations of the College and to mitigate the adverse conditions described above, below is management's plan for financial recovery and repayment of the operational debt:

- > The College has changed its name to Welch College, thus rebranding itself for entrance into new student markets beginning with the fall 2014 recruiting season.
- > The College will engage a premier student recruiting firm to assist in the determination of how best to market the new name and increase enrollment.
- > The College has instituted a dual enrollment program and will offer college courses on the campuses of three Nashville area Christian high schools and provide on-campus classes for homeschool students. This program should open a new market for students who then will have experience with Welch College and consider it seriously for their college choice.
- > The College has formed a partnership with another entity to offer an online four-year bachelor's degree in ministry. This degree will commence in the fall of 2013 and enable the college to re-tap the market of mid-career married students.
- > In order to make the College's Adult Degree program more competitive with like institutions, the campus classes will be decreased from two nights a week to one night a week by utilizing technology.
- > The College will petition its accrediting agencies to add master's degree programs in its signature fields, first in theology and ministry, then in teaching and educational leadership.
- > The College has terminated its defined benefit pension plan, see note 10 above. This termination will save as estimated \$200,000 annually in pension related expenses.
- > The College has begun its "Pension Crisis Campaign" and "Kettelman Student Scholarship Drive", utilizing college ambassadors to promote and aid these fundraising efforts.
- > The College (see note 17 above) will sell its current campus, pay off its debts and build a new campus on the site in Gallatin, Tennessee, without incurring further debt but with new sources of debt repayment (e.g., relocation campaign, lower maintenance and utility costs, summer facilities rental).
- > As necessary, the College will further downsize, cutting personnel as well as programs with lower student enrollment, to maintain balanced budgets.
- > The College will pursue unrestricted grants from charitable foundations that support Christian higher education, which consultants advise will be more feasible given the name change.

(THIS INFORMATION IS NOT PART OF THE AUDIT REPORT)

MANAGEMENT SUMMARY OF MAY 31, 2013, FINANCIAL INFORMATION

Liquidity and Operational Cash Flow

The college has experienced a \$283,975 (page 5, Statements of Cash Flows) increase in net operating activities cash flows in unrestricted funds. The main components were student income holding steady, an increase in annual fund's gifts and cash received from an estate gift (but booked as income in 2011-2012). While the previous two fiscal years were a cumulative cash decrease totaling \$751,804, this year's increase in cash of \$283,975 provides a net cash deficit of \$467,829 for years 2011 – 2013, thus the 2012-2013 fiscal year signals a turning point, Notes to Financials, Note 18.

Management's Plan

Please review the disclosure of management's plan for addressing operating deficits and liquidity, Notes to Financials, Note 18.

Re-evaluation of Gallatin and Campus Non-Academic Program Properties

A reappraisal of the Gallatin property was performed to reflect the change in property values nation-wide since the 2008 purchase. The College reevaluated carrying values of certain non-academic properties based on appraisals and sales values of properties offered for sale. This reevaluation had no effect on net assets.

Potential Sale of West End Avenue Campus

The college has received a letter of intent for the purchase of all remaining West End Avenue properties. A letter of intent document precedes a contract for purchase. Aside from this potential global purchase, other individuals and developers have shown interest in many campus properties.

Annual Fund Gift Increase

Gifts to the annual (general) fund increased to a record high \$1,260,808. The college is thankful for the many individuals, churches, and associations who gave and prayed to make this possible.

Pension Plan Termination Update

The college terminated the defined benefit pension plan during 2013. See Notes to Financials, Note 10. The uncertainty of market fluctuations and future governmental regulations has been eliminated. The losses incurred relating to the excess pension liabilities and reduction to net assets amounted to a cumulative total of \$2,848,519. The termination was affected by incurring debt from the Free Will Baptist Foundation totaling \$2,334,025, which will require annual principal and interest payments of approximately \$177,000, which equates to an annual savings of \$150,000 to \$200,000 per year.

Sale of Surplus Properties Lowers Long-Term Debt

The college sold two residences unrelated to academic programming for a net amount of \$1,261,100. Of that amount, \$606,714 was applied to long-term capital debt with the balance placed in reserve earmarked for future relocation. The gain on sale of assets recorded in the audit was \$1,034,254, after deductions for balance sheet values. No funds were applied toward operating expenses.

Unrestricted Giving

Gifts to the unrestricted fund amounted to \$1,390,815. Of that amount, \$1,260,808 was annual fund unrestricted gifts (adjusted for payments on pledges); \$32,914 was FWB Foundation income; \$97,043 was estate gifts, and \$50 was library gifts. The previous fiscal year's unrestricted gifts totaled \$1,367,737.

Annual Fund Giving Subsidizes Average Full-Time Student \$5,910

Students enrolled in 2012-2013 were subsidized \$197 per semester hour through annual fund gifts. In other words, students would have paid \$672 per hour had no gift income been received. Therefore, tuition was \$475 per semester hour. Full-time students typically enroll for 30 semester hours per year, which means those students were spared paying \$5,910.

Institutional Scholarships Reach Historic High

The college awarded a historic \$1,094,864 in scholarships. On average, the scholarships provided a \$171 per semester hour discount against the \$475 list price, or an average net cost of only \$304 per semester hour, or a 36% discount rate for tuition.

Investments in Marketable Securities

Investments held for operational purposes increased from \$170,085 to \$310,471. Investments held for endowments virtually held steady at \$1,191,288. Of the total investments, \$1,271,053 is held by the FWB Foundation.

Asset to Debt Ratio

Total assets amount to \$12,755,966. Long-term liabilities total \$4,948,213, giving a 2.57 to 1 debt ratio. Adding all other liabilities bring the total to \$5,638,160, and provides a 2.26 to 1 debt ratio.

Cash Flow Statement

The combined cash flows of the college's operating, investing, capital, and financing activities report cash and cash equivalents increased \$110,149 in unrestricted funds, and decreased \$9,931 in permanently restricted funds for a cumulative cash increase of \$100,218.

Cash and Cash Equivalents for Operations

Cash for operations has increased from the previous year by \$110,149. Last year's total was \$832,001 against this year's \$942,150.

Debt

Overall, the college has four categories of debt payable. The first three categories relate to debt held by FWB Foundation. The first is the Gallatin land acquisition that amounts to \$2,127,799. The second is the pension termination that amounts to \$2,315,916. The last category is a line of credit for \$375,000. The fourth type relates to demand notes to individuals for student loans and unrestricted funds totaling \$140,516. Details and the accounting of these obligations are disclosed in Note 8 of the audited financial statements. Total liabilities/debt has decreased from \$6,705,533 to \$5,638,160.

WELCH COLLEGE

Budgets for the years ending May 2013 - 2015

	Budget May 31, 2013	Audit May 31, 2013	Proposed Budget May 31, 2014 ***	Strategic Budget May 31, 2015
Revenues				
Tuition and fees	2,135,937	1,960,718	2,303,638	2,518,329
Private Gifts:				
Together Way/Unrestricted General Fund	1,255,000	1,260,808	1,355,000	1,450,000
Estate, grant, stock, special gift, and miscellaneous income	90,586	142,842	140,000	100,000
Gifts in kind	-	-	-	-
Investment and endowment income	68,000	14,869	90,000	70,000
Sales and services of auxiliary enterprises	991,270	969,773	960,561	980,484
Other sources:				
Net assets released from restrictions	250,000	216,614	339,789	250,000
Total Revenues	4,790,793	4,565,624	5,188,988	5,368,813
Expenditures				
Educational and general:				
Instructional	1,174,606	1,272,731	1,314,302	1,359,849
Academic Support	363,302	359,254	396,855	410,609
Student Services	659,606	598,373	646,566	668,973
Institutional Support	1,630,154	1,674,271	2,012,554	2,082,299
Total educational and general expenditures	3,827,668	3,904,629	4,370,277	4,521,729
Auxiliary enterprises:				
Expenditures	963,125	886,470	818,711	847,084
Total Expenditures	4,790,793	4,791,099	5,188,988	5,368,813
Operational Increase (Decrease) in net assets		(225,475)		
Non-Operational Audit Entries:				
Gain from disposition of real estate (Revenue)		1,034,254		
Loss related to pension liability change (Expense)		(906,998)		
Increase (Decrease) in net assets		(98,219)		

*** Physical plant expenses totaling \$638,099 are distributed throughout the functional expense categories in this budget, which in effect increases the categories by this allocation (while zeroing physical plant). The Proposed Budget in the President's Annual Report for 2013 shows the physical plant expenses as a separate line item before allocation.

FREE WILL BAPTIST FOUNDATION

SHOWERS OF BLESSING

"There shall be showers of blessing;
This is the promise of love.
There shall be seasons refreshing:
Sent from the Savior above.
Showers of blessing, showers of blessings we need:
Mercy drops round us are falling, but for the showers we plead."

Surely "Showers of Blessing" is our theme for 2012 and even through the first half of 2013. The Lord has blessed over and above what we asked or hoped. The Lord is blessing the Foundation as we continue to do our best to be a blessing to the denomination. As Luke 6: 38a testifies, "Give, and it shall be given unto you; good measure, pressed down, and shaken together, and running over, shall men give into your bosom. That's how we feel: that God is just pouring it into our lap.

Financial Review

Our total assets grew to approximately \$48.4 million, an increase of over \$6.75 million over 2011. This marks the second highest dollar growth we have had. Our income was \$219,122 for 2012; but remember, \$214,058 was a realized capital gain from our dividend strategy investments that has been set aside for future grants. So our net income from operations was actually \$5,064. Year to date our assets have continued to grow tremendously as we have shattered the \$50 million mark and we are close to \$51 million, a \$2.5 million dollar increase. Projected for a full year, that would be an increase of \$5 million for all of 2013.

Net Income Explanation

Perhaps an explanation might be in order as to the rather modest income in 2012. From the income side we over projected our income in the revocable trust pool. We shifted approximately \$12 million dollars to the dividend strategy in 2012. This was equal to 31% of our entire portfolio. Unlike bonds, they do not pay accrued interest. Dividend stock bought in January may not pay the first dividend till April and stock bought later during the year paid even fewer quarterly dividends. The average rate we received in income was around half of what we expected due to these timing differences.

This had an effect on our overall service fee income. In 2013 we will continue to add to the dividend portfolio but we are expecting a lesser amount. We expect only 20% of our portfolio to be diminished due to the timing of purchasing dividend stock throughout the year. On the expense side it is important to note we made grants of almost \$18,000 to ONE magazine. These grants were made so that three ministries that requested page cuts in the magazine would not find it necessary. ONE magazine is a very important tool for the Foundation and making these grants helped to stabilize the finances and keep up the quality of the magazine. These grants also helped these ministries keep their exposure in the magazine at a higher level.

We also provided training and promotional material to personnel from Welch College and International Missions. The training cost was around \$5,000 and the promotional costs were estimated at \$8,000. If we had chosen not to make these grants and provide these benefits, our income would have increased by approximately \$31,000. Our net income would have been \$35,564 for 2012 from operations which would have been more in line with our estimates.

We will continue the grants to ONE magazine in 2013 and 2014, but the total cost will be \$29,000 for these years because two of the ministries were being phased in during 2012. Our hope is that these grants are temporary and as the economy improves they will be phased out in 2015.

Estate Planning Seminars a Success

We launched our estate planning seminars this year. Our partnership with Cornerstone Estate Planning has been very beneficial. We are still learning the best way to present these seminars. We have had them during a Sunday School hour, Sunday night service and on Wednesday night and all have been received well. We have had seven seminars in Tennessee and Alabama churches. The size of these churches ranged from 50 to 200 in attendance. We have had 80 family units respond that they are interested in establishing their estate documents. So far 27 have completed the process and have their documents in place.

The number of family units that are interested in pursuing this process is very high with an average of 75% expressing interest and in some seminars the interest level was 100%. While we are using Cornerstone Estate planning to present these seminars, the Foundation's personnel will be following up with our people making contact with them at least once a year to keep their estate plan up to date. We have seven seminars planned over the next few months. We believe we have the potential to host two to three per week so we have lots of openings. We invite all our pastors to come by our booth and schedule a date for a seminar in your church.

You will note our budget for 2013 has been amended and the 2014 budget has an increase. We anticipate increased costs in marketing the estate planning seminars to our pastors. We are hosting dinners for pastors by associations or quarterlies in Tennessee and Alabama and we are also hosting a dinner at the National this year. During these dinners we present the seminar so the pastors will know what we are planning to do in their churches.

We have hosted four dinners, including the one at the National, and plan to host six or seven more. I believe these seminars will pay off in the long run as we will be establishing relationships with many Free Will Baptist families. We believe these seminars are important to our churches and ministries as more estate gifts will be generated. This reason alone would make them worthwhile but we also believe the Foundation will see an increase in planned gifts, endowments and money management trusts as we work directly with Free Will Baptist families. Doug Little has been hired part time to assist with this ministry and as we continue to expand this area he will be full time in 2014.

MMT Challenge

Our earnings rate on the MMT pool was down in 2012 as explained earlier in the discussion of our lower net income. We shifted a large percentage of our portfolio into the dividend strategy in 2012. Because there is a delay of around three months between when the stock is purchased and when it pays a dividend, our income was lower than expected. The rising stock market has been both a blessing and a curse for our dividend strategy.

It has been a curse because it is becoming more difficult to find dividend yields at the level we need them and we often have to wait to find a time that the market is down slightly to buy and boost the yield. It has been a blessing because we have had huge capital gains since we began the strategy almost 1½ years ago.

If we decided to abandon the dividend strategy today, we could sell out and generate over \$2 million in capital gains that could be used for the grant program. We also already have actually realized gains of approximately \$283,000 set aside for the grant program. Our general fund reserves didn't grow much last year; but we do have over \$468,000 in reserves to help if interest rates rise at a fast rate and we are not able to turn our portfolio around quickly.

Budget Review

We have proposed amending the 2013 budget to reflect what we expect to spend this year. The amended 2013 budget is still projecting a small net income of over \$25,000 and an income over \$42,000 for 2014. We are proposing that Doug Little be full time in 2014 and have adjusted the budget to reflect this.

The full effect of the grants to ONE magazine in both years is projected at \$29,000 since all three ministries will be helped for the full year. A 3% raise for all salaries except Doug's has been proposed in 2014.

Economic Review

The economy still appears to be in "start and stop" mode. Almost daily reports are published that seem to indicate the economy is improving on the one hand and not improving on the other. The stock market itself is doing quite well as it was up over 12.5% for the first half, which is an annualized rate of 25%. However we anticipate the market increase for the year will be around 15%, so stock market growth could be slower during the last half of the year. Unemployment continues to be a drag on the economy. Consumers make up about 70% of the economy; and if many of them are out of work, it stands to reason that retail sales will not improve till they are working again.

There are a few bright spots to highlight. It appears that the decline in home prices has bottomed out for most of the U.S. and prices have turned upwards. Sales of both new and existing homes have also improved but not yet reached the levels we saw in 2007. Auto sales continue to be solid. Again, they have not reached the pre-recession level, but most car companies are beginning to make money. I don't think anyone is expecting a booming economy in 2013 or 2014. Some have improved their outlook for 2013 as the tax increases and sequester cuts have not had as much impact as they thought. However, some of the more serious sequester cuts will be coming in summer and could trim gross domestic product (GDP).

Perhaps the biggest bright spot is a few years down the pike, as we continue to see shale gas and oil exploration growing rapidly. Many believe we will be the world's largest producer of oil by 2020 surpassing Saudi Arabia, completely energy independent by 2030, and will begin to export oil.

Natural gas is perhaps even a bigger story as it has become so cheap many factories that moved overseas are coming back home. This could help generate job growth and pull us out of high unemployment.

Trucking companies are looking to convert their diesel trucks to run on natural gas because it will be cheaper to move goods across the country. Gasoline prices will not go back to under a dollar but could stabilize at a little under \$3 a gallon. This rapid expansion of gas and oil exploration could be the game changer that gets our economy moving.

Grants

The board continues to work to establish basic grant policy. We are working with a consultant who will design our application and other documents. The implementation of our grant program will depend on economic shifts. We anticipate rising rates for bonds coming in 2017 or 2018. This will be the trigger for grant income. When we begin to shift from dividend stock back into bonds we anticipate generating realized capital gains over a five to seven year period. These realized capital gains will be the funding source for our grant program. We are also anticipating continued growth in the Foundation that will continue the grant program beyond our capital gain income. Many have asked how large will this program be?

We currently have approximately \$2 million in unrealized capital gains and almost \$300,000 already set aside for this program. Obviously, the stock market goes up and down; but many believe we will have a stronger economy in 2017 or 2018 and that capital gains will be likely in our portfolio. There are no guarantees, but based on where we are today you can do the math and get a feel for the size of this program

Wrap Up

Another song comes to mind that Doug Little wrote: "He's Been So Good to Me." Truly God has been so good to me personally and to the Foundation. I feel like King David when Nathan told him how much God was going to bless him and he said, "Who am I, O Sovereign Lord?" I am reaping the harvest of many seeds that were planted before me. Many times, especially in the early days, I wondered if anybody was listening to what we were saying. I questioned if anybody cared about what we were doing? Will we ever see substantial growth? Obviously you have been listening, you do care and we have seen substantial growth. It reminds me of the story of Gideon in Judges.

Gideon was a flawed man that God used mightily. He started with 32,000 troops and God cut that number down to 300. I wouldn't be much of an accountant if I didn't point out that the 300 were less than 1% of what he started with. Just to make a side application if you are given a choice of 100% without God or 1% with God; take the 1% every time. Why did God choose to use only 300 men for this great victory? He wanted to make sure Gideon nor could anyone else take credit because God gets all the glory. I know I am a flawed man and the remarkable growth of the Foundation has but one explanation: that God be glorified. God help us all to be humble when we are in harvest and realize that some planted and some watered but God gives the increase.

Free Will Baptist Foundation

Synopsis of Board Meetings 2012

April 16, 2012

All members were present for all or significant portions of the meeting except Matthew Pinson, Keith Burden, Brian Hurst and Clint Morgan.

Audit, Financial and Director's Report and Proposed Budget were presented and approved. Director Evaluation Committee Report was presented and approved. Reports from three of the Foundation's money managers were heard and approved as information. The board requested the Director to include a performance review of the revocable trusts management in his report. Bobby Edwards was appointed to serve on the Investment Committee. Officers were elected.

December 3, 2012

All members were present for all or significant portions of the meeting except Larry Powell.

Financial and Director's reports were presented and approved. The board approved the establishment of a Realized Capital Gains Fund for non-operational use. Cornerstone Estate Services gave a presentation and the board directed the establishment of a working agreement with Cornerstone Estate Services.

The 2013 budget was amended to add an additional staff member. Approval was given to employ a consultant to assist in developing policies and procedures for a grant program. An Emergency Continuance Policy was established. Approval was given to extend additional credit to Welch College. Policy was established that loans were to be limited to 10% of the Foundation's total assets at the time of the loan. Two corporate resolutions were passed.



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Free Will Baptist Foundation, Inc.
Antioch, Tennessee

I have audited the accompanying financial statements of the Free Will Baptist Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Free Will Baptist Foundation, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Joel D. Collum, Jr., CPA

Nashville, Tennessee
April 19, 2013

P.O. Box 291561 • Nashville, Tennessee 37229 • 615.974.2918 • joelcollumcpa@yahoo.com

FREE WILL BAPTIST FOUNDATION, INC. STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 and 2011

	<u>ASSETS</u>	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 3,223,416	\$ 1,735,687
Accrued earnings receivable	166,337	227,573
Other receivables	46,103	-
Office equipment and automobiles, net of accumulated depreciation	34,043	-
	<u>3,469,899</u>	<u>1,963,260</u>
Investments, at fair market value		
Certificates of deposit	206,132	209,063
U.S. Government instruments	9,742,424	16,445,062
Common stocks	14,218,413	2,735,625
Master limited partnerships	1,017,601	16,929
Real estate investments	2,986,586	3,182,473
Mutual funds	5,380,169	4,718,917
Corporate bonds	1,067,313	858,474
Municipal bonds	6,190,162	6,245,290
Trusts	240,403	240,403
Total investments	<u>41,049,203</u>	<u>34,652,236</u>
Notes receivable		
Notes receivable FWBBC	3,084,458	3,962,817
Notes receivable other	801,310	1,070,001
Total notes receivable	<u>3,885,768</u>	<u>5,032,818</u>
TOTAL ASSETS	<u>\$ 48,404,870</u>	<u>\$ 41,648,314</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Operating liabilities:		
Accrued expense	\$ 16,973	\$ 5,588
Line of credit	-	1,417,050
Liabilities to beneficial owners		
Interest bearing revocable trusts	37,915,313	31,243,827
Future gifts interest payable	2,315,358	2,106,024
Funds held in trust	7,474,484	6,412,205
Total liabilities	<u>47,722,128</u>	<u>41,184,694</u>
NET ASSETS		
Unrestricted		
Operating	468,128	463,620
Board designated	214,614	-
Total net assets	<u>682,742</u>	<u>463,620</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,404,870</u>	<u>\$ 41,648,314</u>

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

FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
REVENUE AND SUPPORT		
Investment income:		
Interest and dividends, net of investment fees	\$ 1,668,742	\$ 1,608,705
Realized gains (losses) on sale of investments	355,829	54,341
Unrealized gains (losses) from investments	1,129,897	679,336
Total investment income	3,154,468	2,342,382
Support through "The Together Way" Plan and other contributions	32,068	33,817
Gain on sale of property and equipment	7,000	-
Interest income - note receivable	179,106	150,687
Total revenue and support	3,372,642	2,526,886
Allocation of earnings to revocable trusts, beneficiaries and annuitants	(2,552,466)	(1,838,738)
Revenue and support after allocations	820,176	688,148
EXPENSES		
Salaries and benefits	223,942	220,146
Equipment expense	23,035	25,920
Travel	81,164	49,655
Promotion	42,330	32,267
Board expense	18,878	15,224
Office expense	43,655	30,687
Rent expense	42,476	42,591
Printing and publications	8,960	6,830
One magazine	50,220	50,466
Training and education	30,604	21,391
Legal and accounting	13,921	16,402
Depreciation	2,647	66,918
Grants	17,876	-
Miscellaneous	1,346	1,446
Total expenses	601,054	579,943
Increase (decrease) in operating net assets	219,122	108,205
Net assets - beginning of year	463,620	355,415
Net assets - end of year	\$ 682,742	\$ 463,620

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

FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for:	\$ 30,087	\$ 33,817
Contributions	1,685,870	1,632,117
Interest and dividends	179,106	192,264
Other income	(587,022)	(616,896)
Cash paid to suppliers and employees		
Allocation of earnings to revocable trusts, beneficiaries and annuitants	(2,552,480)	(1,838,738)
Net Cash Provided (Used) By Operating Activities	(1,244,439)	(597,436)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of office equipment and automobiles	(36,690)	(22,285)
Proceeds from the of office equipment and automobiles	7,000	-
New loans made	(672,766)	(4,140,434)
Principal payments received on notes receivable	1,819,816	179,531
Proceeds from sale or call of investment securities	12,212,827	8,316,874
Purchase of investment securities	(17,124,068)	(7,596,694)
Net Cash Provided (Used) By Investing Activities	(3,793,881)	(3,263,008)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from additions, net of withdrawals, to future gift interest and revocable trusts	(4,642,637)	(4,502,481)
Contributions to funds held in trust	12,585,736	6,461,746
Advanced from line of credit	-	2,417,050
Repayments of line of credit	(1,417,050)	(1,000,000)
Net Cash Provided (Used) by Financing Activities	6,526,049	3,376,315
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,487,729	(484,129)
Cash and cash equivalents at beginning of years	1,735,687	2,219,816
Cash and cash equivalents at end of years	\$ 3,223,416	\$ 1,735,687
RECONCILIATION OF INCREASE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 219,122	\$ 108,205
Depreciation	2,647	66,918
Gain on sale of property and equipment	(7,000)	-
Realized and unrealized (gains) losses on investment transactions	(1,485,726)	(733,677)
Decrease (increase) in accrued investment income	61,236	23,412
Decrease (increase) in other accounts receivable	(46,103)	-
Increase (decrease) in operating liabilities	11,385	(62,294)
Net Cash Provided (Used) By Operating Activities	\$(1,244,439)	\$ (597,436)

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

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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 Foundation 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 or permanently restricted net assets at December 31, 2012 and 2011.

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 2012 and 2011.

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.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

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 collectability 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.

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 5 years for automobiles and 5 years for equipment.

2. INVESTMENTS

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

	2012		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
Certificates of deposit	\$ 206,132	\$ 200,000	\$ 6,132
U.S. Government instruments	9,742,424	9,390,142	352,282
Common stocks	14,218,413	13,338,983	879,430
Master limited partnerships	1,017,601	1,051,249	(33,648)
Mutual Funds	5,380,169	4,991,050	389,119
Corporate bonds	1,067,313	1,023,534	43,779
Municipal bonds	6,190,162	5,649,578	540,584
Trusts	240,403	240,403	-
Real estate held for resale	205,930	205,930	-
Real estate investment trust	2,780,656	2,788,539	(7,883)
Total Investments	\$ 41,049,203	\$ 38,879,408	\$ 2,169,795

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

2. INVESTMENTS - CONTINUED

	2011		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
Certificates of deposit	\$ 209,063	\$ 200,000	\$ 9,063
U.S. Government instruments	16,445,062	16,103,799	341,263
Common stocks	2,735,625	2,471,725	263,900
Master limited partnerships	16,929	17,924	(995)
Mutual Funds	4,718,917	4,742,444	(23,527)
Corporate bonds	858,474	855,893	2,581
Municipal bonds	6,245,290	5,979,125	266,165
Trusts	240,403	240,403	-
Real estate held for resale	225,717	225,717	-
Real estate investment trust	2,956,756	2,964,639	(7,883)
Total Investments	\$ 34,652,236	\$ 33,801,669	\$ 850,567

Total investment income (loss) amounted to \$3,154,468 for 2012, consisting of investment gains of \$1,485,726 and interest and dividends of \$1,668,742 (net of investment fees of \$54,950). This investment income (loss) represents yields of 8.33% and 8.68% based on the average market value and average cost of such investments for 2012.

Total investment income (loss) amounted to \$2,342,382 for 2011, consisting of investment gains of \$733,677 and interest and dividends of \$1,608,705. This investment income (loss) represents yields of 6.76% and 6.87% based on the average market value and average cost of such investments for 2011.

3. NOTES RECEIVABLE

Notes receivable consist of loans to other Free Will Baptist organizations. The monthly payment and the length of the note varies and the interest rate on the notes is 4.5%. The notes allow Foundation to declare the entire balance of unpaid principal due immediately if the borrower is more than 90 days late in making any payment. At December 31, 2012 no amounts were past due on any of the loans.

4. INTEREST BEARING REVOCABLE TRUSTS

The Foundation maintains revocable trusts which totaled \$37,915,313 and \$31,243,827 at December 31, 2012 and 2011, respectively. The trusts pay interest to the trust beneficiaries. The rate of interest paid is dependent upon the amount of income earned from the related investments. Withdrawal from the accounts, which may require a 7-60 day notice, is without penalty, and the trusts are without maturity.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

5. FUTURE GIFTS PAYABLE

The Foundation maintains charitable trusts amounting to \$1,563,802 and \$1,504,067 and gift annuities amounting to \$751,556 and \$601,957 as of December 31, 2012 and 2011, respectively. These future gift interests pay interest at specified rates ranging from 5.0% to 9.5%.

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, 2012 and 2011, the permanently restricted endowment funds totaled \$7,474,484 and \$6,412,205, respectively.

7. INFORMATION REGARDING FINANCIAL STATEMENTS

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, 2012 and 2011:

	2012	
Account	Amount Insured/Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 1,099,398	\$ 840,688
Short term liquid investments	2,124,018	873,827
Certificates of deposit	206,132	6,132
U.S. Government instruments	9,742,424	-
Common Stocks	14,218,413	14,218,413
Master limited partnerships	1,017,601	1,017,601
Mutual funds	5,380,169	5,380,169
Corporate bonds	1,067,313	1,067,313
Municipal bonds	6,190,162	6,190,162
Real estate held for resale	6,190,162	-
Real estate investment trust	205,930	2,780,656
Trusts	2,780,656	240,403
Investment in FWBBC loan	240,403	-
Receivables	3,084,458	-
	801,310	-
Total Investments	\$ 48,158,387	\$ 32,615,364

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

7. INFORMATION REGARDING FINANCIAL STATEMENTS - CONTINUED

	2011		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 654,822	\$ 258,704	\$ 396,118
Short term liquid investments	1,080,865	490,345	590,520
Certificates of deposit	209,063	209,063	-
U.S. Government instruments	16,445,062	16,445,062	-
Common Stocks	2,735,625	-	2,735,625
Master limited partnerships	16,929	-	16,929
Mutual funds	4,718,917	-	4,718,917
Corporate bonds	858,474	-	858,474
Municipal bonds	6,245,290	-	6,245,290
Real estate held for resale	225,717	225,717	-
Real estate investment trust	2,956,756	-	2,956,756
Trusts	240,403	-	240,403
Investment in FWBBC loan	3,962,817	3,962,817	-
Receivables	1,070,001	1,070,001	-
Total Investments	\$ 41,420,741	\$ 22,661,709	\$ 18,759,032

8. OFFICE EQUIPMENT AND AUTOMOBILES

A summary of office equipment and automobiles is as follows:

	2012	2011
Automobiles	\$ 73,487	\$ 52,986
Furnishings	19,463	19,463
Software	29,581	29,581
	122,531	102,030
Accumulated Depreciation	(88,488)	(102,030)
	\$ 34,043	\$ -

9. LEASE AND OCCUPANCY EXPENSE

Under the terms of a lease agreement with an affiliate, the Foundation leases 3,105 square feet of office and storage space for \$1.14 (\$1.14 in 2010) per square foot per month. The Foundation shares a portion of the space with the Free Will Baptist Board of Retirement. Total lease payments were \$42,476 and \$42,591 for the years ended December 31, 2012 and 2011, respectively.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

10. 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 1.35% below the institution's prime rate. This line of credit is open ended and there are no advances payable at December 31, 2012 or 2011.

The Foundation obtained a \$5,000,000 line of credit with a local institution during the year ended December 31, 2010. The line is secured by the investments of the Foundation and carries an interest rate of 3.0% above the institution's index rate. This line of credit is open ended and the advances payable were \$0- and \$1,417,050 at December 31, 2012 and 2011 respectively.

11. PENSION PLAN

The Foundation participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The Foundation contributes to the plan on behalf of its employees. Pension expenses amounted to \$9,205 (\$8,818 in 2011). 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.

12. FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statement of net assets available for benefits.

	Fair Value Measurements at December 31, 2012 Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 206,132	\$ -	\$ 206,132	\$ -
U.S. Government instruments	9,742,424	9,742,424	-	-
Common stocks	14,218,413	14,218,413	-	-
Master limited partnerships	1,017,601	-	1,017,601	-
Real estate investments	2,986,586	-	-	2,986,586
Mutual funds	5,380,169	5,380,169	-	-
Corporate bonds	1,067,313	-	1,067,313	-
Municipal bonds	6,190,162	-	6,190,162	-
Trusts	240,403	-	240,403	-
	<u>\$41,049,203</u>	<u>\$29,341,006</u>	<u>\$ 8,721,611</u>	<u>\$ 2,986,586</u>

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

12. FAIR VALUE MEASUREMENTS - CONTINUED

	Fair Value Measurements at December 31, 2011 Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 209,063	\$ -	\$ 209,063	\$ -
U.S. Government instruments	16,445,062	16,445,062	-	-
Common stocks	2,735,625	2,735,625	-	-
Master limited partnerships	16,929	-	16,929	-
Real estate investments	3,182,473	-	-	3,182,473
Mutual funds	4,718,917	4,718,917	-	-
Corporate bonds	858,474	-	858,474	-
Municipal bonds	6,245,290	-	6,245,290	-
Trusts	240,403	-	240,403	-
	<u>\$34,652,236</u>	<u>\$23,899,604</u>	<u>\$ 7,570,159</u>	<u>\$ 3,182,473</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Board uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements - The fair value of the investments are based the closing price reported on the active market where the securities are traded.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

12. FAIR VALUE MEASUREMENTS - CONTINUED

Level 3 Reconciliation:

	2012	2011
Real estate investments:		
Beginning balance	\$ 3,182,473	\$ 3,072,473
Purchases	5,213	110,000
Gains (losses) on value	-	-
Sales	(201,100)	-
Ending balance	<u>\$ 2,986,586</u>	<u>\$ 3,182,473</u>

Total gains or losses for the year included in the statement of activities attributable to the change in unrealized gains or losses relating to investments still held at the reporting date.

\$ -	\$ -
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13. NOTE RECEIVABLE WELCH COLLEGE

During the year ended December 31, 2011 the Foundation entered in to three loan agreements with Welch College (formerly Free Will Baptist Bible College). The information related to these loans are as follows:

Promissory note from Welch College dated January 28, 2011 and amended June 28, 2011. Interest accrues at a rate of 1.25% over the Wall Street Journal Prime Rate until January 28, 2012 when it permanently decreases to 1.00% over the Wall Street Journal Prime Rate. Interest on the loan is paid monthly beginning February 28, 2011 for a period of 18 months. Beginning August 28, 2012 monthly payments will include both principal and interest in an amount necessary to fully amortize the loan over a 20-year period at the prevailing interest rate. The loan will be reamortized January 28, 2013 based on the prevailing interest rate and will reamortize annually thereafter. All remaining principal and interest will become due and payable on July 28, 2032. This note is secured by various property owned by Welch College. The balance receivable on this note at December 31, and 2011 was \$-0- and \$1,417,050.

Promissory note from Welch College dated January 28, 2011 and amended June 28, 2011. Interest accrues at a fixed rate of 4.5% and is paid monthly beginning February 28, 2011 for a period of 18 months. Beginning August 28, 2012 Welch College will begin making monthly payments which will include both principal and interest as computed based upon a 20-year amortization. All remaining principal and interest will become due and payable on January 28, 2016. This note is secured by various property owned by Welch College. The balance receivable on this note at December 31, 2012 and 2011 was \$2,153,925 and \$2,200,000.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

13. NOTE RECEIVABLE WELCH COLLEGE - CONTINUED

Line of credit note in the amount of \$1,000,000 from Welch College dated May 31, 2011. Interest accrues at a rate of 1.00% over the Wall Street Journal Prime Rate. Interest on the loan will accrue monthly beginning June 1, 2011. All principal and interest will become due and payable on May 31, 2016. This note is secured by an endowment that Welch College has in the Foundation. The balance receivable on this note at December 31, 2012 and 2011 was \$930,534 and \$345,767.

The note agreements contain a provision that if payment is not made within 15 days of the due date the payment will be subject to the assessment of a late charge. At December 31, 2012 and 2011 no amounts were past due on any of the notes.

The interest earned by the Foundation on these notes in 2012 amounted to \$135,688 (\$137,071 for 2011) net of interest paid on its line of credit of \$26,903 (\$41,577 for 2011).

14. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Foundation's management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation's director has analyzed tax positions taken and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is exempt from filing annual tax returns.

15. DESIGNATION OF UNRESTRICTED NET ASSETS

During 2012 the Board voted to establish a realized capital gain's fund for non-operational use as directed by the Board. The balance in the account established with the capital gain proceeds is considered board designated. At December 31, 2012 the balance in the board designated account was \$214,614.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 19, 2013 which is the date the financial statements were available to be issued.

FOUNDATION BUDGET

	Proposed 2014 Budget	Amended 2013 Budget	Approved 2013 Budget	2012 Budget	2012 Actual	2011 Actual	2010 Actual
INCOME							
Together Way	\$ 30,000	\$ 30,000	\$ 32,000	\$ 25,000	\$ 29,793	\$ 30,420	\$ 24,731
Rest of the Family Offering	2,300	2,300	2,000	1,500	2,275	1,982	1,900
Miscellaneous	200	200	200	200	7,000	976	330
Realized Capital Gains	-	-	-	-	214,058	-	-
Management Fees	725,000	655,000	537,000	513,000	567,050	640,210	524,266
Total Income	\$ 757,500	\$ 687,500	\$ 571,200	\$ 539,700	\$ 820,176	\$ 673,588	\$ 551,227
EXPENSES							
Salaries	\$ 238,587	\$ 201,224	\$ 168,929	\$ 165,617	\$ 166,867	\$ 162,369	\$ 156,124
Employee Benefits	75,000	61,800	59,373	55,887	55,891	57,779	54,595
Travel	102,000	96,000	58,000	55,000	85,403	55,730	53,582
Promotion	50,000	55,000	35,000	18,000	48,113	33,315	16,861
ONE Magazine	51,000	51,000	52,000	47,000	50,220	50,466	46,923
ONE Magazine Grants	29,000	29,000	-	-	17,876	-	-
Office Expense	8,500	8,200	8,200	7,500	10,168	8,123	7,004
Postage	3,500	5,000	2,750	2,500	9,655	2,532	2,392
Printing	7,000	7,000	7,000	4,000	8,712	6,085	3,934
Rent	42,475	42,475	42,475	42,475	42,476	42,591	32,098
Telephone	8,700	7,500	7,500	6,000	7,442	9,692	6,176
Subscriptions & Publications	5,000	5,000	5,000	6,500	4,692	4,075	6,104
Training & Education	32,000	32,000	21,000	15,000	30,603	20,342	14,000
Auditing	11,000	10,750	10,750	10,500	10,250	10,250	9,950
Bank Fees	750	750	750	2,500	392	620	2,296
Board Expense	20,000	19,000	18,000	19,500	18,878	15,224	19,294
Depreciation	5,447	5,447	4,400	12,278	2,647	75,585	9,375
Equipment	4,000	4,000	2,500	2,500	6,475	3,900	4,991
Equipment Maintenance	9,000	9,000	7,300	6,000	9,012	7,278	5,361
Legal Fees	2,000	2,000	2,000	500	3,671	6,152	390
Miscellaneous	1,000	1,000	1,000	1,000	913	826	1,011
Software	8,800	8,700	7,250	8,700	10,698	7,009	13,166
Total Expense	\$ 714,759	\$ 661,846	\$ 521,177	\$ 488,957	\$ 601,054	\$ 579,943	\$ 485,627
Income Surplus/(Deficit)	\$ 42,741	\$ 25,654	\$ 50,023	\$ 50,743	\$ 219,122	\$ 93,645	\$ 85,600

FREE WILL BAPTIST FOUNDATION
SALARIES AND BENEFITS

APPROVED			APPROVED			PROPOSED					
2011			2012			2013			2014		

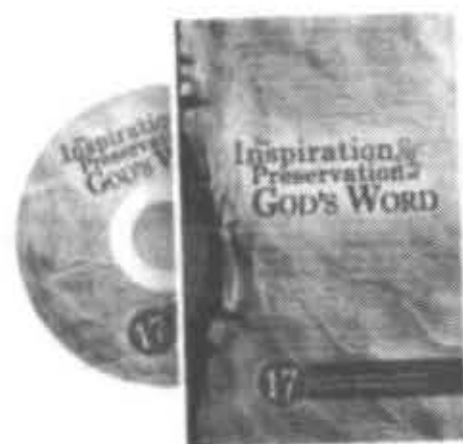
these fit under the direction of our Vertical Three department. We hired Brandon Roysden to lead Vertical Three. Brandon comes with a solid Free Will Baptist background and a strong educational foundation in both degrees and experience. Brandon worked at Pleasant View Christian School prior to coming to Randall House and brings relevant ideas to continue to take Vertical Three forward in continued growth.

Danny Conn led Vertical Three through seven years of growth. Danny directed both the editorial department and Vertical Three. Under his leadership, competition categories and participation grew substantially. He helped stabilize the financial positioning of the department. The size of Truth & Peace grew and the Youth Evangelistic Team expanded the training of the team to serve missions and local churches in addition to the performance program. Danny Conn will now be able to focus all of his energy and direction toward products flowing through editorial and help generate new products on the drawing board.

Inspiration and Preservation of God's Word

In response to questions about translation regarding NYC Guidelines allowing KJV and ESV memorization in various areas of Bible competition, we felt a response was needed. We equally felt this should not be a Randall House response but a denominational one. With such an important issue, we should evaluate the position held by our forefathers, framers of our treatise, and current theologians concerning the inspiration and preservation of Scripture.

We invited a diverse and respected panel of Free Will Baptist theologians to come together and tackle the translation issue our denomination should have addressed long ago. Dr. Robert Picirilli, Dr. Stanley Outlaw, Dr. Thomas Marberry, Dr. Paul Harrison, Dr. Danny Dwyer, and Mr. F. Leroy Forlines served on this panel.



The panel was organized and each person was given three primary questions to answer relating to how Scripture is inspired by God and preserved through the ages. After answering the three questions, the questions and answers were then swapped out with other panel members who worked on a second answer to every question. This procedure provided redundancy and accountability to each question. After all written answers were compiled, the panel came together and was filmed answering the questions as prepared in written responses. The panel video provides an

abbreviated answer to each question while the unabridged answers were compiled into a book. This book was published and a complimentary copy of both the book and DVD were made available to every Free Will Baptist church through the distribution channel of state promotional directors.

Randall House continues to hold the King James translation in high regard, and will continue to use it in our products. Randall House and our team holds to the inspired, inerrant, and infallible view of Scripture exactly as our Free Will Baptist Treatise states. We further hold that Scripture is the rule of faith and practice in all matters of life today and without it one cannot have a Christian worldview.

Books Released Between July 2012 and July 2013

Total Abstinence – booklet from the Historical Commission print only
Randall House Minister's Manual –

KJV, NKJV, and ESV editions in print
 KJV, NKJV, and ESV editions in ebook

52 Creative Family Time Ideas by Timothy Smith – print and ebook format
Reclaiming the Sufficiency of Scripture by Rob Rienow – print and ebook format
The Inspiration and Preservation of God's Word – print and DVD
Connecting Church & Home by Tim Kimmel – print and ebook format
Limited Church: Unlimited Kingdom by Rob Rienow – print and ebook format
Discipleship: The Expression of Saving Faith by Robert Picirilli – print and ebook format
First Aid booklet on Health by Edward Moody – print and ebook format

D6 Digital - delayed

D6 Digital is a complex system that must provide a user-friendly interface delivering content in a simple manner. The idea of delivering devotions and teaching lessons digitally sounds pretty simple on the surface. To align age groups while allowing a start time without any dating and letting people chose from any quarter presents some tricky programing. We are not comfortable releasing a product that is not ready. At the time of the printing of this book, we do not feel comfortable with suggesting a release date.

Remodeling

Maintenance on equipment and buildings extend the life of each. Our building still shows fashionable looks from the seventies. For the first time in nearly 25 years, we have updated the look of the main floor of our building. Of the three levels, the ground level gets most of our guests and we felt the office and workspace should reflect the same excellence found in our products. The crooked hallways are gone and logical traffic flows will now facilitate better access to various departments. The three-decade-old color dated carpet is gone. We gained seven new offices needed for future growth. Glass wall treatments provide more open work environments and enhance accountability and teamwork. The reception area provides a welcoming environment.

D6 Conference

Nationally, (and Internationally) God has allowed Randall House to lead a movement called D6 or Deuteronomy 6, which is generational discipleship. By providing a place for training in multiple areas of family ministry and discipleship, the D6 Conference leads all other conferences nationally in helping people grasp God's original plan. Free Will Baptists have been chosen to champion this strategy and assist other denominations without compromising our beliefs or shying away from them.

This year the D6 Conference has two locations. A large group of practitioners and leaders come together to teach and speak on topics related to generational discipleship. These practitioners relay strategies that work not just in theory but also in practice. Finally, we bring together many of the leading family ministry and discipleship leaders. Think of it as a Family Ministry Expo.



D6 Louisville is a two-day main event with an optional third day of programming in the form of PreCon labs. Louisville is within a day's drive for many more Free Will Baptist churches.

D6 Dallas feels more like a graduate level program. It focuses on more intensive training where speakers will be deeper on point while still offering the "on-ramp" for first-time attendees. **D6 Dallas** pricing allows you to bring more staff and volunteers. Dallas provides the right setting for developing a plan for your entire church as you and your staff can debrief together and interact more with individual speakers.

Enlisted in His Army

The Bible's use of battle terms and military illustrations remind us of the fact we are engaged in a spiritual war. This struggle has eternal consequences since the end of the battle divides Christ followers from those who rejected God and are lost. God's purpose for inspiring these battle terms through writers in Scripture never intended the clashes to occur among believers. In fact He said our war was not against flesh and blood. Our prayer is that the army of believers unites to fight Satan and rescue the non-Christ followers Satan has deceived. Present and future generations demand our collaborative efforts to bring together our diverse approaches to evangelize and disciple by enlisting others in HIS army.

Leading is serving,

Ron Hunter Jr.
Executive Director & CEO
Randall House

RANDALL HOUSE PUBLICATIONS OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

The Board of Directors Randall House Publications of the National Association of Free Will Baptists, Inc.

We have audited the statements of financial position of Randall House Publications of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Randall House Publications of the National Association of Free Will Baptists, Inc. as of December 31, 2012 and 2011, and 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 11, 2013

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RANDALL HOUSE PUBLICATIONS OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.

Statements of Financial Position

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents:	\$ 162,130	110,256
Cash and interest bearing deposits	207,315	201,525
Cash invested with the Free Will Baptist Foundation	369,445	311,781
Total cash and cash equivalents		
Accounts receivable:	278,078	180,069
Trade, net of allowance for doubtful accounts and returns	1,213	338
Employees and other	279,291	180,407
Total receivables		
Inventory	459,317	449,908
Prepaid expenses	104,135	86,679
Total current assets	1,212,188	1,028,775
Property, plant and equipment, at cost:		
Land	110,341	110,341
Building	992,199	965,587
Printing service equipment	1,241,187	1,238,932
Office and administrative equipment	327,907	324,581
Automobiles and trucks	108,008	108,008
	2,779,642	2,747,449
Less accumulated depreciation and amortization	2,185,228	2,047,344
Net property, plant and equipment	594,414	700,105
Other assets:		
Digital assets	38,400	44,800
	\$ 1,845,002	1,773,680
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 82,880	102,067
Current portion of long term debt	84,706	106,193
Deferred revenues	242,046	190,883
Accrued expenses	92,260	89,014
Total current liabilities	501,892	488,157
Long term debt	-	84,706
Total liabilities	501,892	572,863
Unrestricted net assets	1,343,110	1,200,817
	\$ 1,845,002	1,773,680
Commitments		

See accompanying notes to financial statements.

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statements of Activities and Changes in Net Assets
For the years ended December 31, 2012 and 2011

	2012		2011
	Sales	Cost of Sales	Net
Revenues:			
Gross profit:			
RHP product lines (including curriculum)	\$ 3,194,334	1,678,322	1,516,012
RHP books	207,278	127,560	79,718
D6 Conference	571,697	558,752	12,945
National Convention	17,139	3,230	13,909
Printing sales	296,132	232,464	63,668
Third party sales	86,147	57,005	29,142
FWBBC bookstore and snack shop	-	-	4,832
Gross profit	\$ 4,372,727	2,657,333	1,715,394
Other operating revenues:			
Freight and handling			175,547
Commissions			53,901
Interest income			5,789
Other			4,415
Total revenues			1,955,046
Expenses:			
Selling, general and administrative:			
Administrative / Accounting			403,468
Sales / Marketing			634,771
Distribution center			353,468
IT division			50,945
Plant maintenance			132,216
General			127,437
One Magazine			46,575
Depreciation			47,617
Interest expense, including finance charges			10,642
Total selling, general and administrative expenses			1,807,139
Increase (decrease) in net assets from operations			147,907
Other income (expense):			
Vertical 3			8,636
Denominational ministries, net			(1,250)
Printing contributed to the denomination			(13,000)
Net other income (expense)			(5,614)
Increase (decrease) in net assets			142,293
Net assets, beginning of year			1,200,817
Net assets, end of year			\$ 1,343,110

See accompanying notes to financial statements.

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statements of Cash Flows
For the years ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 142,293	(91,658)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	137,884	148,806
(Increase) decrease in:		
Receivables	(98,886)	77,531
Inventories	(9,409)	11,782
Prepaid expenses	(17,456)	61,074
Digital assets	6,400	(44,800)
Increase (decrease) in:		
Accounts payable	(19,187)	(34,815)
Deferred revenues	51,163	14,199
Accrued expenses	3,246	4,720
Net operating activities	196,048	146,839
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(32,191)	(34,547)
Net investing activities	(32,191)	(34,547)
Cash Flows from Financing Activities		
Repayments of long term debt	(106,193)	(101,528)
Net financing activities	(106,193)	(101,528)
Increase in cash and cash equivalents	57,664	10,764
Cash and cash equivalents:		
Beginning of year	311,781	301,017
End of year	\$ 369,445	311,781
Cash and cash equivalents, as reported on statement of financial position, as follows:		
Cash and interest bearing deposits	\$ 162,130	110,256
Cash invested with the Free Will Baptist Foundation	207,315	201,525
	\$ 369,445	311,781
Supplemental disclosures:		
Interest paid	\$ 10,642	14,595

See accompanying notes to financial statements.

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

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 of Randall House have been prepared on the accrual basis of accounting.

As required by generally accepted accounting principles, Randall House reports information regarding its financial position and activities according to three classes of net assets, if applicable:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body. The amount of unrestricted net assets is presented in the statements of financial position, and the net change is presented in the statements of activities.

Randall House does not have amounts to report in the remaining two classes of net assets which are:
Temporarily restricted and permanently restricted net assets.

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Returns of curriculum and other printed products subsequent to balance sheet date are also included in the allowance. Balances that are still outstanding after management has used reasonable collection effects are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of December 31, 2012 and 2011 amounted to \$15,000 and \$12,000, respectively. Changes in the valuation account have not been material to the financial statements.

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.

Digital Assets

Publishers face the challenge of valuing digital assets in a similar way to physical inventory. Digital assets would include eBooks, digital curriculum, digital studies, and similar downloadable products. Costs related to developing digital products accumulate as prepaid expenses until product launch at which time the costs are amortized over a predicted 8 year digital shelf life. The first four years provide a viability or testing period and may shorten the product's life, expensing all remaining unamortized costs at four years, if the product is determined not viable. If viability is determined at the end of the four years, a fair value assessment will be determined and adjustment made to carrying value based on previous sales to determine estimated future cash flows. These digital assets are recorded as follows:

	2012	2011
Cost to develop and launch products	\$ 51,308	51,308
Accumulated amortization	12,908	6,508
Carrying value of digital assets	\$ 38,400	44,800

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on 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.

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.

Deferred Revenues

Deferred revenues consist of revenues collected or billed for services to be rendered in the following year. These deferred revenues consist of the following:

	2012	2011
D6 Conference registrations	\$ 61,396	47,783
Truth and Peace leadership training registrations	180,650	143,100
	\$ 242,046	190,883

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.

Income Taxes

Randall House is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts. There is no unrelated business income for 2012 and 2011. Further, management believes there are no activities which will lead to income taxes being levied.

Compensated Absences

Employees of 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 \$45,917 in 2012 and \$99,714 in 2011.

Subsequent Events

Subsequent events were evaluated through March 11, 2013 which is the date these financial statements were available to be issued.

Changes in Presentation

Certain amounts in the prior period financial statements may have been reclassified to conform to current presentation. These reclassifications, if any, did not change originally reported balances of net assets.

(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 \$207,315 in 2012 and \$201,525 in 2011 are subject to risk of accounting loss. Cash held in local bank are insured to FDIC limits. Management does not anticipate nonperformance by the financial institutions.

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(3) Inventory

Inventory consists of the following:

	2012	2011
Current assets:		
Print inventory:		
Finished curriculum	\$ 106,891	\$ 154,231
Work in progress	146,107	122,758
Printing raw materials	51,772	68,644
Hymnals	36,438	1,426
Warehoused other books and merchandise	\$ 180,109	171,849
Less allowance for loss	62,000	69,000
	118,109	102,849
Other assets:	459,317	449,908
Digital assets - see note 1	38,400	44,800
	\$ 497,717	\$ 494,708

(4) Long - Term Debt

	2012	2011
4.5% monthly installment obligation payable to Free Will Baptist Foundation with monthly payments of \$9,384 including interest and principal, with final payment due September 2013. Note is secured by production equipment.	\$ 84,706	190,899
Current portion of long-term debt	84,706	106,193
Long - term debt	\$ -	84,706

Randall House has a line of credit with a local bank in the amount \$100,000. No balance is outstanding on this line of credit as of December 31, 2012 or 2011.

(5) Vertical 3

The purpose of the Vertical 3 is to provide resources and services to youth and children's workers of the National Association of Free Will Baptists, Inc. The following is a summary of the department's activities:

	2012	2011
Revenue from conferences and related services	\$ 286,424	250,162
Expenditures:		
Conferences and related services	227,922	225,785
Expenses for facility use and other services	16,000	16,000
General and administrative expenses	33,866	32,658
	277,788	274,443
Excess of revenues over (under) expenses	\$ 8,636	(24,281)

**RANDALL HOUSE PUBLICATIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(6) Related Party Transactions, continued

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 one year of service may participate at anniversary date of employment. Pension expense amounted to \$55,692 in 2012 and \$53,307 in 2011. 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.

Agreement with Affiliated Organization to Distribute Hymnals

Randall House has an agreement to pay royalties to the Executive Office of the National Association of Free Will Baptists, Inc. at \$2.45 for each hymnal sold. Expenses relating to these hymnal sales amounted to \$9,090 in 2012 and \$7,619 in 2011. Randall House had a liability relating to these payments of \$463 and \$383 at December 31, 2012 and 2011, respectively.

Free Will Baptist Bible College (Welch College)

Operation of the College's bookstore, campus store and snack shop.

Results of operations are as follows:

	2012	2011
Revenues	\$ -	24,714
Operating expenses, including merchandise purchased, salaries and other operating costs	-	19,882
Gain from operations	\$ -	4,832

This operating agreement terminated at the end of the spring 2011 semester.

One Magazine

One Magazine is the combined publication of certain Free Will Baptist agencies and organizations, and is funded by contributions from each of those respective agencies and organizations. Randall House provided \$46,575 as their share of the funding requirement during 2012 and 2011, respectively. Further, Randall House prints and provides mailing services for One Magazine, and reported revenues of \$212,529 and \$206,475 for these services during 2012 and 2011, respectively.

Free Will Baptist Foundation

Randall House maintains interest bearing accounts with and is indebted to Free Will Baptist Foundation as follows:

	2012	2011
Interest bearing accounts	\$ 207,315	201,525
Indebtedness	\$ 84,706	190,899

(7) Commitments and Contingencies

Merchandise Held on Consignment

Randall House holds inventory on consignment with a sales value of approximately \$200,000 in 2012 and 2011; and share 33% of the proceeds from sale of the merchandise which amounted to \$2,179 in 2012 and \$3,101 in 2011.

Leased Equipment

Randall House has entered into noncancelable lease arrangements relating to mailing and copy equipment. Total rent expense amounted to \$28,274 in 2012 and \$31,644 in 2011. The minimum payments required are \$14,364 for 2013 - 2016, and \$10,773 for 2017.

Litigation

Randall House, in the normal course of operations, may be a defendant in lawsuits. Management is not aware of any pending asserted or unasserted claims against Randall House.

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
Income				
300 - RHP Product Lines	\$3,288,500	\$3,302,500	\$3,495,000	3,194,334.16
303 - RHP Books	\$236,000	\$224,000	\$189,000	207,278.31
305 - Event/ Off Site Sales	\$878,500	\$1,033,500	\$806,000	588,836.04
307 - Third Party Sales (Non RHP)	\$83,500	\$96,000	\$103,000	86,147.18
308 - Other Revenue	\$484,000	\$510,000	\$491,000	481,883.48
309 - Commission Income	\$46,000	\$51,000	\$51,000	53,901.44
TOTAL REVENUE	\$5,016,500	\$5,217,000	\$4,935,000	4,612,380.61
Cost of Goods Sold				
310 - COS - RHP Product Lines	\$57,500	\$62,000	\$90,000	48,557.36
313 - COS - RHP Books	\$106,000	\$97,500	\$90,000	101,660.54
315 - COS - Events/ Off Site	\$808,000	\$929,500	\$510,500	561,982.42
317 - COS - 3rd Party Sales (Non RHP)	\$41,750	\$55,930	\$64,200	57,729.72
318 - COS - Other	-\$9,000	-\$8,000	\$2,500	-17,853.63
Total COGS	\$1,002,250	\$1,136,930	\$757,200	751,976.41
350 - Printing Production	\$992,100	\$1,053,100	\$1,059,600	930,106.87
355 - Depreciation Printing Equipment	\$90,000	\$90,000	\$90,000	90,267.25
360 - Editorial	\$538,000	\$512,500	\$525,000	513,661.45
400 - Administrative/Accounting	\$396,500	\$412,400	\$400,900	403,467.95
410 - Sales	\$360,500	\$360,120	\$541,120	480,302.86
420 - Design	\$310,000	\$328,000	\$328,500	291,327.49
425 - RHP Book Division	\$93,500	\$90,000	\$84,250	80,000.15
430 - Distribution Center	\$376,000	\$374,750	\$382,500	353,488.47
435 - IT Division	\$58,000	\$55,000	\$54,600	50,944.55
440 - Plant Maintenance	\$138,050	\$138,800	\$157,300	132,215.79
460 - Marketing	\$250,500	\$160,000	\$160,000	124,822.43
490 - General	\$195,500	\$199,000	\$241,000	185,697
495 - Events	\$103,500	\$36,000	\$30,000	\$19,648
Total Departmental Expense	\$3,902,150	\$4,007,670	\$4,054,770	3,665,922.84
Youth Department				
9100 - Youth Revenues	\$302,500	\$294,500	\$237,750	286,423.99
450 - Youth Department Expenses	-\$328,500	-\$303,900	-\$246,750	-277,787.47
	-\$26,000	-\$9,400	-\$9,000	8,636.52
Denominational Ministries				
9200 - Revenues Denom. Ministries	\$0	\$0	\$10,000	0.00
445 - Denominational Ministries Expenses	-\$66,500	-\$63,000	-\$65,000	-60,825.12
	-\$66,500	-\$63,000	-\$55,000	-60,825.12
TOTAL EXPENSE	\$4,996,900	\$5,217,000	\$4,875,970	\$4,470,088
Annual Profit/Loss	\$19,800	\$0	\$59,030	142,292.78
Income				
300 - RHP Product Lines				
300.03 - Dated Studies/ SS-Curriculum	\$3,200,000	\$3,200,000	\$3,350,000	3,116,482.35
300.06 - Mid Week Children	\$0	\$0	\$0	0.00
300.09 - Mid Week Teens	\$0	\$0	\$0	-39.80
300.12 - 607	\$2,500	\$10,000	\$50,000	2,457.00
300.15 - Children's Church Sales	\$55,000	\$55,000	\$40,000	48,189.87
300.18 - Online Non Dated Studies-(A)	\$3,500	\$10,000	\$25,000	2,773.75
300.24 - Church Supplies	\$5,000	\$5,000	\$10,000	3,552.44
300.27 - RHP/D6 T-Shirts/Merchandise	\$7,500	\$7,500	\$10,000	5,812.86
300.30 - Competition Materials	\$15,000	\$15,000	\$10,000	15,105.49
Total 300 - RHP Product Lines	\$3,288,500	\$3,302,500	\$3,495,000	3,194,334.16
303 - RHP Books				
303.03 - Pastoral/Church Leadership	\$20,000	\$27,500	\$30,000	16,554.58
303.06 - Family/Parenting	\$80,000	\$80,000	\$60,000	77,499.97
303.09 - Drama/Plays	\$1,000	\$1,000	\$1,000	818.98
303.12 - Missions	\$1,000	\$1,000	\$5,000	987.64
303.15 - Small Group Studies	\$10,000	\$15,000	\$10,000	10,444.54
303.18 - Biblical Studies	\$5,000	\$10,000	\$20,000	4,895.60
303.21 - Theology/Doctrine	\$35,000	\$30,000	\$20,000	38,861.27
303.27 - Christian Living	\$10,000	\$10,000	\$10,000	9,454.87
303.30 - Fiction	\$0	\$0	\$1,000	739.07
303.33 - Children	\$0	\$0	\$1,000	-30.56
303.36 - International Languages	\$500	\$1,000	\$1,000	27.23
303.39 - Rejoice FWB Hymnal Sales	\$50,000	\$50,000	\$40,000	54,798.08
303.42 - Rejoice Worship Hymnal Sales	\$40,000	\$10,000	\$10,000	-6.98
303.45 - Lightning Source	\$0	\$5,000	\$8,000	1,590.66
303.48 - Tracts	\$2,000	\$2,000	\$2,000	1,504.08
303.48 - (Off Site RH Book Sales)	-\$25,000	-\$25,000	-\$30,000	-18,697.64
303.54 - RHP Titles in Software	\$2,500	\$2,500	\$0	1,996.15
303.60 - Miscellaneous	\$4,000	\$4,000	\$0	5,612.67

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
Total 303 - RHP Books	\$236,000	\$224,000	\$189,000	207,278.31
305 - Event/ Off Site Sales	\$600,000	\$725,000	\$450,000	386,408.96
305.03 - D6 Conference Registration	\$130,000	\$150,000	\$45,000	102,746.00
305.06 - D6 Conference Sponsorship	\$130,000	\$140,000	\$95,000	82,542.10
305.09 - D6 Conference Sales	\$17,500	\$17,500	\$15,000	17,138.98
305.15 - National Sales	\$1,000	\$1,000	\$1,000	0.00
305.21 - Misc. Event Sales	\$878,500	\$1,033,500	\$606,000	588,836.04
Total 305 - Event/ Off Site Sales				
307 - Third Party Sales (Non RHP)	\$50,000	\$55,000	\$45,000	50,482.03
307.03 - Curriculum (Dated)	\$10,000	\$12,500	\$20,000	10,026.75
307.06 - VBS	\$0	\$0	\$0	0.00
307.09 - Children's Church	\$5,000	\$5,000	\$7,500	5,127.31
307.12 - Church Supplies	\$1,000	\$1,000	\$2,000	1,196.45
307.15 - Bibles (Non RHP Imprint)	\$15,000	\$20,000	\$25,000	15,603.17
307.18 - Books (Non RHP Imprint)	\$0	\$0	\$1,000	34.78
307.21 - Music	\$2,500	\$2,500	\$2,500	3,674.69
307.24 - Miscellaneous	\$83,500	\$96,000	\$103,000	86,147.18
Total 307 - Third Party Sales (Non RHP)				
308 - Other Revenue	\$300,000	\$325,000	\$300,000	296,132.18
308.03 - Printing/Design Services	\$175,000	\$175,000	\$175,000	175,547.27
308.06 - Freight and Handling Income	\$5,000	\$5,000	\$10,000	5,789.46
308.09 - Interest Income	\$3,000	\$5,000	\$5,000	1,651.98
308.12 - Service Charges	\$0	\$0	\$0	1,080.96
308.15 - Sale/Disposal of Assets	\$1,000	\$0	\$1,000	912.50
308.18 - In House Functions	\$0	\$0	\$0	769.13
308 - Other Revenue - Other	\$484,000	\$510,000	\$491,000	481,883.48
Total 308 - Other Revenue				
309 - Commission Income	\$25,000	\$30,000	\$30,000	26,949.26
309.03 - Bulletins	\$900	\$500	\$1,000	1,011.37
309.06 - Signs	\$500	\$500	\$0	0.00
309.09 - Furniture/Steeple/etc.	\$20,000	\$20,000	\$20,000	25,940.81
309.12 - Advertising/Other	\$46,000	\$51,000	\$51,000	53,901.44
Total 309 - Commission Income				
Total Income	\$5,016,500	\$5,217,000	\$4,935,000	\$4,612,381
Cost of Goods Sold				
50000 - Cost of Goods Sold				
310 - COS - RHP Product Lines	\$27,500	\$27,500	\$30,000	24,377.38
310.03 - COS - Dated Studies/ SS-Cur	\$0	\$0	\$0	-22.28
310.09 - COS - Mid Week Teens	\$2,000	\$500	\$10,000	2,237.46
310.12 - COS - 607	\$15,000	\$20,000	\$20,000	15,388.52
310.15 - COS - Children's Church Sales	\$5,000	\$1,000	\$15,000	6,346.32
310.18 - COS - Online Non Dated Studies	\$1,500	\$2,500	\$3,000	950.48
310.24 - COS - Church Supplies	\$1,500	\$4,000	\$5,000	901.25
310.27 - COS - RHP/D6 T-shirt Merch.	\$5,000	\$6,500	\$5,000	4,113.83
310.30 - COS - Competition Materials	\$0	\$0	\$0	-5,735.60
310 - COS - RHP Product Lines - Other	\$57,500	\$62,000	\$90,000	48,557.36
Total 310 - COS - RHP Product Lines				
313 - COS - RHP Books	\$7,500	\$10,000	\$10,000	6,761.18
313.03 - COS - Pastoral/Ch. Leadership	\$30,000	\$30,000	\$25,000	28,900.79
313.06 - COS - Family/Parenting	\$500	\$500	\$500	329.46
313.09 - COS - Drama/Plays	\$500	\$500	\$2,500	856.50
313.12 - COS - Missions	\$4,000	\$6,000	\$3,500	3,862.31
313.15 - COS - Small Group Studies	\$2,000	\$5,000	\$9,000	3,453.31
313.18 - COS - Biblical Studies	\$15,000	\$11,000	\$9,000	18,072.43
313.21 - COS - Theology/Doctrine	\$3,500	\$3,500	\$3,000	2,896.60
313.27 - COS - Christian Living	\$0	\$0	\$500	552.71
313.30 - COS - Fiction	\$0	\$0	\$500	-28.51
313.33 - COS - Children	\$250	\$500	\$500	513.61
313.36 - COS - International Language	\$22,500	\$22,500	\$20,000	24,408.34
313.39 - COS - Rejoice FWB Hymnals	\$17,500	\$4,000	\$5,000	14.37
313.42 - COS - Rejoice Workshop Hymnals	\$0	\$0	\$0	0.00
313.45 - COS - Lightning Source	\$750	\$1,000	\$1,000	645.62
313.48 - COS - Tracts	\$2,000	\$2,500	\$0	2,445.68
313.60 - COS - Miscellaneous	\$0	\$0	\$0	8,176.14
313 - COS - RHP Books - Other	\$106,000	\$97,500	\$90,000	101,660.54
Total 313 - COS - RHP Books				
315 - COS - Events/ Off Site	\$735,000	\$845,000	\$435,000	512,959.97
315.03 - COS - D6 Conf Registration				

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
315.06 - COS - D6 Conf Sponsorship	\$0	\$0	\$0	0.00
315.09 - COS - D6 Conf Sales	\$62,500	\$75,000	\$60,000	45,792.63
315.15 - COS - National Sales	\$8,000	\$9,000	\$15,000	3,230.42
315.21 - COS - Misc. Event Sales	\$500	\$500	\$500	0.00
Total 315 - COS - Events/ Off Site	\$806,000	\$829,500	\$510,500	\$61,982.42
317 - COS - 3rd Party Sales (Non RHP)				
317.03 - COS - Curriculum (Dated)	\$25,000	\$30,000	\$30,000	34,889.90
317.06 - COS - YBS	\$5,000	\$8,500	\$12,000	6,201.74
317.09 - COS - Children's Church	\$0	\$0	\$0	0.00
317.12 - COS - Church Supplies	\$2,500	\$3,000	\$4,000	2,899.13
317.15 - COS - Bibles (Non RHP)	\$500	\$680	\$1,200	968.03
317.18 - COS - Books (Non RHP)	\$7,500	\$12,250	\$15,000	12,196.44
317.21 - COS - Music	\$0	\$0	\$500	30.62
317.24 - COS - Miscellaneous	\$1,250	\$1,500	\$1,500	144.49
317 - COS - 3rd Party Sales (Non RHP) - Other	\$0	\$0	\$0	439.37
Total 317 - COS - 3rd Party Sales (Non RHP)	\$41,750	\$55,930	\$64,200	\$7,729.72
318 - COS - Other				
318.03 - Freight in RHP	\$5,000	\$5,000	\$2,500	4,455.92
318.09 - COS - Yearbook	\$14,000	\$13,000	\$0	-13,000.00
318.15 - COS - Change in Inventory	\$0	\$0	\$0	-9,409.55
318 - COS - Other - Other	\$0	\$0	\$0	0.00
Total 318 - COS - Other	\$-9,000	\$-8,000	\$2,500	-17,953.63
Total COGS	\$1,002,250	\$1,136,930	\$757,200	\$71,976.41
Gross Profit	\$4,014,250	\$4,080,070	\$4,177,800	3,880,404.20
Expense				
350 - Printing Production				
350.02 - PP - Salaries	\$285,000	\$278,000	\$278,000	274,829.12
350.06 - PP - Supplies	\$2,500	\$2,500	\$2,500	2,873.73
350.07 - PP - Equipment Maint.	\$500	\$1,500	\$5,000	42.00
350.12 - PP - Dues & Subscriptions	\$1,000	\$1,000	\$1,500	860.00
350.16 - PP - Entertainment	\$100	\$100	\$100	0.00
350.18 - Outside Printing	\$235,000	\$272,500	\$250,000	225,481.77
350.19 - Outside Bindery	\$40,000	\$45,000	\$60,000	36,308.22
350.26 - PP - FICA	\$19,000	\$18,500	\$18,500	17,696.85
350.29 - PP - Retirement	\$8,500	\$9,000	\$9,000	9,112.80
350.32 - PP - Insurance	\$25,000	\$25,000	\$25,000	21,285.25
350.34 - Pressroom Supplies	\$7,500	\$11,000	\$15,000	5,271.37
350.36 - Pressroom Maintenance	\$15,000	\$15,000	\$15,000	10,771.26
350.38 - Pressroom Parts	\$7,500	\$7,500	\$10,000	5,192.76
350.40 - Pressroom Stock	\$187,500	\$200,000	\$200,000	172,862.70
350.42 - Pressroom Ink	\$12,000	\$13,000	\$15,000	10,220.42
350.44 - Bindery Supplies	\$500	\$500	\$500	0.00
350.46 - Bindery Maintenance	\$1,000	\$1,000	\$3,500	593.77
350.48 - Bindery Parts	\$500	\$500	\$500	214.65
350.50 - Pre-Press Supplies	\$6,000	\$6,000	\$5,000	4,803.61
350.52 - Proofing Supplies	\$3,500	\$3,500	\$3,500	3,697.76
350.54 - CTP Maintenance	\$500	\$1,000	\$1,000	0.00
350.56 - Digital Press Supplies	\$0	\$500	\$500	0.00
350.62 - Plates	\$22,500	\$35,000	\$30,000	25,600.43
350.88 - Outside Purchases-Ess. Pkts	\$45,000	\$45,000	\$45,000	40,293.78
350.89 - Digital Press Maintenance	\$65,000	\$60,000	\$65,000	62,688.62
350.90 - PP - Miscellaneous	\$500	\$500	\$500	0.00
Total 350 - Printing Production	\$992,100	\$1,053,100	\$1,059,600	930,100.87
355.00 - Depreciation Printing Equipment	\$90,000	\$90,000	\$90,000	90,267.25
360 - Editorial				
360.02 - Edit - Salaries	\$295,000	\$275,000	\$285,500	276,287.67
360.03 - Edit - Housing Allowance	\$47,500	\$41,000	\$27,000	40,800.00
360.04 - Edit - Travel	\$2,000	\$2,000	\$2,000	1,627.37
360.06 - Edit - Supplies	\$1,500	\$1,500	\$2,000	1,239.60
360.07 - Edit - Equipment Maintenance	\$500	\$500	\$1,000	22.93
360.08 - Edit - Equipment Rental	\$0	\$0	\$0	600.00
360.09 - Product Development	\$500	\$1,000	\$2,500	29.91
360.10 - Edit - Conventions & Seminars	\$1,750	\$1,000	\$1,000	1,354.35
360.11 - Software Supply	\$250	\$500	\$500	6.53
360.12 - Edit - Dues & Subscriptions	\$2,750	\$2,500	\$1,500	2,629.77
360.15 - National Expense	\$500	\$1,000	\$0	80.00
360.16 - Edit - Entertainment	\$1,500	\$1,500	\$1,500	1,893.21
360.23 - Edit - Telephone	\$750	\$1,000	\$1,000	764.22
360.26 - Edit - FICA	\$19,500	\$19,000	\$19,000	17,782.16
360.29 - Edit - Retirement	\$12,000	\$12,000	\$12,000	10,946.52
360.32 - Edit - Insurance	\$30,000	\$30,000	\$30,000	29,679.61
360.34 - Curriculum Development	\$2,500	\$5,000	\$10,000	440.00

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
360.35 - Product Improvement	\$2,500	\$2,500	\$10,000	200.00
360.36 - Writer's Fees	\$100,000	\$100,000	\$100,000	112,666.98
360.37 - Register of Copyrights	\$2,500	\$2,500	\$2,500	2,660.00
360.88 - Outside Editing/Proofing	\$12,500	\$12,500	\$10,000	8,572.84
360.89 - Access-Contract Work	\$0	\$0	\$5,000	0.00
360.90 - Edit - Miscellaneous	\$2,000	\$500	\$1,000	3,577.88
Total 360 - Editorial	\$538,000	\$512,500	\$525,000	\$13,661.45
400 - Administrative/Accounting				
400.02 - ADIAC - Salaries	\$225,000	\$237,000	\$237,000	232,490.05
400.03 - ADIAC - Housing Allowance	\$32,000	\$29,400	\$29,400	29,400.00
400.04 - ADIAC - Travel Expense	\$35,000	\$35,000	\$25,000	31,966.38
400.06 - ADIAC - Supplies	\$10,000	\$8,500	\$7,500	9,744.74
400.07 - ADIAC - Equipment Maintenance	\$1,000	\$1,500	\$1,000	0.00
400.08 - ADIAC - Equipment Rental	\$0	\$0	\$0	99.00
400.10 - ADIAC - Conventions & Seminars	\$2,500	\$5,000	\$20,000	951.08
400.12 - ADIAC - Dues & Subscriptions	\$5,000	\$3,500	\$2,500	4,506.46
400.16 - ADIAC - Entertainment	\$6,500	\$7,000	\$7,500	5,876.02
400.20 - ADIAC - Postage	\$1,000	\$0	\$0	1,035.00
400.23 - ADIAC - Telephone	\$3,500	\$3,500	\$3,500	3,496.28
400.26 - ADIAC - FICA	\$16,000	\$15,500	\$15,500	14,965.00
400.29 - ADIAC - Retirement	\$11,000	\$14,000	\$14,000	11,120.50
400.32 - ADIAC - Insurance	\$35,500	\$35,500	\$30,000	38,483.89
400.70 - ADIAC - Automobile Expense	\$5,000	\$5,000	\$7,500	5,354.81
400.90 - ADIAC - Miscellaneous	\$7,500	\$12,000	\$500	15,975.75
Total 400 - Administrative/Accounting	\$396,500	\$412,400	\$400,900	403,467.96
410 - Sales				
410.02 - Sales - Salaries	\$225,000	\$350,000	\$350,000	318,278.11
410.03 - Sales - Housing Allowance	\$17,500	\$37,620	\$37,620	25,755.00
410.04 - Sales - Travel Expense	\$25,000	\$40,000	\$25,000	33,576.44
410.06 - Sales - Supplies	\$4,000	\$7,500	\$7,500	4,273.54
410.07 - Sales - Equipment Maint.	\$500	\$1,000	\$500	49.99
410.11 - Sales - Conventions & Seminars	\$3,000	\$3,000	\$7,500	2,916.86
410.12 - Sales - Dues & Subscriptions	\$2,000	\$12,000	\$15,000	11,278.45
410.20 - Sales - Postage	\$0	\$0	\$0	295.70
410.23 - Sales - Telephone	\$13,500	\$15,000	\$17,500	13,824.00
410.26 - Sales - FICA	\$14,000	\$25,000	\$20,000	20,299.62
410.29 - Sales - Retirement	\$7,500	\$12,000	\$11,000	9,602.87
410.32 - Sales - Insurance	\$45,000	\$50,000	\$45,000	44,013.12
410.88 - Sales - Entertainment	\$3,000	\$6,000	\$4,000	5,950.88
410.90 - Sales - Miscellaneous	\$500	\$1,000	\$500	188.28
Total 410 - Sales	\$360,500	\$560,120	\$541,120	490,302.86
420 - Design				
420.02 - Design - Salaries	\$215,000	\$220,500	\$220,500	203,709.51
420.04 - Design - Travel Expense	\$500	\$500	\$500	457.46
420.06 - Design - Supplies	\$2,000	\$2,000	\$2,500	1,043.97
420.07 - Design - Equipment Maintenance	\$500	\$500	\$500	69.89
420.10 - Design - Conventions & Seminars	\$500	\$500	\$500	0.00
420.12 - Design - Dues & Subscriptions	\$500	\$500	\$500	44.95
420.14 - Art Services	\$35,000	\$47,500	\$50,000	32,669.15
420.16 - Design - Entertainment	\$1,500	\$1,500	\$2,000	1,467.99
420.20 - Design - Postage	\$0	\$0	\$0	0.00
420.26 - Design - FICA	\$14,000	\$14,500	\$14,500	13,116.33
420.29 - Design - Retirement	\$7,500	\$6,000	\$7,000	7,467.44
420.32 - Design - Insurance	\$32,500	\$33,500	\$30,000	31,251.85
420.90 - Design - Miscellaneous	\$500	\$500	\$500	28.95
Total 420 - Design	\$310,000	\$328,000	\$328,500	291,327.48
425 - RHP Book Division				
425.02 - RB - Salaries	\$60,000	\$52,500	\$47,500	50,309.59
425.04 - RB - Travel Expense	\$500	\$500	\$1,000	0.00
425.06 - RB - Supplies	\$500	\$500	\$500	199.95
425.07 - RB - Equipment Maintenance	\$500	\$500	\$500	65.00
425.10 - RB - Conventions & Seminars	\$500	\$500	\$500	13,590.25
425.11 - Royalty Payments	\$15,000	\$17,500	\$20,000	224.00
425.12 - RB - Dues & Subscriptions	\$1,000	\$1,000	\$1,000	54.85
425.20 - RB - Postage	\$0	\$0	\$0	1,035.37
425.23 - RB - Telephone	\$1,000	\$1,000	\$1,000	3,236.55
425.26 - RB - FICA	\$3,500	\$4,000	\$3,250	2,483.87
425.29 - RB - Retirement	\$2,500	\$2,500	\$2,500	4,243.07
425.32 - RB - Insurance	\$4,500	\$6,500	\$4,500	0.00
425.86 - Workshops Expense	\$600	\$500	\$500	73.13
425.88 - RB - Entertainment	\$500	\$500	\$500	4,359.52
425.89 - Product Development	\$2,500	\$1,500	\$1,000	

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
425.90 - RB - Miscellaneous	\$500	\$500	\$500	125.00
Total 425 - RHP Book Division	\$93,600	\$90,000	\$84,250	\$0,000.15
430 - Distribution Center				
430.02 - DC - Salaries	\$147,500	\$145,000	\$150,000	135,903.57
430.04 - DC - Travel Expense	\$0	\$0	\$0	0.00
430.06 - DC - Supplies	\$22,500	\$25,000	\$20,000	21,736.48
430.07 - DC - Equipment Maintenance	\$500	\$500	\$2,000	0.00
430.08 - DC - Equipment Rental	\$4,500	\$10,000	\$10,000	8,791.76
430.09 - DC - Software Fees and Services	\$500	\$500	\$1,000	9.00
430.12 - DC - Dues & Subscriptions	\$500	\$500	\$500	35.00
430.15 - DC - Entertainment	\$500	\$500	\$750	503.48
430.20 - DC - Postage	\$25,000	\$27,500	\$32,500	23,131.92
430.23 - DC - Telephone	\$0	\$0	\$0	0.00
430.26 - DC - FICA	\$10,000	\$10,000	\$10,000	8,701.81
430.28 - DC - Retirement	\$6,500	\$5,500	\$5,500	4,120.04
430.32 - DC - Insurance	\$22,500	\$22,000	\$30,000	21,368.62
430.40 - DC - Freight Expense	\$132,500	\$127,500	\$120,000	129,477.81
430.80 - DC - Miscellaneous	\$0	\$250	\$250	0.00
Total 430 - Distribution Center	\$376,000	\$374,750	\$382,500	353,468.47
435 - IT Division				
435.02 - IT - Salaries	\$41,000	\$39,000	\$38,000	38,436.04
435.04 - IT - Travel	\$500	\$500	\$500	0.00
435.06 - IT - Supplies	\$1,000	\$1,000	\$500	807.94
435.07 - IT - Equipment Maintenance	\$500	\$1,500	\$1,500	0.00
435.08 - IT - Software Services	\$500	\$1,000	\$1,000	48.07
435.10 - IT - Conventions/Seminars	\$600	\$500	\$500	0.00
435.12 - IT - Dues & Subscriptions	\$4,500	\$2,500	\$4,000	4,450.74
435.23 - IT - Telephone	\$500	\$500	\$500	635.20
435.26 - IT - FICA	\$3,500	\$3,000	\$2,500	2,474.89
435.28 - IT - Retirement	\$1,000	\$1,000	\$0	0.00
435.32 - IT - Insurance	\$4,500	\$4,500	\$4,500	4,191.77
435.90 - IT - Miscellaneous	\$0	\$0	\$0	0.00
Total 435 - IT Division	\$58,000	\$55,000	\$54,500	50,844.55
440 - Plant Maintenance				
440.02 - PM - Salaries	\$15,000	\$20,000	\$22,000	13,774.52
440.04 - PM - Travel Expense	\$0	\$0	\$0	0.00
440.06 - PM - Supplies	\$8,500	\$7,500	\$10,000	8,586.72
440.07 - PM - Equipment Maintenance	\$5,000	\$5,000	\$12,000	4,334.45
440.08 - PM - Overhead (Youth Department)	-\$10,000	-\$18,000	-\$13,800	-16,000.00
440.23 - PM - Telephone	\$500	\$1,000	\$2,000	200.00
440.26 - PM - FICA	\$1,250	\$1,500	\$1,500	929.03
440.34 - PM - Building Maintenance	\$40,000	\$40,000	\$31,000	40,213.84
440.40 - Utilities	\$47,500	\$50,000	\$60,000	48,825.23
440.46 - Building Insurance	\$30,000	\$27,500	\$32,000	31,248.00
440.90 - PM - Miscellaneous	\$300	\$300	\$300	0.00
Total 440 - Plant Maintenance	\$138,050	\$138,800	\$167,300	132,215.79
460 - Marketing				
460.02 - Mkt - Salaries	\$60,000	\$0	\$0	0.00
460.04 - Mkt - Travel Expense	\$2,000	\$0	\$0	0.00
410.05 - Mkt - Conventions & Seminars	\$1,500	\$0	\$0	0.00
460.06 - Mkt - Supplies	\$1,000	\$0	\$0	25.00
460.07 - Mkt - Equipment Maintenance	\$500	\$0	\$0	0.00
460.08 - Mkt - Equipment Rental	\$500	\$0	\$0	0.00
460.12 - Mkt - Dues & Subscriptions	\$7,500	\$0	\$0	0.00
460.20 - Mkt - Postage	\$500	\$0	\$0	0.00
460.23 - Mkt - Telephone	\$500	\$0	\$0	0.00
460.26 - Mkt - FICA	\$5,500	\$0	\$0	0.00
460.28 - Mkt - Retirement	\$3,500	\$0	\$0	0.00
460.32 - Mkt - Insurance	\$4,500	\$0	\$0	0.00
410.34 - Mkt - Advertising	\$70,000	\$70,000	\$80,000	41,301.81
410.36 - Mkt - Wholesale Mkt	\$20,000	\$20,000	\$0	4,814.56
410.38 - Mkt - Promotion	\$70,000	\$70,000	\$80,000	78,795.75
460.40 - Mkt - Entertainment	\$1,000	\$0	\$0	0.00
460.90 - Mkt - Miscellaneous	\$0	\$0	\$0	0.00
Total 460 - Marketing	\$250,500	\$160,000	\$160,000	124,822.43
490 - General				
490.06 - GE - Supplies	\$3,500	\$1,000	\$3,000	3,621.60
490.07 - GE - Equipment Maintenance	\$500	\$500	\$1,000	0.50
490.08 - GE - Equipment Rental	\$20,000	\$20,000	\$25,000	17,854.95
490.14 - Depreciation	\$40,000	\$50,000	\$80,000	47,817.25
490.15 - Interest Expense	\$10,000	\$17,000	\$20,000	19,642.42

	Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
490.18 - Bank Service Charges	\$32,500	\$35,000	\$30,000	31,121.87
490.20 - Insurance	\$500	\$500	\$16,000	124.00
490.25 - RHP - Board Expense	\$20,000	\$20,000	\$20,000	22,812.80
490.30 - Legal & Audit	\$16,000	\$17,500	\$15,000	14,804.80
490.35 - GE - Automobile Expense	\$2,000	\$2,000	\$2,000	1,619.26
490.40 - Bad Debt	\$4,000	\$2,000	\$1,000	4,008.61
490.45 - In House Functions	\$12,500	\$10,000	\$12,000	12,482.96
490.50 - Taxes	\$7,000	\$6,000	\$8,000	6,578.67
490.55 - Payroll Services	\$6,000	\$6,500	\$9,000	6,043.16
490.90 - GE - Miscellaneous	\$1,000	\$1,000	\$2,000	6,254.86
490 - General - Other	\$0	\$0	\$0	0.00
Total 490 - General	\$195,500	\$198,000	\$241,000	186,587.13
495 - Events				
495.02 - Events - Salaries	\$47,500	\$0	\$0	0.00
495.03 - Events - Housing Allowance	\$0	\$0	\$0	0.00
495.04 - Events - Travel Expense	\$2,000	\$0	\$0	0.00
410.05 - Events - Supplies	\$1,000	\$0	\$0	0.00
495.07 - Events - Equipment Maint.	\$0	\$0	\$0	0.00
495.11 - Events - Conventions & Seminars	\$1,000	\$0	\$0	0.00
495.12 - Events - Dues & Subscriptions	\$1,500	\$0	\$0	20.00
495.15 - National Expense	\$35,000	\$36,000	\$30,000	19,287.97
495.20 - Events - Postage	\$500	\$0	\$0	0.00
495.23 - Events - Telephone	\$500	\$0	\$0	0.00
495.26 - Events - FICA	\$3,500	\$0	\$0	0.00
495.28 - Events - Retirement	\$2,000	\$0	\$0	0.00
495.32 - Events - Insurance	\$7,000	\$0	\$0	28.47
495.70 - Events - Miscellaneous	\$500	\$0	\$0	308.00
495.88 - Events - Entertainment	\$1,500	\$0	\$0	0.00
495.89 - D6 Conference Expense	\$0	\$0	\$0	0.00
495.91 - D6 Conference Honorariums	\$0	\$0	\$0	0.00
Total 495 - Events	\$103,500	\$36,000	\$30,000	19,646.44
9000 - Vehicle 3				Actual
9100 - V3 Revenues				
300.62 - NYC 2013	\$0	\$125,000	\$0	0.00
300.63 - NYC 2014	\$130,000	\$0	\$115,000	134,487.75
300.64 - Truth & Peace Fees - 2013	\$0	\$145,000	\$0	0.00
300.65 - Truth & Peace Fees 2014	\$145,000	\$0	\$110,000	126,800.00
300.66 - NYET Fee - 2013	\$0	\$20,000	\$0	0.00
300.67 - NYET Fee 2014	\$25,000	\$0	\$10,000	24,857.00
300.70 - Youth Collections	\$2,000	\$2,500	\$2,500	400.68
300.73 - Buck-A-Week Revenues	\$500	\$2,000	\$250	278.58
Total 9100 - Youth Revenues	\$302,500	\$294,500	\$237,750	286,423.99
Total 9000 - Vehicle 3 Revenues	\$302,500	\$294,500	\$237,750	286,423.99
450 - Vehicle 3 Expenses				
450.02 - YD - Salaries	\$46,500	\$18,000	\$23,000	16,565.87
450.03 - YD - Housing Allowance	\$0	\$5,400	\$5,400	5,400.00
450.04 - YD - Travel Expense	\$3,000	\$3,000	\$3,500	3,029.07
450.06 - YD - Supplies	\$1,500	\$1,500	\$1,000	1,628.57
450.07 - YD - Equipment Maint.	\$500	\$0	\$0	408.27
450.08 - YD - Overhead	\$4,000	\$16,000	\$13,500	16,000.00
450.10 - YD - Conventions & Seminars	\$250	\$800	\$500	0.00
450.12 - YD - Dues & Subscriptions	\$250	\$500	\$500	69.90
450.18 - YD - Entertainment	\$1,500	\$1,500	\$500	1,245.47
450.23 - YD - Telephone	\$500	\$500	\$500	380.01
450.26 - YD - FICA	\$3,500	\$1,000	\$2,350	1,219.77
450.28 - YD - Retirement	\$2,000	\$1,000	\$1,000	837.86
450.32 - YD - Insurance	\$7,000	\$3,500	\$4,000	3,083.09
450.34 - NYC Expense 2013	\$0	\$110,000	\$0	0.00
450.35 - SCM - NYC 2014	\$110,000	\$0	\$45,000	92,973.10
450.36 - Truth & Peace - 2013	\$0	\$120,000	\$0	25.00
450.37 - SCM - Truth & Peace 2014	\$120,000	\$0	\$95,000	109,255.29
450.38 - NYET 2013	\$0	\$20,000	\$0	0.00
450.39 - SCM - NYET 2014	\$25,000	\$0	\$10,000	25,118.23
450.88 - Buck-A-Week Expenses	\$500	\$1,500	\$0	0.00
450.90 - YD - Miscellaneous	\$500	\$0	\$1,000	568.00
Total 450 - Vehicle 3 Expenses	\$328,500	\$303,800	\$246,750	277,767.47
9200 - Revenues Denom. Ministries				
9200 - Revenues Denom. Ministries - Other	\$0	\$0	\$10,000	0.00
Total 9200 - Revenues Denom. Ministries	\$0	\$0	\$10,000	0.00
445 - Denominational Ministries Expenses				
445.45 - Team Church Travel	\$0	\$0	\$0	0.00

445.65 - Yearbook Printing
 445.66 - ONE Magazine
 445.93 - Scholarships
 Total 445 - Denominational Ministries

Budget 2014	Budget 2013	Budget 2012	Jan - Dec 12
\$14,000	\$13,000	\$12,000	13,000.00
\$50,000	\$50,000	\$50,000	46,575.12
\$2,500	\$0	\$3,000	1,250.00
\$66,500	\$63,000	\$65,000	60,825.12

**EXECUTIVE DIRECTOR & CEO
 RONALD HUNTER, JR**

	2013 PACKAGE	2014 PROJECTED PACKAGE
SALARY***	\$57,121	\$61,582
HOUSING ALLOWANCE	\$32,100	\$32,100
CHRISTMAS BONUS	\$1,716	\$1,802
COMPENSATION TOTAL	\$90,937	\$95,484
SOCIAL SECURITY	\$0	\$0
RETIREMENT	\$4,461	\$4,684
BENEFITS TOTAL	\$4,461	\$4,684
TOTAL PAY PACKAGE	\$95,398	\$100,168

Medical, Dental, Life and Long Term Disability Insurances in 2013 is \$11,891.40. A slight increase is projected for 2014

***Salary is subject to change dependent on the performance of the compnay for that year

**Summary of the Minutes
 For the Randall House Publications Board
 2012-2013**

The Board had three regular meetings. The first meeting was held at the National Association July 18, 2012 in Memphis, TN. At that meeting we elected officers and determined committees. A financial update for 2012 was received as information.

The second meeting was held at Randall House December 5, 2012 after the National Leadership Conference. We heard reports from the Executive Director and the various departments. We approved the speakers for the Youth Worship Services for NYC 2013. The Employee Handbook was revised and approved. The dates for the Spring 2013 Board Meeting were set.

The third meeting was held May 6-8, 2013 in Nashville, TN. At that meeting, we accepted the 2012 audit and the 2012 financials and approved the 2014 budget. First quarter 2013 financials were reviewed and accepted. Each of the committees presented their reports. The reports were received as information. The Book Division report was presented and received. The 2013 D6 Conferences were discussed. The board set the dates for the 2013-2014 year.



Board of Retirement

As I begin my 31st year with the Board of Retirement, I rejoice as the Psalmist did in Psalm 126:3 when he said, "The Lord has done great things for us; whereof we are glad." It is a privilege to serve Free Will Baptists. I am excited about what God is doing and what He is going to do in the future through this ministry.

I begin my report by recognizing two men who will be going off our Board at this meeting, Craig Cook and Jack Ward. Both of these men have served on our Board for twelve years. I appreciate the wisdom and insight these men have brought to our meetings. Both of them have been faithful to the task they were elected to. They have served you well.

From the beginning of our ministry back in 1969, when Herman Hersey started the Board of Retirement in the parsonage of Garner FWB Church in North Carolina, the primary interest and focus has been people, people who serve us. We have been committed to helping meet the financial needs of our ministers, missionaries, and lay employees when they reach their retirement years. Through the years we have ministered to over 2,600 participants.

Challenges

The future looks good for the Board of Retirement but we still face challenges. Some of the challenges facing us:

1. **Aging of Participants.** The chart below shows the breakdown of funds by age group.

Age	Number of Participants	Total Acct. Balances	Average
80's	10	\$500,543.67	\$50,054.37
70's	87	4,682,536.40	53,822.26
60's	273	11,800,794.02	43,226.35
50's	402	12,628,058.00	31,413.08
40's	290	4,691,896.28	16,178.95
30's	211	1,899,837.37	9,003.97
20's	64	143,386.35	2,240.41
Total	1,337	\$36,347,052.09	\$27,185.53

Chart 1

2. **Acquiring New Participants.** This represents our greatest challenge. Obviously, the life of any retirement plan is getting enrollees.

Chart 2 illustrates the monthly contribution you would need in order to create a nest egg of \$200,000 at age 65 assuming an 8% compounded annual return when beginning the process at ages 30, 40 or 50. Notice the longer you wait to get started the more money you will have to contribute.

Start Today!	
Goal:	\$200,000
8% earnings rate	
• Age 30	\$88/mo.
• Age 40	\$210/mo.
• Age 50	\$580/mo.

Chart 2

Last year during our April Board meeting, our Board voted to request an amendment to our Charter. In order to do this we must present the proposed amendment at this national, for discussion, and then vote on the proposed amendment next year.

The proposed change is in the second paragraph under Article II Corporate Purposes. It now reads, "To implement this chief purpose of the Corporation shall establish, maintain, regulate, without individual profit or commission a program of retirement and insurance maintaining pension plans pursuant to Section 403(b) of the Internal Revenue code of 1986 and any amendments thereof for the benefit of ministers and employees of churches and other denominational agencies of the National Association of Free Will Baptists, Inc."

The proposed change is to re-word the last part of the above sentence to read, "for the benefit of ministers and employees of Free Will Baptist churches and other denominational agencies." This would allow us to offer our plan to groups that are not part of the National Association who do not have a plan of their own. We would not offer it to any group that already has a plan.

3. **Increasing the Level of Contributions** As you can see from Chart 1, the average balance is \$27K. That is not enough to retire on.
4. **Involving Every Church in participating.** According to our records there are 793 pastors enrolled in the retirement program. That means over 1,500 of our churches are not contributing to their pastor's retirement account through the Board of Retirement. Every church should do something, even if you have to start at the entry level of \$10 per month.
5. **Maintaining a Cost Efficient Operation.** The staff and Board are committed to lowering the cost of our operations. Our expense ratio for 2012 was .95%. Our goal is to keep this under 1%.

6. **Experiencing the Highest Returns From the Safest Investments Available.** In today's market this is no easy task. We are thankful to have competent investment managers working for us to ensure good returns long-term.

Chart 3 shows last year's returns for the four options available to our participants.

Fund	Rate	Annualized
Conservative	6.39%	7.67%
Moderate	5.60%	6.72%
Default	12.22%	14.67%
Maximum	6.33%	7.60%

Chart 3

Chart 4 shows the 1, 2, 5, and 10 year average returns to our participants for the

	Default	Conservative
1 year - 2012	12.22%	6.39%
3 years - 2010-2012	6.157%	5.545%
5 years - 2008-2012	1.963%	
10 years - 2003-2012	7.019%	
Life of plan - 1969-2012	7.85%	

Chart 4

So there are challenges ahead of us and as I think on them I am reminded again of just how dependent we are on the help that the Heavenly Father promised: "If any of you lack wisdom, let him ask of God, that giveth to all men liberally..." (James 1:5).

Annuity

More of our people are realizing the advantages of choosing one of our lifetime annuity options when they reach retirement. Last year we added five new annuitants. That brings our total to 109 contracts. Last year we paid out \$659,540.78 in annuity benefits alone.

Labor of Love

We established the Labor of Love Endowment to help our ministers who do not have sufficient funds to retire.

We need your help. We are still looking for individuals, churches, men's groups, women's groups, Sunday school classes, etc. who will pledge \$10 per month for one year or make a one time gift of \$120.

If you will do that, we want to give you a CD of Brother Herman Hersey playing the piano. We have his "Golden Bells" and his "Joy to the World" choices available.

Pastor, remember you may be the recipient of this endowment in years to come. Will you help us build up this fund?

Health Insurance

Affordable health insurance is still one of the greatest needs of our pastors and lay employees. At our spring Board meeting our Board voted unanimously to partner with Guidestone Financial Services, the benefits agency of the Southern Baptist Convention, to make health insurance available once again to Free Will Baptist employees.

In 2004 the Southern Baptist Convention gave the Financial Services Department permission to serve non-Southern Baptist Convention like minded, faith based organizations. These medical plans were only available to ministries with greater than ten eligible employees. In 2012 permission was given by the Convention to offer medical coverage to non-Southern Baptist Convention employees regardless of group size.

The Guidestone medical group is made up of over 12,000 churches and 67,000 ministers and ministry employees. They pay out over \$200 million annually in claims. We are talking about a large group here.

Some of the other denominations that have partnered with them are:

Church of God - Anderson, IN
 Church of God - Cleveland, TN
 Church of the Nazarene - Lenexa, KS
 Missionary Church USA - Fort Wayne, IN
 Free Methodist Church USA - Indianapolis, IN
 The Wesleyan Church - Fishers, IN
 Southern Methodist Church - Orangeburg, SC

Mr. Tyler Tracy from Guidestone is in our booth this week and will be happy to talk with you and give you information about this coverage.

2012 Re-Cap

Assets grew to \$45,418,783 on December 31, 2012, representing a 9.5% increase.

Contributions are holding steady. Last year we received \$2,355,732 in new contributions.

We received \$202,639.10 in rollover funds last year.

We had \$1,722,33 in withdrawals last year.

Why Use the Free Will Baptist Plan

With thousands of investment options available to ministers and church employees why should they use this plan?

- ✓ First there are **no sales commissions** or front or back end sales load. This means that 100% of the money you contribute is invested directly to your account.
- ✓ This plan may also help you **reduce your taxes**.
- ✓ Participants who are serious about maximizing tax savings possibilities will like the fact that **tax sheltered contribution limits are much higher** in this 403(b) plan than with an IRA.
- ✓ An additional advantage is available to ministers in retirement. They can request up to **100% of their benefits to be designated as a housing allowance**.
- ✓ You can **choose the investment option** that is tailored to your risk tolerance. We now have four investment choices.
- ✓ Through the church retirement plan your funds will be invested in **Christian based socially screened investments** that do not invest in companies that are publicly recognized as providing products and services in the liquor, tobacco, gambling, pornography, abortion, or Disney.
- ✓ The Board of Retirement & Insurance uses **proven investment management firms** to manage these plan investment options.

I've said all these things today to tell you that the Free Will Baptist Retirement Plan is a great plan, and if you are eligible to participate and are not doing so, we want you to be a part of us. Come by our booth and talk to us about a plan that is right for you.

Getting started in the retirement plan is really quite simple. Just come by our booth and we'll show you just how simple it is.

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.

In His Service,

D. Ray Lewis
General Director

The Board of Retirement Synopsis of Board Meetings

March 26-27, 2012

In attendance: Jack Daniel, Craig Cook, Danny Baer, Jack Ward, Rick Cason, Tim Hall, James Beasley. Also in attendance were Director Ray Lewis & CFO John Brummitt.

Absent: Rick Dement

Chris Long & Brian Burnick of Manning & Napier presented an economic overview of the US and international economy as well as the fiduciary responsibilities of Manning & Napier as well as the fiduciary responsibilities for the Board. They reviewed our portfolio. The Board participated in teleconference call with Dustin Finley of Sage Advisory Services to go over the bond market, their strategies, and the US economy in general.

John Brummitt reviewed the Financial Statements for the period ended February 29, 2012.

Ray Lewis presented the Director's Report.

Mr. Joel Collum, C.P.A., reviewed the 2011 annual audit and noted that the opinion rendered was unqualified.

The proposed budget for the 2013 fiscal year was approved.

Investment choices changed to allow monthly re-allocations rather than quarterly and eliminated the minimum 10% increments.

Voted to recommend to the 2013 Convention that we amend our Charter to allow other FWB organizations not associated with the National Association to participate in our Plan.

Changed the waiting period for a personal loan from 3 years to 2 years.

Changed the retirement age in our Plan to 59 ½ to match IRS regulations.

December 4, 2012

In Attendance: Rick Cason, Jack Ward, Rick Dement, James Beasley, Craig Cook & Jack Daniel, Director Ray Lewis & CFO John Brummitt.

Absent: Mark Ousley, Tim Hall, & Danny Baer.

The Financial Reports through October 31, 2012, were presented by John Brummitt. The Director's Report was given by Ray Lewis. The Board reviewed and approved reports, financial statements, and information from the investment managers.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Board of Retirement and Insurance of the
National Association of Free Will Baptists, Inc.

I have audited the accompanying financial statements of the Board of Retirement and Insurance of the National Association of Free Will Baptists, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Joel D. Collum, Jr., CPA

Nashville, Tennessee
March 19, 2013

P.O. Box 291561 • Nashville, Tennessee 37229 • 615.974.2918 • joelcollumcpa@yahoo.com

BOARD OF RETIREMENT AND INSURANCE OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC. STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 and 2011

	2012	2011
ASSETS		
OPERATING ASSETS		
Cash and cash equivalents	\$ 13,614	\$ 8,889
Funds invested with Free Will Baptist Foundation	60,224	43,037
Total Operating Assets	73,838	51,926
RETIREMENT ASSETS		
Cash and cash equivalents	1,705,498	2,093,986
Investment in marketable securities and instruments, at fair market value	43,580,124	38,882,036
Prepaid annuitant benefits	1,300	1,300
Notes receivable, net of allowance for doubtful accounts	1,434	1,482
Total Retirement Assets	45,288,356	40,978,804
OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES		
at cost, net of accumulated depreciation	56,589	85,794
TOTAL ASSETS	\$ 45,418,783	\$ 41,116,524
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 8,507,064	\$ 8,314,672
Accounts payable, accrued expenses and other liabilities	15,500	15,938
Capital lease payable	5,107	8,345
Total liabilities	8,527,671	8,338,955
NET ASSETS		
Unrestricted		
Operations:		
Operating funds (deficit)	(3,521)	(11,801)
Designated for future assets purchases	60,224	43,037
Net invested in equipment	56,589	85,794
Total Operating Net Assets	113,292	117,030
Retirement Accounts:		
Net assets available for participants	36,573,288	32,611,534
Designated as reserve funds	204,532	49,005
Total Retirement Net Assets	36,777,820	32,660,539
Total net assets	36,891,112	32,777,569
TOTAL LIABILITIES AND NET ASSETS	\$ 45,418,783	\$ 41,116,524

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012		2011	
	Retirement Accounts	Operations	Retirement Accounts	Operations
SUPPORT, REVENUE AND OTHER ADDITIONS				
Contributions from participants				
Contributions to participant accounts	\$ 2,355,732	\$ -	\$ 2,355,732	\$ -
Repayment of participant loans	413,247	-	413,247	-
	<u>2,768,979</u>	<u>-</u>	<u>2,768,979</u>	<u>-</u>
Investment income:				
Gains of investment portfolio:				
Net realized gains (losses)	3,511,552	-	3,511,552	-
Net unrealized gains (losses)	388,514	-	388,514	-
	<u>3,900,066</u>	<u>-</u>	<u>3,900,066</u>	<u>-</u>
Interest and dividends from investments (net investment fees)	860,439	-	860,439	-
Total investment income	<u>4,760,505</u>	<u>-</u>	<u>4,760,505</u>	<u>-</u>
Income earned from interest bearing notes:				
Interest income	23,483	1,343	24,826	2,714
Gain (loss) on sale of property and equipment	-	-	-	-
Total income earned from interest and sale of property	<u>23,483</u>	<u>1,343</u>	<u>24,826</u>	<u>2,714</u>
Gifts				
Miscellaneous income	-	73,901	73,901	73,749
Total other income	<u>-</u>	<u>73,901</u>	<u>73,901</u>	<u>73,749</u>
Total additions	<u>7,552,967</u>	<u>75,244</u>	<u>7,628,211</u>	<u>78,421</u>
Allocation for Operations	<u>(352,737)</u>	<u>352,737</u>	<u>(352,098)</u>	<u>352,098</u>
Net additions after allocation for operations	<u>\$ 7,200,230</u>	<u>\$ 427,981</u>	<u>\$ 7,628,211</u>	<u>\$ 430,519</u>
			<u>\$ 1,514,101</u>	<u>\$ 1,944,620</u>

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012		2011	
	Retirement Accounts	Operations	Retirement Accounts	Operations
Net additions after allocation for operations	\$ 7,200,230	\$ 427,981	\$ 1,514,101	\$ 430,519
				<u>\$ 1,944,620</u>
EXPENSES AND OTHER DEDUCTIONS				
Withdrawals from participants	1,722,333	-	2,395,558	-
Participant loans	457,745	-	505,700	-
Transfers to annuities by participants	331,556	-	1,245,928	-
Insurance deductions from participants accounts	27,047	-	30,201	-
Income allocated to annuitant obligations	541,617	-	382,628	-
Salaries	-	131,209	-	131,640
Housing	-	31,200	-	31,200
Fringe Benefits	-	65,455	-	61,023
Travel and promotional	-	35,764	-	39,244
Auto maintenance and expense	-	3,324	-	2,950
Office supplies and expense	2,651	69,554	2,880	85,130
Occupancy	-	31,938	-	31,895
Board members expense	-	8,637	-	12,496
Legal and accounting	-	19,597	-	22,385
Depreciation	-	34,245	-	36,964
Miscellaneous	-	796	-	538
Total deductions	<u>3,082,949</u>	<u>431,719</u>	<u>4,562,895</u>	<u>452,585</u>
Increase (decrease) in net assets	4,117,281	(3,738)	(3,048,794)	(22,066)
NET ASSETS - beginning of year	<u>32,660,539</u>	<u>117,030</u>	<u>35,709,333</u>	<u>139,096</u>
NET ASSETS - end of year	<u>\$36,777,820</u>	<u>\$ 113,292</u>	<u>\$32,660,539</u>	<u>\$ 117,030</u>
				<u>\$32,777,569</u>

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012		2011	
	Retirement Accounts	Operations	Retirement Accounts	Operations
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from:				
Contributions from participants and employers	\$ 2,768,979	\$ -	\$ 2,768,979	\$ -
Gifts	-	73,901	-	73,901
Income earned from interest and sale of loan property	-	-	-	-
Investment income	23,483	-	23,483	-
Miscellaneous income	860,439	1,343	861,782	-
Cash paid for:				
Supplies and employees	(29,819)	(397,791)	(427,610)	(418,510)
Withdrawal of funds by participants	(2,511,634)	-	(2,511,634)	(453,161)
Income allocated to annuitant obligations	(541,617)	-	(4,147,186)	(4,147,186)
Net Cash Provided (Used)				
By Operating Activities	569,831	(322,547)	247,284	(382,628)
			(1,266,355)	(1,606,444)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of office furniture, equipment and automobiles	-	(5,040)	(5,040)	(13,800)
Investments:				
Purchases of investment securities	(29,793,484)	-	(29,793,484)	-
Funds invested with Free Will Baptist Foundation	-	(17,187)	(17,187)	(26,595,514)
Proceeds from sale of investment securities	28,995,462	-	28,995,462	(6,661)
Notes receivable:				
New loans made	(457,856)	-	27,552,657	-
Collection of notes receivable	457,904	-	(505,700)	-
Net Cash Provided (Used)				
By Investing Activities	(797,974)	(22,227)	504,623	(505,700)
			(820,201)	504,623
			956,066	(20,461)
				935,605

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012		2011	
	Retirement Accounts	Operations	Retirement Accounts	Operations
CASH FLOWS FROM FINANCING ACTIVITIES:				
Allocation for operations	\$ (352,737)	\$ 352,737	\$ (352,098)	\$ 352,098
Net to additions to (withdrawals from) annuities payable	192,392	-	1,009,180	-
Repayments on capital lease	-	(3,238)	-	(3,120)
Net Cash Provided (Used) By Financing Activities	(160,345)	349,499	657,082	1,006,060
INCREASE (DECREASE) IN CASH	(388,488)	4,725	(383,763)	(11,572)
Cash and cash equivalents at beginning of years	2,093,986	8,889	1,747,193	20,461
Cash and cash equivalents at end of years	\$ 1,705,498	\$ 13,614	\$ 1,719,112	\$ 8,889
				\$ 2,102,875
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (decrease) in net assets	\$ 4,117,281	\$ (3,738)	\$ 4,113,543	\$ (22,066)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:				
Depreciation and amortization	-	34,245	-	36,964
Allocation for operations	352,737	(352,737)	352,098	(352,098)
Loss (gains) on investment transactions	(3,900,066)	-	1,431,911	1,431,911
Decrease (increase) in prepaid expenses	-	-	(1,300)	(1,300)
Increase (decrease) in accounts payable, accrued expenses and other	(121)	(317)	(270)	(2,889)
Total adjustments	(3,547,450)	(318,809)	1,782,439	(318,023)
Net Cash Provided (Used) By Operating Activities	\$ 569,831	\$ (322,547)	\$ (1,266,355)	\$ (340,089)
				\$ (1,606,444)

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization:

"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, missionaries 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)(9) of the Internal Revenue Code of 1986, which is an exempt church plan under the provisions of the code. The plan was amended and restated effective January 1, 2012.

Eligibility:

A person is eligible to participate if they work at least 20 hours per week for an eligible employer that has agreed to participate in the Plan. An eligible employer includes any church or agency that is participating cooperatively with the National Association of Free Will Baptists. In addition, Free Will Baptist ministers who are evangelists or otherwise self-employed and spouses of Free Will Baptist International missionaries are eligible to participate in the Plan without regard to the number of hours worked in a week.

Contributions:

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 three plan types. Plan 1 requires employer contributions for such employee to be at least 5% of the employee's compensation. Plan 2 requires the total of employer contributions, salary reduction and voluntary employee contributions to be at least 3% of the employee's compensation. Plan 3 is available for members upon initial 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.

Participant accounts:

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 on the last day of each month. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Payment of benefits:

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

Vesting:

All contributions to the plan are 100% vested.

Termination of the plan:

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.

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 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, 2012 and 2011.

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

Income Taxes:

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Investments:

Investments in marketable securities are reported at fair value with gains and losses included in the Statements 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:

The Board follows the practice of capitalizing, at cost, all expenditures for office furniture, equipment and automobiles in excess of \$10,000. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, generally 5 years for automobiles and 5 - 10 years for furniture and equipment.

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.

Uses of Estimates in 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 collectability 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 estimate is adequate. Actual results could differ from those estimates.

Pension Plan:

The Board contributes to this Plan on behalf of its employees. Contributions for 2012 amounted to \$11,369 (\$11,049 for 2011).

2. OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES

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

	2012	2011
Office furniture and fixtures	\$ 47,216	\$ 47,216
Computer hardware and software	143,823	138,783
Automobiles	56,627	56,627
	247,666	242,626
Less: Accumulated depreciation	(191,077)	(156,832)
	<u>\$ 56,589</u>	<u>\$ 85,794</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

3. NOTES RECEIVABLE

Following is a summary of notes receivable:

	2012	2011
Participant notes (net) secured by retirement account balances	\$ 1,434	\$ 1,482

The notes bear interest at 3.0% and mature at various dates from 2013 through 2017.

4. INVESTMENTS IN MARKETABLE SECURITIES AND INSTRUMENTS

	2012	
	Market Value	Cost
		(Depreciation) Appreciation
Investments:		
Mutual Funds	\$ 11,307,929	\$ 11,193,958
Common Stocks	18,383,912	15,644,378
U.S. Government Issues	9,994,575	9,923,974
Corporate Bonds	3,559,381	3,415,960
Real Estate Investment Trusts	334,327	315,098
	<u>\$ 43,580,124</u>	<u>\$ 40,493,368</u>
Total Investments		<u>\$ 3,086,756</u>

For 2012, total investment gain (loss) relating to marketable securities and instruments amounted to \$4,760,505 and consisted of investment gains (losses) of \$3,900,066 and interest and dividends of \$860,439 (net of investment fees of \$284,702). Investment income (loss) represented yields of 11.55% and 12.42% based on the average market value and average cost of such investments for 2012.

	2011	
	Market Value	Cost
		(Depreciation) Appreciation
Investments:		
Mutual Funds	\$ 10,714,613	\$ 9,695,580
Common Stocks	18,457,899	16,970,464
U.S. Government Issues	6,904,976	6,717,639
Corporate Bonds	2,596,417	2,599,698
Real Estate Investment Trusts	208,131	199,061
	<u>\$ 38,882,036</u>	<u>\$ 36,182,442</u>
Total Investments		<u>\$ 2,699,594</u>

For 2011, total investment gain (loss) relating to marketable securities and instruments amounted to (\$694,959) and consisted of investment gains (losses) of (\$1,431,911) and interest and dividends of \$736,952 (net of investment fees of \$263,095). Investment income (loss) represented yields of (1.73%) and (1.90%) based on the average market value and average cost of such investments for 2011.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

5. LEASE

Under the terms of a lease agreement with an affiliate, the Board leases 2,324 square feet of office and storage space for \$1.14 (\$1.14 in 2011) per square foot per month. The Board shares a portion of the space with the Free Will Baptist Foundation. Total lease payments were \$31,938 and \$31,895 for the years ended December 31, 2012 and 2011, respectively.

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, 2012 and 2011, the recorded liability amounted to \$8,507,064 and \$8,314,672 respectively. The actuary has determined that the reserve account exceeded the current periodic benefit at December 31, 2012 by \$487,286 (by \$164,200 at December 31, 2011). Management has requested a 4% pension benefit increase for 2013.

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.

The following table summarizes the Board's accounting risk of loss as of December 31, 2012 and 2011:

	2012		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 1,434	\$ 1,434	\$ -
Cash and cash equivalents	300,914	250,000	50,914
Funds invested with the Free Will Baptist Foundation	60,224	60,224	-
Short-term liquid investments	1,418,198	1,233,546	184,652
Corporate bonds	3,559,381	-	3,559,381
Mutual funds	11,307,929	-	11,307,929
Common stocks	18,383,912	-	18,383,912
U.S. Treasury notes and bills	9,994,575	9,994,575	-
Real Estate Investment Trusts	334,327	-	334,327
	<u>\$ 45,360,894</u>	<u>\$ 11,539,779</u>	<u>\$ 33,821,115</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

7. INFORMATION REGARDING FINANCIAL INSTRUMENTS - CONTINUED

	2011		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 1,482	\$ 1,482	\$ -
Cash and cash equivalents	168,681	168,681	-
Funds invested with the Free Will Baptist Foundation	43,037	43,037	-
Short-term liquid investments	1,934,194	1,668,004	266,190
Corporate bonds	2,596,417	-	2,596,417
Mutual funds	10,714,613	-	10,714,613
Common stocks	18,457,899	-	18,457,899
U.S. Treasury notes and bills	6,904,976	6,904,976	-
Other investments	208,131	-	208,131
	<u>\$41,029,430</u>	<u>\$ 8,786,180</u>	<u>\$32,243,250</u>

8. FAIR VALUE MEASUREMENTS

The Board's investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurements at December 31, 2012 Using				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$11,307,929	\$11,307,929	\$ -	\$ -
Common Stocks	18,383,912	18,383,912	-	-
U.S. Government Issues	9,994,575	9,994,575	-	-
Corporate Bonds	3,559,381	3,559,381	-	-
Real Estate Investment Trusts	334,327	334,327	-	-
	<u>\$43,580,124</u>	<u>\$43,580,124</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

8. FAIR VALUE MEASUREMENTS - CONTINUED

The Board's investments are reported at fair value in the accompanying statement of net assets available for benefits.

	Fair Value Measurements at December 31, 2011 Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$10,714,613	\$10,714,613	\$ -	\$ -
Common Stocks	18,457,899	18,457,899	-	-
U.S. Government Issues	6,904,976	6,904,976	-	-
Corporate Bonds	2,596,417	2,596,417	-	-
Real Estate Investment Trusts	208,131	208,131	-	-
	<u>\$38,882,036</u>	<u>\$38,882,036</u>	<u>\$ -</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Board uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Board measures fair value using Level 1 inputs because they provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements - The fair value of the investments are based the closing price reported on the active market where the securities are traded.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011**

9. CAPITAL LEASE

The Board acquired office equipment under the provisions of a long-term lease. The lease agreement provides for minimum annual lease payments of \$4,964.

Future minimum payments under the lease are as follows:

2013	\$ 4,964
2014	827
	<u>5,791</u>
Less amount representing interest	(684)
	<u>\$ 5,107</u>

Present value of net minimum lease payments

The depreciation expense related to this office equipment amounted to \$2,687.

The imputed interest included in the payments for this equipment amounted to \$1,312.

10. RELATED PARTY TRANSACTIONS

The Board had \$60,224 and \$43,037 invested with the Free Will Baptist Foundation, Inc. at December 31, 2012 and 2011, respectively.

The employees of the Board and eligible members of the Board of Directors participate in the retirement plan described in Note 1. A contributory pension plan is maintained for all of the employees and Directors that participate. Contributions are made to these pension plans and earnings are allocated to these plans in accordance with the provisions of the plan.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through March 19, 2013 which is the date the financial statements were available to be issued.

12. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization administrator has analyzed tax positions taken and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is exempt from filing annual tax returns.

Board of Retirement and Insurance
Proposed Budget for 2014

	2012 Budget	2012 Actual	2013 Budget	2014 Proposed
INCOME				
Service Fees	\$394,000	\$352,737.00	\$396,200	\$397,100
Insurance Administrative Fees	1,200	528.50	600	600
The Together Way	75,000	70,349.73	72,000	72,000
Other State Gifts	700	756.87	700	800
Rest of the Family Offering	1,500	2,114.24	2,000	2,000
Interest Income	1,500	1,343.00	2,500	1,500
Miscellaneous Income	100	1,957.63	1,000	1,000
TOTAL	\$474,000	\$429,786.97	\$475,000	\$475,000
EXPENSES				
Salaries	\$131,209	\$131,208.88	\$137,446	\$142,432
Employee Benefits	64,861	65,455.16	75,250	77,791
Housing	31,200	31,200.00	31,200	31,200
Travel/Promotion	44,000	35,763.95	40,000	40,000
Auto Maintenance	5,000	3,324.35	5,000	5,000
Future Purchases/Auto	12,000	12,000.00	12,000	12,000
Hardware/Software Future Purchase	12,000	12,000.00	12,000	12,000
Plant Fund	30,000	31,937.59	35,000	35,000
Office Expense	42,000	31,545.25	40,000	35,000
Equipment Lease	5,000	3,238.34	4,000	4,000
Equipment	5,000	4,731.45	3,000	3,000
Education/Training	12,000	5,242.49	6,000	6,000
Publications	30,000	25,037.56	27,000	27,000
Board Expense	14,500	8,637.47	14,000	12,000
Legal	12,000	5,187.18	10,000	7,500
Auditing	15,000	14,410.00	16,000	16,000
Offsite Backup Storage	1,000		1,000	1,000
Website Hosting/Maintenance	2,000	2,086.25	1,000	2,500
Software Maintenance	4,000	4,149.04	4,000	4,500
Depreciation Expense		34,245.00		
Miscellaneous	1,230	796.00	1,104	1,077
TOTAL	\$474,000	\$462,195.96	\$475,000	\$475,000

Board of Retirement and Insurance
Salary and Benefits Breakdown

	2012	2013	2014
General Director: Ray Lewis			
Salary	45,826.08	47,366.61	48,937.94
Housing/Utilities	31,200.00	31,200.00	31,200.00
Social Security/Medicare	13,913.80	14,192.08	14,475.92
Christmas Check	1,748.84	1,783.82	1,819.50
Retirement	5,514.25	5,624.53	5,737.02
Insurance	11,058.83	12,164.71	13,381.18
Note: Office Car Furnished			
Total	109,261.80	112,331.75	115,551.56
CFO: John Brummitt			
Salary	48,859.30	52,768.05	55,406.45
Social Security/Medicare	3,809.62	4,114.39	4,320.11
Christmas Check	939.60	1,014.77	1,065.51
Retirement	3,485.92	3,764.80	3,953.04
Insurance	12,654.92	13,920.41	15,312.45
Note: Office Car Furnished			
Total	69,749.36	75,582.42	80,057.55
Administrative Assistant: Sara Poston			
Salary	33,197.21	33,861.15	34,538.37
Social Security/Medicare	2,588.42	2,640.19	2,693.00
Christmas Check	638.41	651.18	664.20
Retirement	2,368.49	2,415.86	2,464.18
Insurance	9,466.48	10,413.13	11,454.44
Total	48,259.01	49,981.51	51,814.19



Home Missions North America 2012

Dear Friends of Home Missions,

During these seventy five years since Home Missions came into existence, God has been faithful. He has rewarded our zeal for souls and our enthusiasm for fulfilling the great commission with success. "Great is the Lord and greatly to be Praised!" Psalm 48:1

Faithful Friends

Our faithful Free Will Baptists friends across North America have given consistently. We are all encouraged by their generosity and love for the cause of Home Missions North America.

Total gifts for 2012 were \$4,658,953.00. Thank you for your faithful support. Listed below are the top ten states that have excelled.

Tennessee	\$593,653.00
North Carolina	576,121.00
Alabama	562,986.00
Florida	229,517.00
Missouri	210,134.00
Illinois	202,931.00
Arkansas	188,071.00
Virginia	174,533.00
Mississippi	169,846.00
Oklahoma	160,837.00

Faithful Missionaries

All across North America our Home Missionaries are faithful to the task and preaching repentance, faith and obedience. They are winning hundreds of people to Christ our Savior. They are building beautiful and multifunctional facilities that are great tools for training new converts and bringing families to worship the Father of our Lord Jesus. The multi ethnic ministry is flourishing as our cross cultural missionaries are winning hundreds of people coming to America from all over the world.

Faithful Military Chaplains

Home Missions North America continues to endorse and support our faithful chaplains and their families for the United States Army, Air Force, Navy, National Guard and Reserve Forces.

CH (MAJ) Richard G. Anderson, Creech Air Force Base, Nevada
 CH (COL) Terry W. Austin, Fort Sam Houston, Texas
 CH (MAJ) John Carey, Ft. Hood, Texas
 CH (CPT) W. Lee Frye, Jr. Fort Gordon, Georgia
 CH (CPT) Tracy Kerr, Fort Bragg, North Carolina
 CH (MAJ) Steven Simpson, Aberdeen Proving Grounds, MD (RET)
 CH (LT COL) Tim Sturgill, Wright Patterson Air Force Base, Ohio
 CH (CPT) Kevin Trimble, Fort Riley, Kansas
 CH (MAJ) David Trogdon, deployed to Afghanistan
 (If you need information, please call the Home Missions office)

Faithful Missions Staff

I must express my profound appreciation to our faithful Home Missions staff members, David Crowe, Richard Atwood, Ida Lewis, Kathy Brown, Sue Hayes and Teresa Womack. I appreciate their servant spirit, commitment and excellent work. Members of our Home Missions Board have served with strength and wisdom.

Rev. Larry A. Powell
 General Director
 Home Missions North America

Home Missions Department

Synopsis of Board Minutes

March 2, 2012

The Tennessee Home Mission Board (Chairman Bob Lewis) has approved Chad Kivette as a joint project missionary-church planter for Clarksville, Tennessee. Chad will take Clayton Hampton's place to finish the work. He will build the facility and bring the work to self-supporting status.

A motion was made by Brother Larry Powell to recommend Chad and Paula Kivette to our board as a joint project effort in Clarksville working with Brother Bob Lewis and the Tennessee State Home Mission Board. M/S/C

May 1, 2012

MSC to give special commendation to honor the life of CH (LT COL) David Spears United States Army (deceased) to members of his family before the National Association of Free Will Baptists during this meeting in Memphis, Tennessee 2012.

MSC to send a letter of commendation to retiring CH (MAJ) Steven Simpson for twenty-eight years of exemplary and faithful service as our chaplain in the United States Army.

July 18, 2012

Met with Heath & Jamie Ferguson as missionary candidates going to Houston, TX (Wood Forest/N. Houston). After questions and pleasant discussion, the board approved Heath and Jamie as joint project workers with Texas to N. Houston. Prayer was offered for their new ministry.



Joel D. Collum, Jr.
Certified Public Accountant

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.

I have audited the accompanying financial statements of the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Paul D. Callum Jr., CPA

Nashville, Tennessee
April 25, 2013

**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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 338,297	\$ 563,814
Investments	5,169	3,789
Investments in Church Extension Fund	1,229,561	715,217
Accounts receivable - related party	155,949	291,469
Inventory	46,558	43,285
Property & equipment, at cost less accumulated less accumulated depreciation of \$142,458 (\$146,530 in 2011)	146,765	154,063
TOTAL ASSETS	<u>\$ 1,922,299</u>	<u>\$ 1,771,637</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 9,124	\$ 5,784
Capital lease payable	9,589	13,222
Total liabilities	<u>18,713</u>	<u>19,006</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	1,310,444	1,124,932
Operating	343,255	343,255
Board designated	1,653,699	1,468,187
Total Unrestricted	<u>249,887</u>	<u>284,444</u>
Temporarily Restricted	1,903,586	1,752,631
Total net assets	<u>\$ 1,922,299</u>	<u>\$ 1,771,637</u>
TOTAL LIABILITIES AND NET ASSETS		

The accompanying notes are an integral part of these 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, 2012 and 2011**

	2012	2011
UNRESTRICTED		
REVENUES		
Cooperative program		
Designated contributions	\$ 164,810	\$ 168,918
Management fees - Note 4	1,018,403	1,052,610
Interest income	240,000	240,000
Gain (loss) on sale of property & equipment	54,610	34,681
Unrealized gain (loss) on value of investment	2,000	-
Net assets released from restrictions:	1,365	501
Restrictions satisfied by payments	3,571,592	3,528,114
Total revenue	5,052,780	5,024,824
EXPENSES		
Administrative expenses	1,295,676	1,283,144
Missionary expenses	3,353,751	3,305,166
Missionary land & building	217,841	222,948
Total expenses	4,867,268	4,811,258
Increase (decrease) in unrestricted net assets	185,512	213,566
TEMPORARILY RESTRICTED		
REVENUES		
Cooperative program		
Designated contributions	638,362	678,919
Net assets released from restrictions:	2,898,673	2,898,282
Restrictions satisfied by payments		
Missionary expenses	(3,353,751)	(3,305,166)
Missionary land & building	(217,841)	(222,948)
Increase (decrease) in temporarily restricted net assets	(34,557)	49,087
Total increase (decrease) in net assets	150,955	262,653
Net assets - beginning of year	1,752,631	1,489,978
Net assets - end of year	<u>\$ 1,903,586</u>	<u>\$ 1,752,631</u>

The accompanying notes are an integral part of these 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, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 150,955	\$ 262,653
Increase (decrease) in net assets		
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Deprecation	19,632	24,141
(Gain) loss on sale of property & equipment	(2,000)	-
(Gain) loss on value of investment	(1,365)	(501)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	135,520	9,190
(Increase) decrease in inventories	(3,273)	(4,964)
Increase (decrease) in accounts payable and accrued expenses	3,340	(39,724)
Net Cash Provided (Used) By Operating Activities	302,809	250,795
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of investments	8,000	48,000
Acquisition of investments	(522,359)	(34,681)
Proceeds from the sale of property and equipment	2,000	-
Purchases of property and equipment	(12,334)	(6,485)
Net Cash Provided (Used) By Investing Activities	(524,693)	6,834
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments made	(3,633)	(3,296)
Net Cash Provided (Used) by Financing Activities	(3,633)	(3,296)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(225,517)	254,333
Cash and cash equivalents at beginning of years	563,814	309,481
Cash and cash equivalents at end of years	<u>\$ 338,297</u>	<u>\$ 563,814</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 1,131</u>	<u>\$ 1,468</u>

The accompanying notes are an integral part of these 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, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

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 2012 or 2011.

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 statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, 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, 2012 and 2011.

**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, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Contributions:

The Organization accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, 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, 2012 and 2011**

2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2012	2011
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	50,995	66,699
Office furniture & equipment	133,228	128,894
	289,223	300,593
Less: Accumulated depreciation	(142,458)	(146,530)
	\$ 146,765	\$ 154,063
Depreciation for the year	\$ 19,632	\$ 24,141

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Missionaries	\$ 249,887	\$ 284,444

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

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 \$240,000 (\$240,000 at December 31, 2011) 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 \$1,229,561 (\$715,217 at December 31, 2011). 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 \$155,949 (\$291,469 at December 31, 2011).

**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, 2012 and 2011**

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 \$57,264 (\$57,264 for the year ended December 31, 2011).

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.

7. CONCENTRATION OF CREDIT RISK

The Board maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2012, the excess amount over the federally insured limit was \$88,297 (\$313,814 in 2011). 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 \$1,229,561 (\$715,217 in 2011) invested in a demand note of the Church Extension Loan Fund. This note is uninsured.

8. 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 administrative employees with 5 or more years of service and 2% of gross salary for administrative employees with less than 5 years of service. The Board contributes 2% of gross salary for missionaries on their first mission project and 5% of gross salary for missionaries on their second and all subsequent mission projects. Pension expenses amounted to \$65,604 (\$62,041 in 2011). 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.

**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, 2012 and 2011**

9. INVESTMENTS

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

	December 31, 2012		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 144,684	\$ 5,169	\$ (139,515)

Investment return is summarized as follows:

Net realized and unrealized income (loss)	\$ 1,365
---	----------

	December 31, 2011		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 144,684	\$ 3,789	\$ (140,895)

Investment return is summarized as follows:

Net realized and unrealized income (loss)	\$ 501
---	--------

This investment is on Level 1 in the fair value measurements as prescribed by the requirements of the FASB Accounting Standards Codification. There are no items in Level 2 or Level 3 of the hierarchy.

Level 1 measurements are valued based on quoted market prices in active markets.

10. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Board's management to evaluate tax positions taken by the Board and recognize a tax liability (or asset) if the Board has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Board's executive director has analyzed tax positions taken and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Board is exempt from filing annual tax returns.

**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, 2012 and 2011**

11. CAPITAL LEASE

The Board acquired office equipment under the provisions of a long-term lease. The lease agreement provides for minimum annual lease payments of \$4,764.

Future minimum payments under the lease are as follows:

2013	\$ 4,764
2014	4,764
2015	1,191
	10,719

Less amount representing interest

(1,130)

Present value of net minimum lease payments

\$ 9,589

The depreciation expense related to this office equipment amounted to \$3,758.

12. COMMON CONTROL

The Board controls the Church Extension Loan Fund as they are both governed by the same board of directors. Accordingly, the following data is disclosed about the Church Extension Loan Fund.

	2012	2011
Total assets	\$ 50,703,392	\$ 41,960,583
Total liabilities	\$ 48,673,908	\$ 39,931,099
Net assets	\$ 2,029,484	\$ 2,029,484
Revenue	\$ 3,247,016	\$ 2,671,652
Expenses	\$ 3,247,016	\$ 2,930,441

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 25, 2013 which is the date the financial statements were available to be issued.

**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, 2012 and 2011**

	2012	2011
ADMINISTRATIVE EXPENSES		
Salaries and wages	\$ 349,997	\$ 333,396
Payroll taxes	13,385	12,739
Housing allowance and employee benefits	72,550	76,429
Retirement	10,120	9,611
Cost of literature	8,592	19,617
Promotion expense	223,412	124,293
Utilities	15,350	17,061
Office expense	31,363	29,775
Printing and postage	45,524	72,244
Rent expense	57,264	57,264
Professional fees	6,600	8,100
Auto and travel expense	272,551	331,946
Board meeting expense	11,281	12,903
Insurance expense	76,914	68,834
Telephone	4,440	2,869
Scholarships	1,500	2,700
Flowers and gifts	2,173	5,438
Miscellaneous	875	1,294
One magazine	71,022	71,022
Interest expense	1,131	1,468
Depreciation	19,632	24,141
Total administrative expenses	1,295,676	1,283,144
MISSIONARY EXPENSES		
Salary and wages	2,731,751	2,666,790
Retirement	55,484	52,430
Promotion expense	1,000	10,557
Printing and postage	94,734	102,736
Literature	99,148	88,611
Auto and travel expense	160,840	188,012
Insurance expense	58,386	64,565
Designated contributions	-	1,330
Miscellaneous other expense	152,408	130,135
Total missionary expenses	3,353,751	3,305,166
MISSIONARY LAND & BUILDINGS		
	217,841	222,948
Total Expenses	\$ 4,867,268	\$ 4,811,258

	2012	2013	2014
General Director: Larry Powell			
Salary	\$68,911.55	\$70,289.78	\$12,009.22
Housing	\$18,000.00	\$18,000.00	\$3,000.00
Utilities	\$3,500.00	\$3,700.00	\$650.00
Retirement	\$4,350.00	\$4,400.00	\$1,500.00
Insurance*	\$12,000.00	\$12,000.00	\$1,000.00
TOTALS	\$106,761.55	\$108,389.78	\$18,159.22
Office car furnished (retiring Feb. 2014)			
Director of Missionary Assistance: Richard Atwood			
Salary	\$51,968.26	\$53,439.62	\$54,940.41
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$3,500.00	\$3,700.00	\$3,900.00
Retirement	\$3,700.00	\$3,800.00	\$4,000.00
Insurance*	\$12,000.00	\$12,000.00	\$12,000.00
TOTALS	\$92,768.26	\$94,539.62	\$96,440.41
Office car furnished			
Director of Development: David Crowe			
Salary	\$55,568.26	\$57,039.62	\$58,540.41
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$3,500.00	\$3,700.00	\$3,900.00
Retirement	\$3,700.00	\$3,800.00	\$4,000.00
Insurance*	\$12,000.00	\$12,000.00	\$12,000.00
TOTALS	\$92,768.26	\$94,539.62	\$96,440.41
Office car furnished			
Insurance: Travel, Life, Health, Dental			

Year 2012:	Adm. Budget	Actual Expenses	Missionary Budget	Actual Expenses	Total Budget	Total Expenses
Salaries/Housing	\$475,000.00	\$422,547.18	\$3,000,000.00	\$2,731,751.03	\$3,475,000.00	\$3,154,298.21
Retirement	\$10,000.00	\$10,119.73	\$45,000.00	\$55,484.40	\$55,000.00	\$65,604.13
Insurance	\$80,000.00	\$76,913.89	\$40,000.00	\$58,386.30	\$120,000.00	\$135,300.19
Auto and Travel	\$200,000.00	\$272,551.30	\$200,000.00	\$160,839.94	\$400,000.00	\$433,391.24
Postage	\$40,000.00	\$21,507.30	\$40,000.00	\$30,022.65	\$80,000.00	\$51,529.95
Printing	\$50,000.00	\$24,016.73	\$60,000.00	\$64,711.39	\$110,000.00	\$88,728.12
Promotion/Advertising	\$100,000.00	\$223,412.04	\$5,000.00	\$1,000.00	\$105,000.00	\$224,412.04
Office Supplies/Maintenance	\$35,000.00	\$32,493.59			\$35,000.00	\$32,493.59
ONE Magazine	\$67,000.00	\$71,022.24			\$67,000.00	\$71,022.24
Utilities	\$15,000.00	\$15,349.94			\$15,000.00	\$15,349.94
Board Expense	\$15,000.00	\$11,280.84			\$15,000.00	\$11,280.84
Literature	\$10,000.00	\$8,592.05	\$80,000.00	\$99,148.33	\$90,000.00	\$107,740.38
Rent	\$60,000.00	\$57,264.00			\$60,000.00	\$57,264.00
Phone and FAX	\$4,000.00	\$4,439.87			\$4,000.00	\$4,439.87
Depreciation	\$20,000.00	\$19,632.10			\$20,000.00	\$19,632.10
Payroll Taxes	\$10,000.00	\$10,848.32			\$10,000.00	\$10,848.32
Medicare Taxes	\$2,500.00	\$2,537.12			\$2,500.00	\$2,537.12
Legal and Audit	\$7,000.00	\$6,600.00			\$7,000.00	\$6,600.00
Misc.	\$2,500.00	\$875.00	\$35,000.00	\$141,315.26	\$37,500.00	\$142,190.26
Scholarships	\$4,000.00	\$1,500.00			\$4,000.00	\$1,500.00
Flowers/Gifts	\$3,000.00	\$2,172.94			\$3,000.00	\$2,172.94
Misc. Receipts			\$25,000.00	\$4,117.20	\$25,000.00	\$4,117.20
Land/Building			\$250,000.00	\$217,840.88	\$250,000.00	\$217,840.88
Foreign Missions Exchange			\$10,000.00	\$6,976.01	\$10,000.00	\$6,976.01
TOTALS	\$1,210,000.00	\$1,295,676.18	\$3,790,000.00	\$3,571,593.39	\$5,000,000.00	\$4,867,269.57

2014 State Quotas

Alabama	\$550,000.00
Alaska	\$2,500.00
Arizona	\$25,000.00
Arkansas	\$200,000.00
California	\$125,000.00
Canada	\$10,000.00
Colorado	\$30,000.00
Florida	\$230,000.00
FWB Foundation	\$15,000.00
Georgia	\$155,000.00
Hawaii	\$3,000.00
Idaho	\$2,500.00
Illinois	\$225,000.00
Indiana	\$55,000.00
Iowa	\$5,000.00
Kansas	\$10,000.00
Kentucky	\$140,000.00
Louisiana	\$20,000.00
Maine	\$5,000.00
Massachusetts	\$2,500.00
Michigan	\$100,000.00
Mid-Atlantic	\$35,000.00
Minnesota	\$3,000.00
Mississippi	\$175,000.00
Missouri	\$225,000.00
Montana	\$1,000.00
New Hampshire	\$6,000.00
New Jersey	\$1,500.00
New Mexico	\$5,000.00
New York	\$7,500.00
North Carolina	\$550,000.00
Ohio	\$200,000.00
Oklahoma	\$250,000.00
Oregon	\$5,000.00
Other Income	\$300,000.00
Other States	\$25,000.00
Pennsylvania	\$35,000.00
Rhode Island	\$5,000.00
South Carolina	\$150,000.00
Tennessee	\$600,000.00
Texas	\$100,000.00
Utah	\$7,500.00
Virgin Islands	\$55,000.00
Virginia	\$175,000.00
Washington	\$5,000.00
West Virginia	\$120,000.00
Wisconsin	\$15,000.00
WNAC	\$30,000.00
Wyoming	\$3,000.00
TOTAL	\$5,000,000.00

2014 Budget

	Administrative	Missionary	Total
Salaries/Housing	\$400,000.00	\$2,775,000.00	\$3,175,000.00
Retirement	\$10,000.00	\$60,000.00	\$70,000.00
Insurance	\$75,000.00	\$60,000.00	\$135,000.00
Auto and Travel	\$275,000.00	\$175,000.00	\$450,000.00
Postage	\$25,000.00	\$35,000.00	\$60,000.00
Printing	\$25,000.00	\$70,000.00	\$95,000.00
Promotion/Adv.	\$275,000.00	\$2,000.00	\$277,000.00
Off. Supplies/Maint.	\$30,000.00		\$30,000.00
ONE Magazine	\$75,000.00		\$75,000.00
Utilities	\$10,000.00		\$10,000.00
Board Expense	\$15,000.00		\$15,000.00
Literature	\$10,000.00	\$100,000.00	\$110,000.00
Rent	\$60,000.00		\$60,000.00
Phone/Fax	\$5,000.00		\$5,000.00
Depreciation	\$20,000.00		\$20,000.00
Payroll Taxes	\$10,000.00		\$10,000.00
Medicare Taxes	\$2,500.00		\$2,500.00
Legal/Audit	\$7,500.00		\$7,500.00
Misc.	\$2,000.00	\$150,000.00	\$152,000.00
Scholarships	\$3,000.00		\$3,000.00
Flowers/Gifts	\$3,000.00		\$3,000.00
Misc. Receipts		\$5,000.00	\$5,000.00
Land/Building		\$225,000.00	\$225,000.00
FM Exchange		\$5,000.00	\$5,000.00
TOTALS	\$1,338,000.00	\$3,662,000.00	\$5,000,000.00



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Church Extension Loan Fund, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church Extension Loan Fund, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Joel D. Collum, Jr., CPA

Nashville, Tennessee
April 25, 2013

P.O. Box 291561 • Nashville, Tennessee 37229 • 615.974.2918 • joelcollumcpa@yahoo.com

CHURCH EXTENSION LOAN FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	\$ 2,799,208	\$ 1,949,773
Certificates of deposit	250,000	254,780
Investment in the Free Will Baptist Foundation	2,034,500	-
Notes receivable, net of allowance for doubtful accounts of \$67,780 (\$380,000 in 2011)	45,286,516	39,474,432
Accrued interest receivable	280,735	244,137
Property & equipment, at cost less accumulated depreciation of \$38,451 (\$39,506 in 2011)	52,433	37,461
TOTAL ASSETS	\$ 50,703,392	\$ 41,960,583
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable - related party	\$ 155,949	\$ 291,469
Accrued interest	458	435
Revocable and irrevocable trusts	1,337,635	1,522,378
Notes payable	47,179,180	38,116,131
Other accrued liabilities	686	686
Total liabilities	48,673,908	39,931,099
NET ASSETS		
Unrestricted	2,029,484	2,029,484
Total net assets	2,029,484	2,029,484
TOTAL LIABILITIES AND NET ASSETS	\$ 50,703,392	\$ 41,960,583

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

CHURCH EXTENSION LOAN FUND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
OPERATING		
REVENUES		
Investment income	\$ 36,151	\$ 13,808
Interest income on notes receivable	3,207,113	2,657,844
Gain on disposition of property & equipment	3,752	-
Total revenue	3,247,016	2,671,652
EXPENSES		
Interest expense	2,230,286	1,816,057
Office expense	4,699	13,056
Management fee - Note 4	240,000	240,000
Promotion	55,387	35,497
Travel	-	500
Professional fees	8,230	8,380
Depreciation	16,779	14,386
Build My Church Project expense	50,000	50,000
Transfer to Free Will Baptists Home Missions	155,949	263,796
Bad debt expense	485,686	229,980
Total expenses	3,247,016	2,671,652
Increase (decrease) in operating net assets	-	-
BUILD MY CHURCH - NOTE 5		
REVENUES		
Designated Contributions	-	-
EXPENSES		
Transfer to Free Will Baptists Home Missions	-	258,789
Increase (decrease) in Build My Church net assets	-	(258,789)
Total increase (decrease) in net assets	-	(258,789)
Net assets - beginning of year	2,029,484	2,288,273
Net assets - end of year	\$ 2,029,484	\$ 2,029,484

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

CHURCH EXTENSION LOAN FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ -	\$ (258,789)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	16,779	14,386
Gain on disposition of property & equipment	(3,752)	
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(36,598)	(24,103)
Increase (decrease) in accounts payable	(135,520)	(9,190)
Increase (decrease) in accrued interest payable	23	13
Net Cash Provided (Used) By Operating Activities	(159,068)	(277,683)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to notes and bonds receivable	(8,820,463)	(6,025,935)
Collection on notes receivable	3,320,600	1,266,957
Purchase of certificates of deposit	(250,000)	(3,165)
Redemption of certificates of deposit	254,780	500,644
Purchase of Free Will Baptist Foundation investment	(2,034,500)	
Increase in allowance for doubtful accounts	(312,221)	229,980
Purchases of new equipment	(27,999)	(1,362)
Net Cash Provided (Used) By Investing Activities	(7,869,803)	(4,032,881)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to trust	84,682	79,347
Terminations of trust	(269,425)	(165,051)
Additions to notes payable	11,392,932	7,133,629
Repayment of notes payable	(2,329,883)	(4,058,531)
Net Cash Provided (Used) by Financing Activities	8,878,306	2,989,394
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	849,435	(1,321,170)
Cash and cash equivalents at beginning of years	1,949,773	3,270,943
Cash and cash equivalents at end of years	\$ 2,799,208	\$ 1,949,773
SUPPLEMENTAL DISCLOSURES		
Interest received	\$ 3,170,515	\$ 2,633,741
Interest paid	\$ 2,230,263	\$ 1,816,044
NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans written off	\$ 797,906	\$ 109,960
Value recorded on trade-in of equipment exchanged for new equipment	\$ 4,003	\$ -

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

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

The Church Extension Loan Fund, Inc., 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 \$-0- unrelated business income for 2012 (\$-0- for 2011).

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 requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, 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.

The Organization uses estimates to prepare the allowance for doubtful accounts. This estimate is based on managements experience with the church and the current fair market value of the property. The actual amount may be significantly different from this estimate.

Cash equivalents

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

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Contributions:

The Fund accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, 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 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.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2012	2011
Automobile	\$ 35,754	\$ 21,837
Office equipment	55,130	55,130
	90,884	76,967
Less: Accumulated depreciation	(38,451)	(39,506)
	<u>\$ 52,433</u>	<u>\$ 37,461</u>

3. NOTES PAYABLE

Notes payable consist of 3.5 - 5% (3.5 - 5% in 2011) 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.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

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 \$240,000 (\$240,000 at December 31, 2011) 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 \$155,949 (\$291,469 at December 31, 2011).

Several directors and trustees were invested in the Church Extension Loan Fund's notes payable described in Note 3 at December 31, 2012. The interest rate paid on these notes was based on the balance of the account as prescribed by the program guidelines.

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, 2011) were made during the year to the land funds of two Home Mission's Churches from the interest earned on loans made with Build My Church contributions. The second phase of the Build My Church program called the Roy Thomas Memorial Fund has also reached \$1,000,000. The interest earned from the loans made with the money given through the Roy Thomas Memorial Fund will be used to assist the Home Missions General Fund. A third phase of the Build My Church program called the Richard and Carolyn Adams Endowment Fund was begun. In 2011 the Board voted to discontinue this program and transfer the funds to Home Missions for missionary assistance.

6. CONCENTRATION OF CREDIT RISK

The Fund maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2012, the excess amount over the federally insured limit was \$2,799,208 (\$1,954,552 in 2011). 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.

The Board had \$2,034,500 invested with the Free Will Baptist Foundation, Inc. at December 31, 2012.

7. CONCENTRATION

Included in notes receivable at December 31, 2012 are eight loans which total \$14,575,647 (six which total \$9,127,245 in 2011). This balance represents 32.14% (22.90% in 2011) of total notes receivable.

Notes payable include sixteen notes which total \$13,671,650 or 28.98% (ten notes which total \$7,148,573 or 18.75% in 2011) of total notes payable.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

8. REVOCABLE AND IRRECOVABLE TRUSTS

Nine irrevocable and one 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, 2012 amounted to \$97,760 (\$118,885 at December 31, 2011).

9. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's executive director has analyzed tax positions taken and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is exempt from filing annual tax returns. For the past several years the Organization has filed form 990-T. Management believes that none of returns filed prior to the year ended December 31, 2008 are subject to examination.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 25, 2013 which is the date the financial statements were available to be issued.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

12. 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 7.5% (7.5% in 2011) 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.

Notes are stated at unpaid principal balances, less an allowance for doubtful accounts. Management considers most of the notes receivable to be fully collectible. However, there are several notes that management feels it will have trouble collecting. Accordingly, an allowance for doubtful accounts of \$67,780 (\$380,000 in 2011) has been recorded. This allowance is based on managements experience with the church and the current fair market value of the property.

The Fund's practice is to charge off a note with the approval of the Board of Directors when there is no chance of collection either from the borrower or by disposition of the property.

There were no changes in the Fund's accounting policies during the period. There have been no purchases, sales or reclassifications of notes receivables.

Activity in the allowance for doubtful accounts is as follows:

Beginning balance	\$ 380,000
Loan written off	(797,906)
Current year provision	485,686
Ending balance	<u>\$ 67,780</u>

Management of the Fund reviews each loan balance where the Church is past due and having difficulty making payments. Based on this assessment and the value of the property an estimate is made of the amount, if any, it believes will not be collected.

The ending balance in the allowance for doubtful accounts is attributed to notes evaluated individually as follows:

Loans evaluated individually	<u>\$ 67,780</u>
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The ending balance of notes evaluated individually as follows:

Loans evaluated individually	<u>\$ 10,106,304</u>
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CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

13. IMPAIRED LOANS

A note is considered impaired when, based on currently available information, it is probable that Fund will not collect all of the principal and interest due on the note. The notes receivable and allowance for doubtful accounts included no notes that are considered impaired.

Impaired notes are considered nonperforming and, consequently, interest income is only recognized on these loans when actually received from the borrower. The interest received on the impaired loan for the year ended December 31, 2012 was \$-0-.

The following tables provide informative data at December 31, 2012 and for the year then ended on whether or not management had recognized an allowance for a doubtful account with respect to the impaired loan.

		December 31, 2012		For the Year Ended December 31, 2012	
	Recorded	Unpaid	Allowance	Average	Interest
	Investment	Principal	for Doubtful	Recorded	Income
	In Impaired	Balance of	Accounts on	Investment	Recognized
Notes	Impaired	Notes	Impaired	In Impaired	While Notes
	Notes	Notes	Notes	Notes	Were Impaired
\$	-	\$	-	\$	-

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

14. AGE AND INTEREST ACCRUAL STATUS OF NOTES RECEIVABLE

The following table presents informative data of notes receivable regarding their age and interest accrual status at December 31, 2012. The amount shown as past due represent the total amount of loans in each category that have past due amounts.

	Total Financing Receivables			Total Financing Receivables			Total Financing Receivables		
	Past Due 90 Days or Greater and Still Accruing Interest			on Nonaccrual Status			Past Due 90 Days or Greater		
Notes receivable	\$ 35,247,992	\$ 1,819,748	\$ 1,302,990	\$ 6,983,566	\$ 10,106,304	\$ 45,354,296	\$ 436,629	\$ 10,106,304	

There is one note in the nonaccrual status column. The property is being rented to a church under a rent to own agreement. All of the payments had been made at year end under this agreement. Accordingly, it is not included in the past due amounts.



The year 2012 started much the same as it has for many other years, with places to go, people to see and things to do.

Early January began the planning for IMPACT Memphis with an on-site visit. Then in July we coordinated IMPACT Memphis, with volunteers helping at three locations in the Memphis area. We teamed with WNAC to sponsor two Marriage Enrichment Conferences, one in Chattanooga, Tennessee in February and the second in Branson, Missouri in March. Also in March, our Disaster Response Team headed to eastern Kentucky to assist in clean-up following an unusual tornado in the region.

We assisted WNAC with moving the contents of the MIR House from Welch College following the sale of the property.

We continued our CMI Conferences, assisting churches in training their men. Our annual sports fellowship events, The Deep South Golf Tournament in March and the National Golf and Softball tournaments in August, have continued to see good participation.

In addition to these events, we were able to speak at numerous churches within our denomination and attend several state meetings and men's retreats.

Master's Men has in the past, and will continue to provide training and opportunities for the men of our churches to serve our churches, our denomination and our Lord.

Your fellow servant,

Kenneth W Akers

Kenneth W. Akers

Synopsis of 2012 Master's Men Board Meetings

April 30, 2012

All board members were present. Discussed 2011 audit, 2012 Father's Day Offering, and Build A House. Received Director's report. Approved Aaron Wilburn concert at National Convention. Discussed IMPACT Memphis. Approved 2013 budget. Elected officers for 2012-2013. Adjourned

December 2, 2012

Eight members were present. Discussed 2012 income. Discussed Build A House. Discussed and approved 2014 budget. Discussed updating Master Plan. Adjourned.

DARBY & ASSOCIATES, LLC Certified Public Accountants

5006 Paddy Trace
Spring Hill, TN 37174
Phone: (615) 714-5024

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, 2012, 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 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, 2012, 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 21, 2013
Spring Hill, Tennessee

Jason L. Darby
Jason L. Darby, CPA

THE MASTER'S MEN
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Current Assets		
Cash	\$ 10,750.80	
Trust Account – Build a House	3,501.54	
Revocable Trust – Build a House	628.12	
Disaster Relief Trust	63,442.95	
Trust Account – Lifetime Members	105,603.67	
Inventory	430.00	
Accounts Receivable	56,529.35	
Total Current Assets		\$ 240,886.43
Fixed Assets		
Equipment and Furniture	95,493.43	
Accumulated Depreciation	(77,575.12)	
Total Fixed Assets		17,918.31
TOTAL ASSETS		\$ 258,804.74
Liabilities		
FWB Loan	7,398.00	
Payroll Tax Payable	4,710.91	
Total Liabilities		12,108.91
Net Assets		
Temporarily Restricted	270,793.18	
Unrestricted	(24,097.35)	
Total Net Assets		246,695.83
TOTAL LIABILITIES AND NET ASSETS		258,804.74

The accompanying notes are an integral part of the financial statements

THE MASTER'S MEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Temporarily Restricted Assets	Unrestricted Net Assets	Total
Revenue & Gains			
Gifts and Donations	\$ -	\$ 17,290.09	\$ 17,290.09
Dues from Members	-	9,392.85	9,392.85
Disaster Relief Income	4,361.10	-	4,361.10
Together Way Program	-	78,754.64	78,754.64
Reimbursements	-	28,577.18	28,577.18
Promotion/Sales/Other Income	-	1,937.01	1,937.01
Tournament and Conference Income	-	43,583.17	43,583.17
Interest Income	-	15,218.99	15,218.99
Miscellaneous Income	-	1,522.23	1,522.23
Total Revenue & Gains	4,361.10	196,276.16	200,637.26
Net Assets Released from Restrictions			
Disaster Relief	-	16,302.04	16,302.04
Build A House	-	-	-
Lifetime Memberships	-	-	-
Total Revenues, Gains, & Other Support	\$ 4,361.10	\$ 212,578.20	\$ 216,939.30
Expenses			
Salaries and Wages	-	83,861.94	83,861.94
PR Taxes and Benefits	-	33,116.04	33,116.04
Cost of Sales and Printing	-	8,382.12	8,382.12
Travel Expense	-	7,368.63	7,368.63
Conferences and Conventions	-	11,147.43	11,147.43
Office Expense	-	5,148.38	5,148.38
Equipment Expense	-	3,874.90	3,874.90
Telephone	-	273.05	273.05
Postage	-	1,583.99	1,583.99
Rent Expense	-	12,558.24	12,558.24
Professional Fees	-	1,500.00	1,500.00
Bookkeeping Expense	-	825.00	825.00
Ministry and Resource Development	-	5,713.87	5,713.87
Ministry Expense - Haiti	4,082.50	-	4,082.50
Disaster Relief Expense	10,528.94	-	10,528.94
Tournament Expense	-	23,713.48	23,713.48
Depreciation Expense	-	5,624.91	5,624.91
Interest Expense	-	98.00	98.00
Miscellaneous Expense	-	1,089.88	1,089.88
Total Expenses	\$ 14,611.44	\$ 205,879.86	\$ 220,491.30
Change in Net Assets	(10,250.34)	6,698.34	(3,552.00)
Net Assets - Beginning of Year	281,043.52	(30,795.69)	250,247.83
Net Assets - End of Year	\$ 270,793.18	\$ (24,097.35)	\$ 246,695.83

The accompanying notes are an integral part of the financial statements

THE MASTER'S MEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Cash Flows from Operating activities</u>		
Decrease in Net Assets		\$ (3,552.00)
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	\$ 5,624.91	
Interest on Investments	(15,218.99)	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	3,400.00	
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(5,000.00)	
Payroll Tax Payable	1,613.47	
Loan Payable	(2,602.00)	
Total		(12,182.61)
Net Cash Provided by Operating Activities		(15,734.61)
<u>Cash Flows from Investing Activities</u>		
Transfers to Trusts & Investments	(5,299.31)	
Purchases of Equipment	396.23	
Interest Received	15,218.99	
Net Cash Used by Investing Activities		10,315.91
Net Increase in Cash and Cash Equivalents		(5,418.70)
Beginning Cash and Cash Equivalents		18,169.50
Ending Cash and Cash Equivalents		\$ 10,750.80

The accompanying notes are an integral part of the financial statements

THE MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 Master's Men follows the Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 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 Department 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 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 reports and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flow, the Department considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2 – Property and Equipment

Following is a summary of property and equipment owned by the Department at December 31, 2012:

Equipment and furniture	\$ 95,493.43
Less: Accumulated Depreciation	(<u>77,575.12</u>)
Property and Equipment, Net	<u>\$ 17,918.31</u>

Note 3 – Deferred Revenue

There were no deferred revenues for 2012.

Note 4 – Restricted Fund Balance

The restricted fund balance is revenue designated for specific projects and consists of the following as of December 31, 2012:

Build a House Campaign	\$ 50,180.59
Lifetime Membership	101,250.00
Disaster Relief	<u>119,362.59</u>
Total	<u>\$ 270,793.18</u>

Note 5 – Compensated Absences

There was no compensated absence balance as of December 31, 2012.

Note 6 – Loan Payable

On December 1, 2011, Master's Men entered into a loan with FWB Foundation in the amount of \$10,000. The balance of the loan as of December 31, 2012 is \$7,398.

2012 Master's Men
Financial Report

Projected Expenses	2012 Budget	2012 Actuals	2013 Budget	2014 Proposed Budget
Salaries				
Director				
Salary	39,393.00	34,600.00	29,793.00	29,793.00
Housing	20,400.00	24,500.00	30,000.00	30,000.00
Retirement	2,990.00	2,160.00	2,990.00	2,990.00
Insurance	8,000.00	7,872.00	10,000.00	12,000.00
Total	70,783.00	69,132.00	72,783.00	74,783.00
Secretary				
Wages(20hrs/wk@11.25)	11,866.00	11,616.00	11,700.00	11,700.00
Payroll Tax Expense	720.00	888.00	930.00	930.00
Retirement	170.00	580.80	580.00	580.00
Insurance	2,272.00	4,966.62	5,000.00	6,000.00
Christmas Bonus	250.00	250.00	250.00	250.00
Total	15,278.00	18,301.42	18,460.00	19,460.00
Total Salaries	86,061.00	87,433.42	91,243.00	94,243.00
Office Operations				
Automobile	3,600.00	5,645.00	3,600.00	3,600.00
Rent	15,000.00	12,558.00	15,000.00	15,000.00
Equipment & Supplies	5,000.00	4,094.00	5,000.00	5,000.00
Telephone	2,700.00	2,923.00	2,700.00	2,700.00
Misc.	2,000.00	1,200.00	2,000.00	2,000.00
Postage	2,500.00	1,566.00	2,500.00	2,500.00
Total	30,800.00	27,986.00	30,800.00	30,800.00
Accounting				
Bookkeeping	900.00	825.00	900.00	900.00
Audit	2,000.00	1,500.00	1,500.00	1,500.00
Total	2,900.00	2,325.00	2,400.00	2,400.00
Resource Development				
Printed Materials	7,000.00	8,441.00	7,000.00	7,000.00
Department Travel	12,000.00	7,937.00	12,000.00	12,000.00
National Association	2,000.00	2,070.00	2,000.00	2,000.00
Total Expenses	140,761.00	136,192.42	145,443.00	148,443.00
Projected Income				
Dues	15,000.00	9,393.00	15,000.00	15,000.00
Father's Day Offering	12,000.00	7,366.00	12,000.00	12,000.00
Together Way	75,000.00	77,524.00	75,000.00	77,000.00
Softball	2,500.00	2,900.00	2,500.00	2,500.00
Golf	5,000.00	5,800.00	5,000.00	5,000.00
Gifts	10,000.00	13,869.00	10,000.00	11,000.00
Sales	3,000.00	2,100.00	3,000.00	3,000.00
Endowment Income	5,000.00	5,000.00	9,943.00	9,943.00
BAH	10,000.00	10,000.00	10,000.00	10,000.00
Master's Men Conferences	3,011.00	1,500.00	3,000.00	3,000.00
Total Income	140,511.00	135,452.00	145,443.00	148,443.00

Minutes

of the

Seventy-eighth Annual Session

of the

Women Nationally Active for Christ Convention

of the

National Association of Free Will Baptists

when convened in

Tampa, Florida

July 23, 2013

Women Nationally Active For Christ
P.O. Box 5002
Antioch, TN 37011-5002

Executive Committee:

President

Diana Bryant
 2156 54th Avenue
 Vero Beach, FL 32966
 772-535-1882
 dianabryant57@aol.com

Vice President

Pam Hackett
 121 Springside Drive
 Boiling Springs, SC 29316
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Secretary

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 1397 Terry Drive
 Reynoldsburg, OH 43068
 614-560-0710
 oreta14@hotmail.com

Members-at-Large

Amy Johnson
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Janie Campbell
 490 Whitney Woods Road
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 501-450-3552
 janiec.campbell@gmail.com

Executive Director

Elizabeth Hodges
 P.O. Box 5002
 Antioch, TN 37011
 615-512-4792
 elizabeth@wnac.org

Theme: He Knows My Name

Scripture: John 10:3, Isaiah 43:1

Music Coordinator: Jenny Donoho

Pianist: Chad Donoho

Proceedings

Tuesday, July 23, 8:00 a.m.

The business session was opened with a "Welcome" video presentation produced by Florida Women Active for Christ. Jenny Donoho, missionary to Tallahassee, FL, led the group in singing "Amazing Grace."

President of Women Nationally Active for Christ, Diana Bryant, called the business session to order. Peggy Clyatt opened the meeting in prayer.

The Credentials Committee Report was submitted by Chairperson Phyllis Bass (TX) and read by Janie Campbell, acting secretary.

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

Two districts with no state conventions submitted reports and paid dues: First Arizona – New Mexico.

One local group, Canada, with no district or state convention submitted a report and paid dues.

In addition, there were 22 delegates from local groups in good standing with their representing higher body (district or state) who had paid their \$10 representation fees.

Total Registration – 653

Motion carried to receive the report and seat the delegates.

WNAC Executive Director Elizabeth Hodges gave the Executive Director's report with a PowerPoint® presentation. She presented names and pictures of the Wisheart Scholarship recipients. She also announced the recipient of the Cleo Pursell Scholarship, Myriam Le Louarn of France. She explained how WNAC funds helped the Women Active for Christ in Mexico provide bathrooms for the Seminary; highlighting scholarship winners, projects benefiting several mission fields, upcoming projects, and noted last year's giving and membership totals. She proposed a \$212,000 budget for 2014, with salaries being frozen for the 4th consecutive year.

Motion carried to accept the report and approve the 2014 budget.

President Diana Bryant presented the Executive Committee Recommendations, read by Janie Campbell, acting secretary:

1. The WNAC Executive Committee recommends that the executive director study the possibility of joining the Cooperative Giving Program of the National Association of Free Will Baptists with details and recommendations to be published before the 2014 convention.

2. In response to the direction given by the body at the 2012 National Convention and after prayerful consideration and seeking additional counsel, the WNAC Executive Committee has revisited the "WNAC Bylaws – Article II – Elections" and concurs that the original article needs no revision and is adequate as written.

3. In response to the direction given by the body at the 2012 National Convention and after prayerful consideration, the WNAC Executive Committee has revisited the "WNAC Bylaws – Article VII – Discipline" and concurs that the original article needs no revision and is adequate as written.

4. The Executive Committee recommends that this year's Cleo Pursell Foreign Student Scholarship be awarded to Myriam Le Louarn of France.

Motion carried to approve Recommendation 1.

Motion carried to approve Recommendation 2.

Motion carried to approve Recommendation 3.

Motion carried to approve Recommendation 4.

The following resolutions were presented by the Resolutions Committee Chairperson Carolyn Riddick (NC):

1. We recommend that WNAC reaffirm our stand against same-sex marriage and our stand to keep the definition of marriage as the union of one man and one woman.

2. We resolve to pray for WNAC to continue in faithful service and commitment to our mission action endeavors in fulfilling the Great Commission.

3. We resolve to diligently pray for our country, our leaders, and those who serve in our military.

Motion carried to adopt Resolution 1.

Motion carried to adopt Resolution 2.

Motion carried to adopt Resolution 3.

The following Nominating Committee report for the 2013-2015 term was presented by Chairperson Tracy Payne (OK).

President, Diana Bryant (FL)

Vice-President, Pam Hackett (SC)

Secretary, Janie Campbell (AR)

Members-at-Large:

Amy Johnson (IN)

Jonda Patton (KY)

Sarah Sargent (OH)

Motion carried to accept this report.

Sarah Fletcher, editor of *Treasure Study Guide*, introduced names and topics for the coming year's magazine. A "Sister Story" will be featured each month online. Sarah shared the need for a person who will be willing to write for teen girls and WNAC.

Motion carried to adjourn.

Worship Service

9:45 a.m.

The worship service began with introductions and testimonies from international Christians, Pastor Bruno Ling (France), pastor's wife Ciraida Sanchez (Cuba) and Seminary worker Marilyn Velasquez (Panama). They spoke of their gratitude for WNAC and shared news from their particular fields.

The Donoho Family presented the special music, "Calvary Answers for Me."

Lydie Teague (France), wife of Joel Teague, was introduced by Barbara Gibbs, missionary to France. She shared how she came to faith in Christ through the outreach of the church in St. Nazaire and how her faith has grown over the past several years. She shared ways that she and Joel are working to spread the Gospel in France.

Seminars

The following seminars were presented at 11:15 a.m. and 2:15 p.m. to offer women ample opportunities to attend:

My Name is Solo — Sarah Sargent (OH), Sarah Malone (ELIC)

My Name is More — Ashley Bennett (AZ), Lea Edgmon (Spain), Heather Goodman (AZ)

My Name is Image — Sarah Fletcher (WNAC Editor)

My Name is Reflection — provided state and national leaders an opportunity to evaluate the convention.

WNAC Fellowship Luncheon

12:00 p.m.

During the annual fellowship luncheon, Mrs. Lorene Miley, retired missionary to Côte d' Ivoire, shared from her recent book on Psalm 119.

Laughter & Latte

Monday Evening, July 24

Nearly 100 women enjoyed coffee and snacks after the evening service during an informal time of fellowship and fun.

WNAC Executive Committee Meetings and Actions

July 26, 2012

The Executive Committee met via conference call for a post-convention debriefing. Members present were Diana Bryant, Pam Hackett, Jan Clay, Amy Johnson, Jonda Patton, Janie Campbell, and Executive Director Elizabeth Hodges.

Each member shared observations from the 2012 WNAC Convention and gave ideas for development and/or change.

November 8, 2012 — A.M. Session

The Executive Committee met in Nashville, TN, November 8-9, 2012. Members present were Jan Clay, Diana Bryant, Janie Campbell, Amy Johnson, Pam Hackett and Executive Director Elizabeth Hodges. Jonda Patton was available via speaker phone during much of the meeting.

Elizabeth Hodges gave her executive director's report.

There was much discussion regarding the following points of interest:

1. Decided to start charging \$5 per copy to send WNAC Manual to those who request it.
 2. WNAC has ordered a "square" application for credit card use.
 3. Decided to again hire Tana Womack to work in WNAC convention booth for 2013.
 4. Agreed to try to have all WNAC events at Marriott for 2013 WNAC convention, due to the 15% discount we will receive.
 5. Discussed the \$1,300 deficit for expenses of the 2012 WNAC convention.
 6. Agreed to talk to Beth Bryant and some younger WNAC members regarding a Pinterest Administration Group. Discussed having a social media seminar at some point.
- Keith Kennemer, Randall House Publications, gave a presentation.

November 8 — P.M. Session

Elizabeth Hodges gave details about being approached by several denominational leaders asking if WNAC would consider becoming involved in the Coop Program and becoming an official department of NAFWB. Committee discussed pros and cons of moving that direction.

November 9 — A.M. Session

Resumed Coop discussion. Motion carried to investigate the possibility.

Discussed the constitutional changes that the WNAC Executive Committee was directed to review at 2012 WNAC Convention.

Discussed the WNAC Nominating Committee concerns. Agreed to ask Tracy Payne, Oklahoma WAC President and current committee chairman, to speak to the issue on the floor.

Discussed convention details.

Discussed options for the 2015 WNAC National Retreat.

Discussed the WNAC survey of 2011-2012.

January 10, 2013

The Executive Committee met via conference call. Members present were Diana Bryant, Pam Hackett, Amy Johnson, Jonda Patton, Janie Campbell and Executive Director Elizabeth Hodges.

Elizabeth Hodges discussed financial and budget matters.

Discussed the possibility of a strategic planning meeting including the presidents from the top 10 giving states.

Motion carried to have a meeting April 5-6, 2013.

Discussed an invitation for the Executive Committee to participate in a women's conference in Kazakhstan in 2014.

Elizabeth gave an update on convention details and an opportunity to help refurbish the Abidjan guest house. Motion carried to help with this project.

February 21, 2013

The Executive Committee met via conference call. Members present were Diana Bryant, Jonda Patton, Pam Hackett, Janie Campbell, Amy Johnson, and Executive Director Elizabeth Hodges.

The committee regrettably voted to accept the resignation of Jan Clay.

Diana discussed details regarding the WNAC retreat in 2015. Dates for the retreat are September 3-4.

Elizabeth gave information regarding the Kazakhstan trip.

April 5, 2013

The Executive Committee met at the national offices in Antioch, TN, prior to the strategic planning meeting with the WAC state leaders. All members were present including Executive Director Elizabeth Hodges.

Elizabeth Hodges updated the committee on the unofficial audit from Terry Hill. Convention details were discussed.

April 5, 2013 – Meeting with WAC State Leaders

WAC state leaders from 10 states met in Antioch, TN, for a strategic planning meeting with the WNAC Executive Committee.

Needs of FWB women, financial concerns, and ideas for growth were discussed. Each woman was given time to share her viewpoint and ideas from her state.

May 9, 2013

The Executive Committee met via conference call. All members were present including Executive Director Elizabeth Hodges.

Motion carried to withdraw money from the WNAC Revocable Trust for expenses incurred during the strategic planning meeting.

Discussed Kazakhstan trip.

May 23, 2013

The Executive Committee met via conference call. All members were present including Executive Director Elizabeth Hodges.

Discussed the possibility of joining the NAFWB Coop Program. Motion carried to recommend studying the possibility of joining the Coop Program with the understanding that details will be published before the 2014 convention. This proposal will be presented to the WNAC Convention in July.

Elizabeth mentioned that she had spoken to Isabella ?? about coming to speak at the retreat in 2015.

Discussed dates for Kazakhstan training.

July 11, 2013

The Executive Committee met via conference call. All members were present including Executive Director Elizabeth Hodges.

Discussed meeting schedule for the convention.

Discussed the proposal from Auditor Terry Hill for his services. Motion carried to accept this proposal.

Elizabeth informed the committee of a need from Pastor Amado Gonzalez from Cuba. Motion carried to send

\$1800 to help pay for Cuban women to attend the retreat.

Motion carried to present the following recommendations to the body during the business session of the convention:

1. The WNAC Executive Committee recommends that the executive director study the possibility of joining the cooperative giving program of the National Association of Free Will Baptists with details and recommendations to be published before the 2014 convention.

2. The WNAC Executive Committee recommends that this year's Cleo Pursell Foreign Student Scholarship be awarded to Myriam Le Louarn of France.

July 21, 2013

The Executive Committee met at the Marriott, Tampa, FL. All members were present including Executive Director Elizabeth Hodges.

Met with the Executive Committee of the National Association and discussed the possibility of WNAC joining NAFWB Coop Program.

Met with Auditor Terry Hill. Phyllis York joined the meeting. Mr. Hill explained the audit in detail.

August 14, 2013

The Executive Committee met via conference call. All members were present including Executive Director Elizabeth Hodges. There was discussion regarding this year's convention, observations, and changes we could make.

The next board meeting will be December 11-12.



Women Nationally Active for Christ

2013

Isaiah 43:1 states, "I have redeemed thee, *I have called thee by thy name*, thou art mine." The same thought is echoed in John 10:3, "The sheep hear his voice: and *he calleth his own sheep by name*." What a precious thought that God knows me personally by name. Magnify that thought by every person who has ever lived or ever will live. What a mighty God we serve.

The women of WNAC consistently give to missions and ministry causes totaling **\$471,661.19** for 2012. An additional **\$25,564.24** was given in non-cash gifts to the Steward Provision Closet for a grand total of **\$497, 225.43**. This year we were able to assist in completing the restroom facilities on the campus of IBLAC for our sisters in Mexico. We also refurbished the guest house in Abijan, including the purchase of appliances. This project will benefit the many short-term mission teams that travel to Cote d' Ivoire, as well as our resident missionaries. We assisted several MKs who were setting up their dorm rooms. Our retirees were honored during the holiday season, in addition to meeting the needs of our home and international missionaries.

The **scholarship programs** continue to be a blessing to young women. The recipient of the Cleo Pursell Foreign Student Scholarship Fund is **Myriam Le Louarn** (France), sister to missionary Lydie Teague. Myriam will be taking on-line classes toward a degree in youth ministry. Recipients of the Dr. Mary R. Wisheart Student Scholarship are: **Rebekah Gideon**, Welch College; **Amber Wilson**, Gateway FWB College; **Bre Riesen Lee**, Hillsdale FWB College, recipient for the second year; and **Jessica Potter**, California Christian College, our first recipient from a Home Mission work, Sloan Canyon in Castaic. We are blessed to invest in the lives and ministries of these young women.

Our **4,090** members from **22** states have been faithful in the ministry of WNAC. We ended the year with a deficit though it is better than last year. We continue to seek ways to strengthen the financial base of WNAC so that the ministry can move forward meeting the varied needs of our women. The office staff is to be commended for their dedication, faithfulness, and cheerfulness in spite of these challenges. The proposed budget is a realistic presentation reflecting the rise in cost of insurance, rent, postage and printing.

A **strategic planning meeting** involving the leadership of the top ten contributing states was held in April. This was the second phase of incorporating the ideas from the 2011 survey. This was a beneficial session for the state leaders as well as the WNAC Executive Committee and office staff.

As we move forward, it is encouraging to know that God knows each of us by name. His plan and purpose will be accomplished in our lives as we seek to serve Him faithfully. This year we will explore such thoughts as we pursue the theme, *He Knows My Name*.

May God richly bless each of you as we serve Him together.

Elizabeth C. Hodges, Ed.S.
Executive Director



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Executive Committee of the Women Nationally Active for Christ

We have audited the statements of financial position of the Women Nationally Active for Christ (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used that and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and 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 3, 2013

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

Statements of Financial Position December 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents:	\$ 42,187	27,287
Cash in bank and other		
Funds held by Free Will Baptist Foundation	176,927	194,709
(including \$167,874 in 2012 and \$134,180 in 2011		
of temporarily restricted funds)	219,114	221,996
	1,664	15,731
Accounts receivable	3,671	3,788
Inventory and prepaid expenses		
	23,035	21,723
Office equipment and furniture:	21,941	21,723
Cost basis		
Less accumulated depreciation	1,094	-
	55,092	51,827
Funds held by Free Will Baptist Foundation for endowments	\$ 280,635	293,342
Liabilities and Net Assets		
Current liabilities:	\$ 4,601	3,267
Accounts payable and accrued expenses	-	878
Funds held for other organizations and agencies	28,302	32,808
Deferred revenues related to magazine subscriptions	32,903	36,953
Total current liabilities		
	18,366	21,000
Net assets:	180,545	187,271
Unrestricted	48,821	48,118
Temporarily restricted		
Permanently restricted	247,732	256,389
Total net assets	\$ 280,635	293,342

See accompanying notes to financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of The National Association of Free Will Baptists)
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2012 and 2011

	Funds Held for Others	Operations	Publications	Convention and Retreats	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2012 Total	2011 Total
Revenue and Support:									
Funds for other agencies and departments:									
Amount received	\$ 73,480	-	-	-	73,480	-	-	73,480	302,446
Amount incurred	(73,480)	-	-	-	(73,480)	-	-	(73,480)	(302,446)
Gifts and offerings	-	60,246	-	-	76,860	15,016	703	92,579	84,670
Magazine subscriptions	-	-	45,235	-	45,235	-	-	45,235	36,928
Literature sales	-	1,128	-	-	1,128	-	-	1,128	3,193
Dues / delegate fees	-	61,830	-	-	61,830	-	-	61,830	70,798
Convention revenues	-	-	-	15,588	15,588	-	-	15,588	12,573
Interest income	-	246	-	-	246	4,828	-	5,074	5,601
Gain (loss) from investment assets	-	-	-	-	-	5,239	-	5,239	(633)
Distributions - endowment income	-	2,677	-	-	2,677	(2,677)	-	-	-
Other income	-	511	-	-	511	-	-	511	1,731
Total revenue and support	-	126,638	45,235	32,202	204,075	22,406	703	227,184	214,861
Cost of publications:									
Magazine printing	-	-	19,028	-	19,028	-	-	19,028	20,346
Support for One Magazine	-	-	8,382	-	8,382	-	-	8,382	5,588
Editor	-	-	23,200	-	23,200	-	-	23,200	23,200
Postage	-	-	1,555	-	1,555	-	-	1,555	1,405
Net revenue and support	-	-	52,165	-	52,165	-	-	52,165	50,539
Net assets released from restrictions	-	126,638	(6,930)	32,202	151,910	22,406	703	175,019	164,322
Operating expenses:									
Operations	-	160,973	-	-	160,973	-	-	160,973	156,516
Convention and retreats	-	-	-	22,703	22,703	-	-	22,703	24,026
Increase (decrease) in net assets	\$ -	(5,203)	(6,930)	9,499	(2,634)	(6,726)	703	(8,657)	(16,220)
Net assets beginning of the year	-	160,973	-	22,703	183,676	-	-	183,676	180,542
Net assets end of the year	-	-	-	-	21,000	187,271	48,118	256,389	272,609
				\$ -	18,366	180,545	48,821	247,732	256,389

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

Statement of Functional Expenses
For the year ended December 31, 2012 and 2011

	Operations	Convention and Retreats	2012 Totals	2011 Totals
Expenses of operations:				
Salaries	\$ 57,408	-	57,408	57,184
Employee benefits, payroll taxes, and health insurance	16,017	-	16,017	18,570
Literature for sale and for promotional purposes	18,167	-	18,167	18,167
Rent	2,674	-	2,674	13,622
Travel	-	22,703	22,703	24,026
Annual convention	17,915	-	17,915	9,945
Office expense and other	29,132	-	29,132	14,840
Restricted expenditures	5,153	-	5,153	8,674
Legal and audit	4,153	-	4,153	5,035
Postage and shipping	4,871	-	4,871	4,490
Executive Committee	2,715	-	2,715	2,087
Promotion	2,549	-	2,549	1,563
Dues, subscriptions and continuing education	219	-	219	529
Depreciation	-	-	-	-
Total expenses	\$ 160,973	22,703	183,676	180,542

See accompanying notes to financial statements.

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

Statement of Cash Flows

For the year ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Decrease in net assets	\$ (8,657)	(16,220)
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	219	529
(Gain) loss on endowment funds held by Free Will Baptist Foundation	(5,239)	633
(Increase) decrease in:		
Receivables	14,067	(8,140)
Inventory and prepaid expenses	117	1,651
Increase (decrease) in:		
Deferred revenues related to magazine subscriptions	(4,506)	5,392
Funds held for other denominational agencies and organizations	(878)	(17,955)
Accounts payable and accrued expenses	1,333	1,956
Net operating activities	(3,544)	(32,154)
Cash Flows from Investing Activities		
Purchase of equipment	(1,312)	-
Net change in endowment investments held by Free Will Baptist Foundation	1,974	1,518
Net investing activities	662	1,518
Decrease in cash and cash equivalents	(2,882)	(30,636)
Cash and cash equivalents:		
Beginning of year	221,996	252,632
End of year	\$ 219,114	221,996
Cash and cash equivalents consist of:		
Cash in bank and other	\$ 42,187	27,287
Funds held by Free Will Baptist Foundation	176,927	194,709
	\$ 219,114	221,996

See accompanying notes to financial statements.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of The National Association of Free Will Baptists)
Notes to Financial Statements

December 31, 2012 and 2011

Women Nationally Active For Christ (hereafter WNAC) operates as an auxiliary of the National Association of Free Will Baptists, Inc. and is governed by its Executive Committee. The Executive Committee is comprised of the four elected officers and three members elected from the body at large. WNAC is an unincorporated non profit entity.

The purpose of the organization shall be to assist the various bodies comprising the WNAC in providing opportunities for each woman to fulfill the Great Commission through her God-designed role in the home, Church, community and world.

(1) Summary of Significant Accounting Policies

Basis of Presentation

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

As required by generally accepted accounting principles, WNAC reports information regarding its financial position and activities according to three classes of net assets, as applicable:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body.

Temporarily restricted net assets - Net assets whose use is subject to donor imposed stipulations and / or the passage of time.

Permanently restricted net assets - Net assets to be maintained in perpetuity as directed by donor imposed stipulations.

The amount of each of the classes of net assets are presented in the statements of financial position and the change in each class of net assets is presented in the statements of activities.

Funds received which are designated by the donor to be transferred to third parties are accounted for as liability transactions. WNAC is encouraging donors to make their contributions direct to the respective beneficiary.

Cash and Cash Equivalents

For purposes of the statements 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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. For the years ended December 31, 2012 and 2011, endowment funds held by Free Will Baptist Foundation were valued at market using Level 2 inputs.

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.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of The National Association of Free Will Baptists)
Notes to Financial Statements, continued

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

Endowment Funds

Investments of endowment funds are held by Free Will Baptist Foundation and are valued using Level 1 inputs (as described above) based on fair market value quotes. As required by generally accepted accounting principles, the original donor contribution is maintained as permanently restricted net assets. All resulting net accumulated investment gains or losses are maintained either as temporarily restricted net assets (if net gains) or unrestricted net assets (if net losses). The balances relating to endowment funds are as follows:

	2012	2011
Permanently restricted net asset:		
Original donor investment (corpus)		
Balance at beginning of year	\$ 48,118	47,232
Donor gifts	703	886
	\$ 48,821	48,118
Temporarily restricted net assets:		
Balance at beginning of year	\$ 3,709	6,747
Investment earnings, including investment gains and losses	5,239	(633)
Distributions of earnings up to 5% of account balance	(2,677)	(2,405)
	\$ 6,271	3,709
Total invested funds with Free Will Baptist Foundation as endowment	\$ 55,092	51,827

Accounts Receivable

WNAC extends credit to churches and individuals located throughout the United States for magazine subscriptions and literature. Accounts receivable are deemed to be fully collectible by management and no reserve is considered necessary. All accounts are reviewed by management and written off as "refunds, allowances and uncollectible" as may be necessary, which is reported as a reduction to the respective revenue.

Fixed Assets

Furniture and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on the straight line method. Expenditures for maintenance and repairs, renewals, and betterments that do not significantly extend the useful life's of asset are expensed as incurred.

Deferred Revenues

Deferred revenues relate to magazine subscriptions billed in September for the next calendar year.

Income Taxes

WNAC is exempt from Federal and state income taxes; accordingly, no provision for income taxes is made in the accounts. There is no unrelated business income for 2012 and 2011. Further, management believes that WNAC has no activities which will lead to income taxes being levied.

Compensated Absences

Employees of the WNAC are entitled to paid vacation, 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. WNAC's policy is to recognize the cost of compensated absences when actually paid to the employees.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through April 3, 2013, the date these financial statements were available to be issued.

Reclassification of Beginning Net Assets

Certain reclassifications were made among and between net asset groups, these reclassifications had no effect on total net assets as reported.

WOMEN NATIONALLY ACTIVE FOR CHRIST
(An Auxiliary of The National Association of Free Will Baptists)
Notes to Financial Statements, continued

(2) **Temporarily Restricted Net Assets**

Net assets were released from donor restrictions during the year ended December 31, 2012 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

Mary Wisheart Student Scholarship Fund	\$ 5,000
C. Purcell Foreign Scholarship Fund	1,391
Steward Provision Closet	22,478
Free Will Baptist Bible College Mission Home	263
	29,132

Net assets released

M. Workman Endowment funds distributed	2,677
--	-------

Net assets released after distributions

\$ 31,809

2012 2011

Remaining balances of temporarily restricted net assets are as follows:

	\$ 103,282	104,601
Mary Wisheart Student Scholarship Fund	595	309
C. Purcell Foreign Scholarship Fund	65,616	73,742
Steward Provision Closet	4,781	4,910
Free Will Baptist Bible College Mission Home	6,271	3,709
M. Workman Endowment funds available for distributions	\$ 180,545	187,271

(3) **Pension**

WNAC 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 \$2,803 in 2012 and 2011. The pension plan is a defined contribution plan. Under the plan, an account is maintained for each participant and upon retirement the participant can either receive a lump-sum distribution or purchase of one of several types of annuity contracts.

(4) **Operating Leases**

WNAC has entered into noncancelable a lease arrangement relating to a copy machine. Lease expense amounted to \$1,980 in 2012 and 2011. The lease expires February 2013 and will require payments of \$330.

Further, WNAC 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 \$18,167 in 2012 and 2011.

(5) **Concentration of Credit Risk**

WNAC has an accounting risk of loss to the extent of unsecured accounts receivable and funds held by Free Will Baptist Foundation. Further, bank balances in excess of the amount of FDIC insurance are subject to risk of accounting loss. Management does not anticipate nonperformance by the financial institutions.

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

The denomination began the publication - One Magazine - in 2005 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. WNAC provided support of \$8,382 in 2012 and \$5,588 in 2011.

(7) **Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated entity's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

WOMEN NATIONALLY ACTIVE FOR CHRIST 2014 Proposed Budget

	2012 Budget	2012 Actuals	2013 Budget	2014 Budget
Projected Revenue				
Gifts, offerings, support	50,250.00	60,246.00	55,000.00	61,000.00
Dues & delegate fees	75,000.00	61,830.00	70,000.00	65,000.00
Publications	52,000.00	45,235.00	40,000.00	45,000.00
Literature	7,500.00	1,128.00	3,200.00	1,500.00
Convention Revenues	27,750.00	32,202.00	27,750.00	35,000.00
Interest Income	1,000.00	246.00	500.00	500.00
Endowment Income	3,000.00	1,296.00	300.00	3,000.00
Miscellaneous Income	450.00	597.00	5,000.00	1,000.00
Total	216,950.00	202,780.00	201,750.00	212,000.00
Projected Operating Expenses				
Salaries and Wages	79,077.00	57,158.00	55,877.00	57,160.00
Payroll Taxes and Employee Benefits	21,714.00	16,017.00	20,062.00	20,245.00
Rent	19,200.00	18,167.00	19,200.00	18,500.00
Travel	10,209.00	2,674.00	10,000.00	5,000.00
Promotion		2,715.00		
Office Expense	17,500.00	17,915.00	8,500.00	18,000.00
Professional Service / Audit	6,250.00	5,153.00	4,500.00	5,200.00
Postage and shipping	4,000.00	4,153.00	4,000.00	4,200.00
Executive Committee	5,000.00	4,871.00	4,000.00	5,000.00
Dues, Subscriptions, Cont. Education	800.00	2,549.00	500.00	1,000.00
Depreciation		219.00	461.00	
Conventions & Retreats	21,000.00	22,703.00	23,000.00	25,000.00
Total	184,750.00	154,294.00	150,100.00	159,305.00
Cost of Publications:				
Magazine Printing		19,028.00	18,000.00	19,100.00
Cost of Literature			500.00	
Editor (Salary / Christmas Bonus)		23,450.00	23,450.00	23,450.00
Postage		1,555.00	1,300.00	1,745.00
One Magazine		8,382.00	8,400.00	8,400.00
Total	32,200.00	52,415.00	51,650.00	52,695.00
Total	216,950.00	206,709.00	201,750.00	212,000.00

2014 WNAC SALARIES AND BENEFITS BREAKDOWN

	2013	2014
Executive Director		
Salary	\$ 44,437.00	\$ 44,437.00
Social Security/Medicare	\$ 3,465.00	\$ 3,400.00
Retirement	\$ 2,222.00	\$ 2,222.00
Insurance (Travel/Key Man, Health/Life, Dental)	\$ 6,852.00	\$ 8,000.00
Christmas Bonus	\$ 855.00	\$ 855.00
Total Salary and Benefits	\$ 57,831.00	\$ 60,928.00
Administrative Assistant		
Salary	\$ 11,440.00	\$ 11,616.00
Social Security/Medicare	\$ 876.00	\$ 888.00
Retirement	\$ 572.00	\$ 581.00
Insurance (Health/Life & Dental)	\$ 4,970.00	\$ 5,401.00
Christmas Bonus	\$ 250.00	\$ 250.00
Total Salary and Benefits**	\$ 18,108.00	\$ 18,736.00
Grand Total of Salaries and Benefits	\$ 75,939.00	\$ 79,664.00

*WNAC pays 1/4 of the family's premium.

**WNAC pays 1/2 of the total package for the administrative assistant.

WNAC Receipts 2012

State	* Gen Fund	Dues	Faith Promise	Emphasis	Endowment	Provision Closet	Wisehart Student Scholarship	Purcell Foreign Scholarship	International Missions	Christmas Joy	Home Missions	Mission Objectives	State Programs	Children's Homes	Colleges	Total
AL	1,301.24	3,390.00	275.00	520.00	463.52	145.00	150.00	25.00	400.00		951.00	30.00	670.00	358.74	134.00	8,349.98
AR	9,058.45	10,530.00		890.18		1,470.00	20.00	25.00			1,725.00					24,182.15
AZ	358.23	330.00							836.07		272.50			280.00	200.00	688.23
CA	1,049.11	1,125.00		415.00		25.00										4,202.68
CN	28.89	30.00														58.89
CO																150.00
DE																150.00
FL	1,185.08	795.00	220.00	200.00		485.00			15,376.57	307.50	8,801.34	80.00	997.73	1,754.00	1,236.25	3,209.08
GA	2,324.63	5,010.00		1,355.00		1,308.25	182.00	596.75								39,330.02
HI									1,000.00		1,217.51					6,104.65
IL	757.14	2,010.00	220.00	275.00		625.00					1,050.00					1,731.48
IN	261.48	420.00														
KS																
KY	2,510.76	1,500.00	110.00	300.00		200.00					300.00					4,920.76
MI	1,360.00	1,995.00		300.00		1,250.00										4,905.00
MO	2,452.64	5,535.00	135.00	1,530.40		350.00	30.66	27.65	100.00	280.00						10,441.25
MS	280.00	1,515.00				600.00			405.00	90.00	219.00					2,614.00
NC	4,753.65	7,590.00		1,269.90	14.00	1,231.26	57.00	100.00			175.00					15,685.81
NH																
NM	633.50	90.00					100.00									823.50
OH	806.97	2,055.00	600.00	750.00		635.00		100.00			272.73					5,219.70
OK	1,493.01	8,115.00	200.00	313.00		346.18	60.00	131.00	334.00		100.00					11,082.19
PA		60.00				150.00			13,023.37		4,759.88	2,636.95		950.00	509.00	21,000.00
SC	165.16	3,165.00		692.00	175.00	1,900.00			1,771.05	820.00	325.00					27,976.36
TN	4,911.42	1,780.00	1,185.00	873.25	50.00	340.00	212.00	668.00								12,915.72
TX	675.89	1,095.00	110.00	190.00		200.00					818.05					3,088.94
UT																
VA	1,053.60	1,950.00		120.00		50.00			1,137.47		4,243.94	1,069.47				9,624.48
VI																
WV	9.64	1,395.00		105.00					300.00		200.00					2,009.64
Foundation	4,191.06															4,191.06
	41,621.55	61,450.00	3,055.00	10,098.73	702.52	11,450.69	801.56	1,673.40	34,683.53	1,497.50	25,754.95	3,816.42	1,667.73	3,342.74	2,079.25	203,715.57

* General fund total includes WNAC's portion of the Together Way and Rest of the Family offerings.

REPORTED DIRECT GIVING FROM WNAC January - December 2012

STATE	State Missions	International Missions	Home Missions	Colleges	Children's Homes	Youth Camps	Other Mission Objectives	Total
AL	1,000.00	3,475.00			50.00		2,200.00	6,725.00
AZ								
AR	24,905.00	12,604.29	13,042.76	50.00	1,995.57	416.07	2,753.55	55,771.26
CA		400.00	160.00				700.00	1,260.00
CANADA								0.00
DE								0.00
FL	2,984.00	1,711.15	653.00		120.00		90.00	5,558.15
GA	9,835.05	1,376.59						11,211.64
IL		50.00	98.00					148.00
IN	2,000.00							2,000.00
KS								
KY	815.00	20,612.00	17,953.98	20.00	10,790.00	4,948.02	6,191.40	61,328.40
MI		75.00	105.00					180.00
MS								
MO	8,380.05	7,207.29	5,516.92	430.00	254.77	1,612.55	15,766.82	39,168.40
NM								
NC		20,629.63	12,214.03	5,807.08	1,917.98			40,568.73
NH	1,725.05	3,001.55	1,330.18		450.00			6,756.86
OK	10,764.75	5,488.53	2,388.34	4,453.98	1,355.00			24,888.60
PA								
SC	105.00	4,796.75	4,727.50	545.00	1,581.00	50.00	452.00	12,267.25
TN								
TX								
VA		50.00						50.00
WV								
Foundation								
Total	62,518.90	81,475.78	58,169.73	11,306.07	18,514.32	7,024.84	28,536.18	267,945.62

TOTAL 2012 GIVING

WNAC RECEIPTS	DIRECT GIVING	Grand Total
8,349.98	6,725.00	15,074.98
888.23		888.23
24,182.15	55,771.26	79,953.41
4,202.08	1,260.00	5,462.08
58.89		58.89
150.00		150.00
3,209.08	5,558.15	8,767.23
39,330.02	11,211.64	50,541.66
6,104.85	148.00	6,252.85
1,731.48	2,000.00	3,731.48
4,920.76	61,328.40	66,249.16
4,905.00	180.00	5,085.00
2,614.00		2,614.00
10,441.25	39,168.40	49,609.65
823.50		823.50
15,685.81	40,568.73	56,254.54
5,219.70	6,756.86	11,976.56
11,082.19	24,888.60	35,970.79
210.00		210.00
27,976.36		27,976.36
12,915.72	12,267.25	25,182.97
3,088.94		3,088.94
9,624.48	95.00	9,719.48
2,009.64		2,009.64
4,191.06		4,191.06
203,715.57	267,945.62	471,661.19

2012 WNAC Statistics

Total Giving through WNAC	Missions/Ministry Objectives	Per Capital/Total Giving	WNAC OFFICE SUPPORT
1. Arkansas \$ 79,953.41	1. Kentucky \$ 61,828.40	1. Kentucky \$ 662.49	1. Arkansas \$ 22,457.15
2. Kentucky \$ 66,249.16	2. Arkansas \$ 59,011.26	2. Tennessee \$ 215.24	2. North Carolina \$ 15,015.81
3. North Carolina \$ 56,254.54	3. North Carolina \$ 42,626.99	3. Florida \$ 165.42	3. Georgia \$ 10,776.63
4. Georgia \$ 50,541.66	4. Georgia \$ 41,862.03	4. Georgia \$ 151.32	4. Oklahoma \$ 10,648.19
5. Missouri \$ 49,609.65	5. Missouri \$ 39,956.61	5. New Mexico \$ 137.25	5. Missouri \$ 10,061.25
6. Oklahoma \$ 35,970.79	6. Oklahoma \$ 25,859.78	6. Missouri \$ 134.43	6. Tennessee \$ 9,999.67
7. South Carolina \$ 27,976.36	7. South Carolina \$ 23,779.20	7. Indiana \$ 133.27	7. South Carolina \$ 8,087.16
8. Tennessee \$ 25,182.97	8. Tennessee \$ 16,403.30	8. South Carolina \$ 132.59	8. Alabama \$ 5,806.24
9. Alabama \$ 15,074.98	9. Alabama \$ 9,588.74	9. Arkansas \$ 113.89	9. Ohio \$ 4,946.97
10. Ohio \$ 11,976.56	10. Ohio \$ 7,766.92	10. North Carolina \$ 111.17	10. Michigan \$ 4,905.00

Provision Closet Gifts
Cash gifts \$11,460.69
Non-cash gifts \$25,564.24
Total Gifts \$37,024.93

MEMBERSHIP

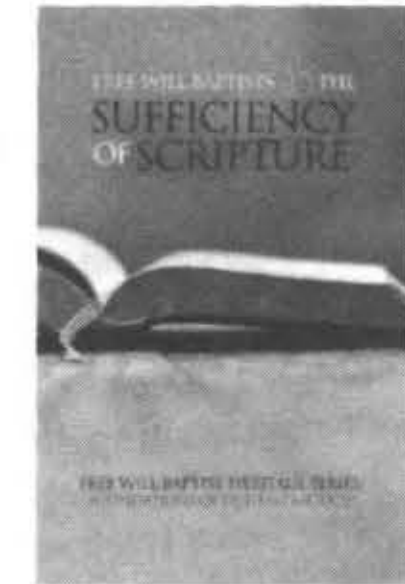
1. Arkansas 702
2. Oklahoma 541
3. North Carolina 506
4. Missouri 369
5. Georgia 334
6. Alabama 226
7. South Carolina 211
8. Ohio 137
9. Illinois 134
10. Michigan 133

2013 Historical Commission Report

The Historical Commission launched a revised website in February at www.fwbhistory.com. The site includes important Free Will Baptist historical documents available for download, including books of historical record, biographies, periodicals, minutes from the national conventions, and more. It also contains a regularly updated history blog and a listing of publically accessible Free Will Baptist history collections.

The Free Will Baptist Historical Collection maintained by the commission can be accessed at the Welch College Library website (<http://welchlibrary.wordpress.com>) and searched by content, keyword, or title.

The commission will distribute copies of the seventh in the Free Will Baptist Heritage series of historical pamphlets to delegates at the 2014 National Convention in Ft. Worth, Texas. The publication, "Free Will Baptists and the Sufficiency of Scripture," is authored by Matt Pinson. Previous pamphlets in the Heritage Series can be purchased from Randall House Publications for \$2.99 each or \$14.99 for a pack of 25.



2014 Historical Commission Budgets

	2012 Budget	2012 Actuals	2013 Budget	2014 Budget
Income				
Gifts (Together Way)	\$2,700.00	\$2,651.88	\$3,000.00	\$3,000.00
Interest	20.00	9.16	10.00	10.00
Sale of Pamphlets	550.00	872.68	550.00	850.00
Rest of the Family Offering	0.00	15.07	0.00	0.00
Total Income	3,270.00	3,548.79	3,560.00	3,860.00
Expenses				
Books, Materials, Labor	620.00	802.70	710.00	850.00
Pamphlet Project	2,300.00	2,200.00	2,500.00	2,000.00
Meeting Expenses	250.00	237.74	250.00	250.00
Digest of Reports	100.00	87.00	100.00	100.00
Website Expense	0.00	250.00	0.00	660.00
Total Expenses	\$3,270.00	\$3,577.44	\$3,560.00	\$3,860.00

2012 Financial Report - Historical Commission

Balance on hand 12/31/2011	\$18,295.16
Deposits	
Gifts (Together Way).....	2,651.88
Interest	9.16
Sale of Pamphlets.....	872.68
Rest of the Family Offering.....	15.07
Total	\$3,548.79
Expenditures	
NAFWB Digest of Reports Fee	87.00
Randall House Printing	1,700.00
Picirilli, writing <i>Abstinence</i>	500.00
Expenses for Meeting	237.74
Mike Jones (web work).....	250.00
Welch College (ladder for Historical Room).....	379.00
Welch College (bookcase/shipping).....	423.70
Total	\$3,577.44
Balance on hand 12/31/2012.....	\$18,266.51
Trust Fund at Free Will Baptist Foundation 12/31/2012	\$31,300.22
Total on Hand 12/31/2012	\$49,566.73

Commission for Theological Integrity Report

The purpose of the Commission for Theological Integrity 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 opportunity arise, to conduct seminars on subjects which are pertinent to the purpose of the commission.

In 2012 we celebrated Leroy Forlines's fifty years of service as a member and chairman of the commission as he completed his last term on the commission. We miss him sorely and pledge to continue his solid legacy of theological integrity.

On October 22-23, 2012, we sponsored our sixteenth annual Theological Symposium. The Symposium met on the campus of Welch College. Our seventeenth annual Theological Symposium will meet October 28-29, 2013, on the campus of Hillsdale Free Will Baptist College in Moore, Oklahoma. All who are interested in submitting papers for possible inclusion in the Symposium program are encouraged to contact Matt Pinson at president@welch.edu.

The commission continues to publish *Integrity: A Journal of Christian Thought*, an occasional journal that features scholarly articles and book reviews by Free Will Baptist writers on a host of theological topics. We plan to release a new issue of *Integrity* in late 2013 or early 2014. The journal is provided freely to Free Will Baptist pastors as well as a number of theological libraries and can be purchased for a nominal charge.

At the 2013 session of the National Association, we will be featuring Welch College professor and campus pastor Matthew McAfee, who will be comparing and contrasting the thought of widely influential British theologian N. T. Wright with that of F. Leroy Forlines. That seminar will be held at 2:00 on Monday afternoon of the convention in the Marriott Grand Ballroom Salons A-E.

Respectfully submitted,

The Commission for Theological Integrity
 Matt Pinson, chairman
 Kevin Hester, secretary
 Steve Ashby
 Paul Harrison
 Craig Shaw

**2012
Commission for Theological Integrity
Financial Report**

Bank Balance - January 1, 2012		\$4,498.73
Commission Income		
The Together Way	\$3,130.24	
Theological Symposium Papers	485.00	
Other Gifts	1,227.01	
Rest of the Family Offering	34.94	
Journal Income	<u>30.00</u>	
Total Income		4,907.19
Commission Expenses		
Bookkeeping	400.00	
Convention Speaker/Digest of Reports	662.00	
Annual Meeting and Symposium Expenses	701.35	
Miscellaneous Office Expenses	155.14	
Journal Expenses	<u>0.00</u>	
Total Expenses		<u>1,918.49</u>
Bank Balance - December 31, 2012		<u>\$7,487.43</u>

**2014
Commission for Theological Integrity
Budgets**

	2012 Budget	2012 Actuals	2013 Budget	2014 Budget
Income				
Gifts	\$3,150.00	\$1,261.95	\$4,550.00	\$5,000.00
Journal Income	1,500.00	30.00	100.00	150.00
Theological Symposium Papers	500.00	485.00	250.00	500.00
Together Way Plan	<u>2,900.00</u>	<u>3,130.24</u>	<u>3,000.00</u>	<u>3,200.00</u>
Total Income	<u>8,050.00</u>	<u>4,907.19</u>	<u>7,900.00</u>	<u>8,850.00</u>
Expenses				
Annual Meeting	1,000.00	701.35	1,000.00	2,000.00
Bookkeeping	400.00	400.00	400.00	400.00
Journal Expenses	5,200.00	0.00	5,000.00	5,000.00
National Convention	700.00	662.00	900.00	800.00
Office Expenses	250.00	155.14	100.00	150.00
Theological Symposium Printing	<u>500.00</u>	<u>0.00</u>	<u>500.00</u>	<u>500.00</u>
Total Expenses	<u>\$8,050.00</u>	<u>\$1,918.49</u>	<u>\$7,900.00</u>	<u>\$8,850.00</u>

FWB Music Commission Report

The Music Commission has been active in planning the music for the 2013 National Convention in Tampa, FL. The commission held its annual meeting at the FWB National Offices on January 21-22, 2013. The following agenda was presented by Chris Truett, Music Commission Chairman:

- I. Evaluate and discuss the 2012 National Convention music
 - A. Evaluated all aspects of the 2012 National Convention music
 - B. Met with Executive Secretary Keith Burden and Executive Administrator Ryan Lewis to evaluate the 2012 National Convention music
- II. Plan the entire music program for the 2013 National Association Convention
 - A. Discussed preliminary information on 2013 National Convention Music
 - B. Selected Worship Leaders for 2013 National Convention
 - C. Selected choir songs for 2013 National Convention
 - D. Selected special music for the 2013 Convention (others to be selected as suggestions submitted)
 - E. Met with Executive Secretary Keith Burden and Executive Administrator Ryan Lewis to discuss logistics of 2013 National Convention and set-up.

III. Discuss future projects and vision for the commission

- A. This year's Music Commission project involves five different seminars to be presented at the 2013 National Convention:

1. Tues 1:30 p.m.	Chris Truett	<i>Effective Choir Rehearsals</i>
2. Wed 9:00 a.m.	Dr. Stevens	<i>Piano Improvisation 101: Beginner</i>
3. Wed 10:00 a.m.	Dr. Stevens	<i>Piano Improvisation 201: Advanced</i>
4. Wed 11:00 a.m.	Joshua Riggs	<i>Bricks and Mortar: Building Seamless Worship Services</i>
5. Wed 1:30 p.m.	Music Commission	<i>Q & A Session</i>
- B. The Music Commission has a heart for reaching out to our local churches to assist them in the music and worship ministry of their church. Commission members actively seek to help other churches by presenting workshops and seminars for churches in the area of music and worship. The commission is passionate about putting practical ideas and resources into the hands of our local churches to provide Christ-centered, energetic, and organized music and worship. We welcome the possibility of coming to help you in your local church. It is our desire to lead vibrant, Christ-honoring music during the convention and to help motivate and educate our people to take that passion home with them to their local church. Members of the Music Commission stand ready to help you in your church or local association.

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*.

Please make plans to be involved next year and encourage others to use their talents for the Kingdom in Fort Worth TX.

Respectfully submitted,
The Free Will Baptist Music Commission

Chris Truett, Chairman
Donnie Burke
Kevin Justice
Doug Little
James Stevens

MUSIC COMMISSION FINANCIAL SUMMARY 2012

Beginning Balance (01/01/2012)		\$ 4,783.08
		\$ 2,462.83
Income		
Together Way (undesignated)	1634.49	
Together Way (designated)	784.14	
2011 Rest of the Family Offering	18.24	
Other gifts	25.96	
		\$ 2,592.33
Expenses		
Meetings		2592.33
Annual meeting	2422.88	
Convention meeting	169.45	
Convention		0
Office Expenses		0
		\$ 4,653.58
Ending Balance (12/31/2012)		

MUSIC COMMISSION BUDGET COMPARISONS

	2012 Budget	2012 Actual	2013 Budget	2014 Budget
Income				
Together Way (undesignated)	\$ 2,500.00	\$ 1,634.49	\$ 2,600.00	\$ 2,600.00
Together Way (designated)	\$ 750.00	\$ 784.14	\$ 900.00	\$ 900.00
Rest of the Family Offering	\$ 25.00	\$ 18.24	\$ 25.00	\$ 25.00
Convention Workshops	\$ 500.00	\$ -	\$ 500.00	\$ -
Other gifts	\$ 100.00	\$ 25.96	\$ 100.00	\$ 50.00
Totals	\$ 3,875.00	\$ 2,462.83	\$ 4,125.00	\$ 3,575.00
Expenses				
Meetings	\$ 2,000.00	\$ 2,592.33	\$ 2,025.00	\$ 2,375.00
Convention	\$ 1,675.00	\$ -	\$ 2,000.00	\$ 1,000.00
Office Expenses and Misc	\$ 200.00	\$ -	\$ 100.00	\$ 200.00
Totals	\$ 3,875.00	\$ 2,592.33	\$ 4,125.00	\$ 3,575.00

Media Commission Report

July 2013, Tampa, Florida

In 2012, the Media Commission continued its focus on streaming convention services to enable viewers from all over the country and even a few from different parts of the world to participate in the National Association of Free Will Baptists. In 2012, we had around 2000 viewers from all around the globe.

We are excited about the addition of three excellent board members this year. Marc Neppl, Josh Owens, and Stephen Lopes have brought expertise and ideas to the commission. We hope to bring some of these ideas to life in the next few years.

Starting next year, the Media Commission will be not only be streaming convention services, but also offering the ability to view services from previous years. We are looking forward to developing this new site and hope to present it to the association in 2014. We welcome input and suggestions about sharing these archived services.

This year we are also working with Randall House to stream some of the NYC services for the first time. We are excited to have the opportunity to share these services with young people across our denomination who cannot attend the services in person.

The Media Commission would like to recognize the efforts of Mike Anderson and thank him for his many years of service. He has helped others carry the messages and seminars to friends and family around the globe. At this time, the Media Commission does not plan to make copies of the services on CD in 2014, but we will make copies available for streaming from the web.

In order to continue to wisely use funds at the 2013 convention, the Media Commission has decided not to set up an exhibitor's booth. We are extremely grateful for the support of the Executive Office to help offset some of the costs to bring streaming to the convention. To contact the commission please feel free to use our Facebook page or the website www.fwbmedia.com.

Thank you for the opportunity to serve our denomination and our Lord.

Travis Penn, Chairman (IN)
Adam Carnes, Treasurer (NC)
Stephen Lopes, (TN)
Josh Owens, (TN)
Marc Neppl, (VA)

FWB Media Commission Financial Summary 2012 - 2013 (5/1/2012 - 4/31/2013)

Beginning checking account balance

\$ 3,989.40

Income

Together Way (Undesignated)
Together Way (Designated)
Rest of the Family Offering
Misc. Income

1,959.61
599.66
13.32

\$ 2,572.59

Expenses

2012 Convention Board Expenses
2012 FWB Panel Streaming
2012 Convention Streaming
Website Hosting
Hardware/Software Purchase
Annual Meeting Expenses
Check order
Vimeo Account (video hosting)

320.00
70.00
1,031.50
59.88
471.98
1,045.24
53.96
59.95

\$ 3,112.51

\$ 3,449.48

Current checking balance on hand (4/31/13)

\$ 16,528.44

Trust Fund at FWB Foundation

\$ 827.14

Endowment at FWB Foundation

\$ 20,805.06

Total assets on hand

FWB Media Commission Comparative Budget Analysis (5/1/2012 - 4/31/2013)

	2012-2013 Budget	2012-2013 Actual	2014 Budget
Income			
Together Way (Undesignated)	\$ 2,400.00	\$ 1,959.61	\$ 2,200.00
Together Way (Designated)	\$ 800.00	\$ 599.66	\$ 780.00
Rest of the Family Offering	\$ 30.00	\$ 13.32	\$ 20.00
Misc. Income	\$ 70.00		
TOTAL INCOME	\$ 3,300.00	\$ 2,572.59	\$ 3,000.00
Expenses			
National Expenses	\$ 750.00	\$ 320.00	\$ 650.00
Streaming Services	\$ 1,000.00	\$ 1,101.50	\$ 400.00
Board - Annual Meeting Expenses	\$ 700.00	\$ 1,045.24	\$ 1,200.00
Hardware/Software	\$ 500.00	\$ 471.98	\$ 500.00
Website Hosting	\$ 50.00	\$ 59.88	\$ 60.00
Miscellaneous	\$ 300.00	\$ 113.91	\$ 190.00
TOTAL EXPENSES	\$ 3,300.00	\$ 3,112.51	\$ 3,000.00

Statistical Report Reporting Period 2012

	Associations	Number Reporting	Churches	Number Reporting	City	Rural	Full-Time Pastors	Bivocational Pastors	Baptisms	Reported 2011 Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2012 Membership	Reported 2012 Membership	Combined Income of All Churches
Alabama	13	13	134	114	66	68	49	57	265	12,118	433	288	145	12,263	11,625	2,561,242
Arizona	1	1	6	6	5	1	3	2	22	192	11	15	-4	188	174	707,385
Arkansas	15	15	200	183	91	109	87	90	413	18,829	716	457	259	19,088	17,210	11,648,605
Assoc. of Mexico	8	8	46	46	28	18	2	34	39	1,935	157	2	155	2,090	1,989	33,400
California	7	7	56	53	52	4	39	16	160	2,048	64	120	-56	1,992	1,929	2,876,026
Canada	1	1	10	10	3	7	8	2	16	353	0	0	0	353	417	650,143
Colorado	1	1	7	5	6	1	4	1	24	116	26	17	9	125	72	339,145
David Marks Assoc.	1	1	5	5	5	0	6	2	17	0	0	0	0	0	0	125,009
Florida	8	8	59	58	40	19	32	24	110	4,935	184	179	5	4,940	4,841	2,208,223
Georgia	10	10	114	114	38	76	63	51	108	7,592	285	270	15	7,607	7,279	6,773,338
Hawaii	1	1	1	1	1	0	1	0	0	0	0	3	-3	-3	19	132,288
Idaho	2	2	7	4	7	0	2	5	6	329	6	2	4	333	114	209,143
Illinois	7	7	37	34	22	15	20	13	140	2,773	149	31	118	2,891	2,919	2,634,592
Indiana	3	3	23	23	16	7	17	6	0	448	0	0	0	448	0	0
Iowa	1	1	3	3	3	0	3	0	9	67	6	13	-7	60	138	190,000
Kansas	2	2	10	10	10	0	5	3	50	541	66	13	53	594	724	625,042
Kentucky	11	11	128	127	30	98	31	82	408	13,019	586	456	130	13,149	11,155	2,399,866
Michigan	6	4	37	24	30	7	27	3	130	2,574	281	26	255	2,829	1,976	949,388
Mid-Atlantic Assoc.	1	1	7	5	5	2	5	2	24	0	35	16	19	19	272	0
Mexico Assoc.	4	4	28	28	18	10	5	23	0	2,600	0	20	-20	2,580	2,600	30,000
Mississippi	3	3	47	40	11	36	26	18	89	3,325	184	61	123	3,448	3,215	1,210,018
Missouri	19	18	164	164	87	77	73	73	380	9,933	445	265	180	10,113	9,829	8,650,500
New Mexico	1	1	3	3	1	2	2	0	0	79	5	8	-1	78	58	98,758
North Carolina	8	8	175	149	108	67	119	19	615	14,743	821	450	371	15,114	17,957	15,924,971
Northeast Assoc.	1	1	3	3	2	1	3	0	0	200	0	0	0	200	210	0
Northwest Assoc.	1	1	5	5	5	0	2	3	6	186	9	11	-2	184	159	205,423
Ohio	19	19	147	146	67	80	41	91	443	9,347	443	315	128	9,475	8,847	6,034,796
Oklahoma	24	22	215	190	137	78	101	63	748	20,992	1,112	388	724	21,716	19,734	17,701,459
South Carolina	6	6	117	31	66	51	95	22	65	4,034	78	44	34	4,068	4,034	3,400,000
Tennessee	9	9	198	180	77	121	100	79	759	20,188	781	326	455	20,643	19,912	0
Texas	5	5	47	44	30	17	19	23	94	2,444	158	79	79	2,523	2,291	1,968,288
Virgin Islands	1	1	1	1	1	0	1	0	8	0	0	0	0	0	175	107,000
Virginia	8	7	82	67	30	52	27	40	111	4,340	207	78	129	4,469	3,215	0
West Virginia	21	21	166	166	24	142	69	77	303	7,340	198	318	-120	7,220	7,158	2,307,680
Wisconsin	0	0	1	1	1	0	1	0	1	23	0	0	0	23	22	68,403
TOTALS	229	223	2,289	2,043	1,123	1,166	1,088	924	5,563	167,643	7,446	4,269	3,177	170,820	162,269	92,770,129

Statistical Report Reporting Period 2012

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	Number of Churches with Budgets	Parsonages	Value of Church and Parsonage Property	Ordained Ministers	Licensed Ministers	Deacons	Day Cares	Kindergartens	Christian Day Schools	Bible Institutes	Colleges	Sunday School Enrollment	CYS Enrollment	Value of Associational Property
Alabama	17	43	18,125,300	196	44	341	6	4	5	0	0	4,557	555	1,264,742
Arizona	4	2	3,605,000	9	2	4	0	0	0	0	0	232	34	0
Arkansas	46	54	83,392,885	271	46	394	2	3	6	0	0	8,900	1,613	3,550,000
Assoc. of Mexico	0	9	840,827	19	17	0	0	0	0	1	0	1,535	0	0
California	15	22	37,610,163	82	25	65	1	6	8	0	0	203	0	0
Canada	5	1	1,961,000	8	2	0	0	0	0	0	0	113	0	0
Colorado	4	0	5,436,000	6	0	0	0	0	0	0	0	37	0	0
David Marks Assoc.	3	1	850,000	10	0	0	0	0	0	0	0	2,094	280	0
Florida	27	27	19,142,381	85	14	102	2	4	1	0	0	3,353	606	1,768,000
Georgia	33	56	45,836,136	122	33	255	1	0	1	0	0	19	0	0
Hawaii	1	1	1,174,300	1	1	0	0	0	0	0	0	86	0	0
Idaho	2	2	1,420,000	7	1	1	0	0	0	0	0	1,562	197	1,200,000
Illinois	20	11	25,239,500	58	11	83	0	0	1	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0	0	73	0	0
Iowa	3	2	3,410,000	4	0	4	0	0	0	0	0	303	0	0
Kansas	1	0	3,207,960	12	1	3	0	0	0	0	0	4,549	407	0
Kentucky	8	2	27,591,120	337	15	238	0	0	0	0	0	1,566	220	0
Michigan	12	14	15,401,186	52	7	44	1	1	1	0	0	0	0	0
Mid-Atlantic Assoc.	5	2	0	10	1	5	0	0	0	0	0	2,700	0	194,000
Mexico Assoc.	10	6	1,000,000	12	0	30	0	0	0	0	0	1,792	352	0
Mississippi	13	16	9,140,725	69	19	102	0	0	2	0	0	5,293	419	7,150,000
Missouri	50	22	63,919,896	308	35	367	1	1	1	0	0	49	0	0
New Mexico	1	1	1,360,000	5	0	2	0	0	0	0	0	10,309	738	20,000
North Carolina	86	51	82,984,662	276	58	471	11	6	10	0	0	0	0	0
Northeast Assoc.	1	0	0	3	0	0	0	0	0	0	0	91	0	0
Northwest Assoc.	2	1	3,750,000	6	5	5	0	0	1	0	0	5,943	496	109,178
Ohio	33	18	53,747,596	305	37	255	0	0	0	0	0	8,565	1,063	20,500,000
Oklahoma	67	43	103,476,020	408	54	392	1	4	4	0	1	2,305	376	1,900,000
South Carolina	25	33	29,000,000	189	0	133	3	2	4	1	2	11,405	1,041	0
Tennessee	0	56	87,976,301	328	78	473	1	0	1	2	1	850	109	0
Texas	21	14	15,464,586	58	8	45	0	0	0	0	0	75	0	0
Virgin Islands	1	1	1,400,000	2	2	2	1	1	1	0	0	2,061	427	0
Virginia	0	6	17,484,900	115	11	141	0	0	2	0	0	7,814	387	0
West Virginia	14	9	39,928,812	383	9	284	2	3	4	0	0	0	15	0
Wisconsin	1	0	500,000	2	1	0	0	0	0	0	0	0	0	0
TOTALS	531	526	805,377,256	3,758	537	4,239	33	35	53	6	5	89,883	9,335	37,655,920