

**Minutes**  
of the  
**Seventy-eighth Annual Session**  
of the  
**National Association**  
of  
**Free Will Baptists, Inc.**  
when convened in  
**Fort Worth, Texas**  
July 27 - 30, 2014

**Future Sessions of the Convention**

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
2021	Birmingham, Alabama	July 18-21

# Officers and Board Members

## General Officers

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

## General Board

### 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

### 2017

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

### 2015

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

### 2016

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

### 2017

Stan Bunch (MO)  
Wayne Hale (Mid-Atlantic)  
Daniel Edwards (IN)

## Board of Trustees of Welch College

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

### 2016

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

### 2018

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

### 2020

Jeff Crabtree (Atlantic-Canada)  
Shiloh Hackett, (AL)  
Eddie Moody (NC)



## Board of International Missions

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

### 2016

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

### 2018

Nelson Henderson (AR)  
Mark Price (OH)  
Robert Posner (TX)

### 2020

Janice Banks (OK)  
Jeff Manning (NC)  
Jeff Nichols (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 (OH)  
Randy Wilson (OK)

## Board of Trustees of the Free Will Baptist Foundation

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

### 2015

Gene Williams (NC)  
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:

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

## Board of Randall House Publications

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

### 2016

Darin Gibbs (NC)  
Tim Eaton (OK)  
Tim Owen (FL)

### 2018

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

### 2020

Paul Bryant (MS)  
Steve Lindsay (AL)  
Randy Scott (AR)

## **Board of Women Nationally Active for Christ**

**Chairman:** Diana Bryant, 2156 54th Avenue, Vero Beach, FL 32966

### **2016**

Pam Hackett (SC)

Jonda Patton (KY)

Lee Ann Wilfong (MO)

### **2018**

Amy Johnson (IN)

Susan Burgess (IL)

Sarah Sargent (OH)

### **2020**

Diana Bryant (FL)

Janie Campbell (AR)

Tracy Payne (OK)

## **Commission for Theological Integrity**

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

**2015** Rodney Holloman (TN)

**2016** W. Jackson Watts (MO)

**2017** Kevin Hester (TN)

**2018** Matt Pinson (TN)

**2019** Randy Corn (TN)

## **Historical Commission**

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

**2015** Eric Thomsen (TN)

**2016** Jeff Cockrell (SC)

**2017** Jack Williams (TN)

**2018** David Crowe (TN)

**2019** Robert Picirilli (TN)

## **Media Commission**

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

**2015** Travis Penn (IN)

**2016** Adam Carnes (NC)

**2017** Marc Neppi (VA)

**2018** Stephen Lopes (TN)

**2019** Josh Owens (TN)

## **Music Commission**

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

**2015** Bryan Hughes (NC)

**2016** Donnie Burke (CO)

**2017** Doug Little (TN)

**2018** James Stevens (TN)

**2019** Kevin Justice (NC)

# Proceedings

The 78<sup>th</sup> annual session of the National Association of Free Will Baptists met July 27-30, 2014, at the Fort Worth Convention Center in Fort Worth, Texas. "Principles of Sowing and Reaping" was the theme of the meeting. Ryan Lewis served as convention manager and Kevin Justice was music coordinator.

## **Sunday School – July 27, 2014**

Sunday School began at 10:00 a.m. with Sam Harris leading the congregation in singing "What a Mighty God We Serve" and "At the Cross." Jim Brewer introduced Sunday School teacher Marcus Brewer, moderator, Texas State Association of Free Will Baptists, who brought the lesson from 1 Corinthians 12, "When Love Overflows."

## **Sunday Morning – July 27, 2014**

Morning worship began at 11:00 a.m. with Jim Brewer making announcements, introducing the speaker, calling for the offering, and leading in prayer. Brian Floyd provided the offertory on the piano. Sam Harris led the congregation in singing "There Is Power in the Blood," "Are You Washed in the Blood?" and "I'm So Glad Jesus Lifted Me." Jim McComas provided the special music by singing "The Anchor Holds." The congregation sang "Victory in Jesus," "I Am Thine, O Lord," and "I Need Thee Every Hour." Rev. Danny Gasperson, pastor of Zephyr Hills Free Will Baptist Church in Asheville, North Carolina, brought the message, "Principles of Sowing and Reaping the Word of God," from Matthew 13:1-9. "Have Thine Own Way, Lord" was sung as the invitation hymn and Jim Brewer closed the service in prayer.

## **Sunday Evening – July 27, 2014**

Evening worship began at 7:00 p.m. with Bryan Hughes leading the congregation in singing "To God Be the Glory" and "I Stand Amazed in the Presence." The choir sang "He Looked Beyond My Fault" led by Kevin Justice. Glenn Poston welcomed the body, introduced the speaker, and called for the offering. The praise team sang "Stronger" as the offertory. "Come Thou Fount," "The Love of God," and "Think About His Love," were sung by the congregation. Rev. Randy Corn, pastor of Bethlehem Free Will Baptist Church in Ashland City, Tennessee, brought the message, "Principles of Sowing and Reaping in Life," from Galatians 6:7-8. "Lord, I Need You" was sung as the invitation hymn. Diana Bryant, president of Women Nationally Active for Christ, announced their committees, and the service was dismissed.

## **Monday Night – July 28, 2014**

Evening worship began at 7:00 p.m. with Marcus Brewer, moderator, Texas State Association of Free Will Baptists, extending a welcome to the body. Bryan Hughes led the congregation in singing, "Forever," "Never Once," "Great Is Thy Faithfulness," and "Come Thou Fount." Mike Edwards introduced the speaker, called for the offering, and led in prayer. The choir sang "May We Never Forget" as the offertory. The congregation sang "Worthy Is the Lamb," "The Wonderful Cross," and "Near the Cross." South Carolina Executive Secretary Todd Smith brought the message, "Principles of Sowing and Reaping in Stewardship," from 2 Corinthians 9:5-15. "Come to Jesus" was sung as the invitation hymn. The Tim Sutton Trio sang "Oh, the Cross." Clerk Randy Bryant called the meeting to order and introduced Moderator Tim York. The moderator announced the committees for the meeting, and Mike Edwards dismissed the service in prayer.

### Credentials Committee:

Todd Smith (SC), Chairman  
Rick Cash (AL)  
Billy Keith (NC)  
David Shores (IL)  
Tom Jones (PA)

### Resolutions Committee:

Tim Hall (KY), Chairman  
Daniel Edwards (IN)  
Jeff Crabtree (Atl-Can)  
Randy Corn (TN)  
Mike Wade (OK)

### Nominating Committee 2015:

Stan Bunch (MO), Chairman  
Wayne Hale (Mid-Atl)  
Larry Reynolds (MS)  
Jack Daniel (GA)  
Bruce Barnes (VA)  
Steve Berry (FL)  
Don Matchett (AR)

### Obituary Committee:

Paul Etterling II (OH), Chairman  
Gene Norris (MI)  
Jim Brewer (KS)  
Tim Roach (TN)  
Luther Morgan (WV)

## Tuesday Afternoon – July 29, 2014

Moderator Tim York called the business session to order at 1:30 p.m. The moderator brought the message from Romans 12:21, “Overcoming Evil.” Jack Richey led in prayer. The clerk read the Credentials Committee report. Motion carried to receive the report and seat the delegates.

The clerk read a partial report from the General Board. Motion carried to receive the report and adopt it item by item. (See page 22.)

Motion carried to adopt Item 1 of the General Board report.

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.

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

Motion carried to table Item 5 of the General Board report.

Motion carried to table Item 6 of the General Board report.

Motion carried to adopt Item 7 of the General Board report.

Director David Brown gave the Free Will Baptist Foundation report. Richard Davis gave the financial report. Motion carried to receive the report. Gene Williams (NC) was elected to the 2015 term on the board.

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

Motion made to adopt Item 4 of the General Board report. Motion carried to table Item 4 until the following day.

Director David Crowe gave the Home Mission Department report. Brad Ransom, Jim McComas, Rick Bowling, and Kerry Steedley shared about their ministries in the department. Motion carried to receive the report.

The clerk read a partial report of the Nominating Committee. (See page 23.)

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

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

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

Motion carried to change the charter of the Board of Retirement and Insurance. The change is in Article II, Corporate Purposes. It reads, **“To implement this chief purpose, 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 sentence to read, beginning after the words "amendments thereof": ***"for the benefit of ministers and employees of Free Will Baptist churches, as well as any other Free Will Baptist agency."***

**Tuesday Evening – July 29, 2014**

Evening worship began with the congregation singing "Blessed Be Your Name" and "10,000 Reasons" led by Bryan Hughes. William Smith welcomed the congregation to the service, called for the offering, and led in prayer. The choir and ensemble sang "I Then Shall Live" as the offertory. The congregation sang "Blessed Assurance," "Cornerstone," and "I Will Sing Praise." The choir sang "Thou, Oh Lord." William Smith introduced the speaker, Rev. Will Harmon, pastor of Cavanaugh Free Will Baptist Church in Fort Smith, Arkansas. Rev. Harmon brought the message, "Principles of Sowing and Reaping in Relationships," from Proverbs 6:16-19 and 1 Corinthians 1. "Come Thou Fount" was sung during the invitation, and the service was dismissed.

**Wednesday Morning – July 30, 2014**

The business session began at 9:00 a.m. with Assistant Moderator William Smith reading from Hebrews 4:14-16 and leading in prayer.

President Matthew Pinson gave the Welch College report. Craig Mahler gave the financial report. Motion carried to receive the report. Rusty Russell was recognized for his tenure on the board. Jeff Crabtree, Shiloh Hackett, and Eddie Moody were elected to the board for the 2020 term.

Motion carried to remove Item 4 of the General Board report from the table. Motion carried to adopt. (See page 23.)

Motion carried to remove Item 5 of the General Board report from the table. Motion carried to adopt by a vote of 240-2.

Motion carried to remove Item 6 of the General Board report from the table. Motion carried to adopt.

Director Ron Hunter gave the Randall House Publications report. Motion carried to receive the report. Dr. Danny Dwyer was presented a plaque in appreciation of his service on the board. Darin Gibbs (NC) was elected to the 2016 term on the board. Paul Bryant (MS), Steve Lindsay (AL), and Randy Scott (AR) were elected to the 2020 term on the board.

Director Clint Morgan gave the International Missions report. Rob Conley gave the financial report. Jeff Turnbough gave a report on field ministries. Motion carried to receive the report. Bobby Poole was recognized for 53 years of service in Brazil. Robert Posner (TX) was elected for the 2018 term on the board. Janice Banks (OK), Jeff Manning (NC), and Jeff Nichols (TN) were elected to the 2020 term on the board.

Doug Little gave the Music Commission report. Motion carried to receive the report. Kevin Justice (NC) was elected to the 2019 term on the commission.

Adam Carnes gave the Media Commission report. Motion carried to receive the report. Josh Owens (TN) was elected to the 2019 term on the commission.

Matthew Pinson gave the Commission for Theological Integrity report. Motion carried to receive the report. Rodney Holloman (NC) was elected to the 2015 term on the commission. Randy Corn (TN) was elected to the 2019 term on the commission.

Eric Thomsen gave the Historical Commission report. Motion carried to receive the report. Robert Picirilli (TN) was elected to the 2019 term on the commission.

## **Wednesday Afternoon – July 30, 2014**

The business session began with Assistant Clerk Ernie Lewis reading from 1 Thessalonians 5:1-9 and leading in prayer.

Executive Director Elizabeth Hodges gave the WNAC report. Motion carried to receive the report as information.

Motion carried to adopt Item 2 of the General Board report. The vote was unanimous (190 in favor and 0 against). (See page 23.)

Motion carried to remove Item 3 from the General Board report from the table. Motion carried to adopt the constitutional change in Item 3.

Motion carried to adopt the changes in the by-laws found in Item 3 of the General Board report.

Motion carried to adopt the WNAC budget. Pam Hackett (SC), Jonda Patton (KY), and Lee Ann Wilfong (MO) were elected to the 2016 term on the board. Amy Johnson (IN), Susan Burgess (IL), and Sarah Sargent (OH) were elected to the 2018 term on the board. Diana Bryant (FL), Janie Campbell (AR), and Tracy Payne (OK) were elected to the 2020 term on the board.

Ron Hunter gave the NYC report. Motion carried to receive the report.

Executive Secretary Keith Burden gave the report from the Special Committee appointed to research the moral and legal ramifications of same-sex marriage as it relates to Free Will Baptists. Motion carried to receive the report.

Motion carried to table Recommendation 1 from the Special Committee report. (See page 31.)

Keith Burden gave the Budget Committee report. Motion made to receive the report. Motion carried to amend the budget to make WNAC's line read \$286,000. The amended motion was adopted.

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

The clerk read the Obituary Committee report followed by a video presentation of deceased ministers from state associations. Motion carried to receive the report, and the congregation stood for a moment of silence. Paul Etterling led in prayer.

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

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. Tim York led in prayer.

## **Wednesday Evening – July 30, 2014**

Evening worship began at 6:45 p.m. with Ken Akers sharing about Impact Fort Worth. Truth and Peace sang "Declare Your Name" as home and international missionaries entered the service. Brad Ransom and Clint Morgan directed a commissioning service for new home and international missionaries. Clint Morgan prayed the commissioning prayer. The congregation, led by Bryan Hughes, sang "Mighty to Save" and "How Great Is Our God." Jeff Jones welcomed the body, introduced the speaker, and called for the offering. The convention choir sang "He Looked Beyond My Fault." The congregation sang "Come Thou Fount." Rev. Heath Ferguson, church planter to Houston, Texas, brought the message, "Principles of Sowing and Reaping in Evangelism," from Psalm 126:5-6. "Lord, I Give You Me" was sung as the invitation hymn and the service was dismissed in prayer by Brother Jones.

# 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, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Mexico Association, 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 Northeast Association and the Association of Mexico be seated contingent upon fees being paid and reports received.
5. We recommend that the delegates from California be seated contingent upon the fees being paid.
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:

Todd Smith, SC (Chairman)

Rick Cash, AL

Billy Keith, NC

David Shores, IL

Tom Jones, PA

# General Board Report

The General Board of the National Association of Free Will Baptists met Monday, July 28, 2014, in Hall C-D of the Fort Worth Convention Center in Fort Worth, Texas.

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

1. We heard the reports of the Executive Office, *ONE Magazine*, and Building Services, Women Nationally Active for Christ, Free Will Baptist Foundation, Master's Men, Home Missions, Board of Retirement and Insurance, Welch College, Randall House Publications, International Missions, Music Commission, Media Commission, Commission for Theological Integrity, Historical Commission and Budget Committee. We recommend their reports be received and budgets adopted.
2. We recommend approval of the WNAC request to become a department of the National Association of Free Will Baptists.
3. We recommend the following changes to the *Treatise*:

**Constitution and By-Laws Changes in the *Treatise* for WNAC**

**Article V The General Board and Executive Committee**      page 57

Section 2.

Delete the following sentence—"The president of the Women Nationally Active for Christ shall be an ex-officio member of the General Board."

**Standing Boards**      page 65

Section 16.

Add the words, "The Board of WNAC" after "The Board of Retirement and Insurance."

**Standing Boards**      page 65

Section 17.

Delete the word "Executive" in the title, "the Executive Director of Women Nationally Active for Christ."

**Subsidiary Organizations**      page 68

Section 24.

Delete the entire section and re-number each section accordingly.

4. We recommend the Master's Men request to merge and become a subordinate ministry under the Home Missions Department. (The Master's Men budget will become a part of the Home Missions budget beginning in 2015.)

5. We recommend the By-Laws changes under the *Treatise* for Master's Men.

**Standing Boards, Section 16**      page 65

Delete the words, "The Master's Men Board."

**Standing Boards, Section 17**      page 65

Delete the words, "the Director of Master's Men."

6. We recommend the following changes to the Master's Men By-Laws:

**Article II** – change "Master's Men National Board" to "Home Missions National Board."

**Article II, Section 1** – Remove sentence "Membership on the board may be made of laymen and ordained ministers, but at no time shall ordained ministers constitute more than one-third of the board."

**Add Article II, Section 10** – The Board shall appoint an advisory committee to assist the Director of Master's Men in planning and promoting the ministry. The committee shall be no less than three (3) members and no less than two (2) shall be laymen actively involved in men's ministry.

7. We recommend Birmingham, Alabama, for the 2021 convention.

**Nominating Committee Report**

**Randall House Publications**

2016	Replacing Charles Cook (TN) .....	Darin Gibbs (NC)
2020	Replacing Danny Dwyer (NC) .....	Paul Bryant (MS)
	Replacing Steve Lindsay (AL) .....	Steve Lindsay (AL)
	Replacing Randy Scott (AR) .....	Randy Scott (AR)



**International Missions**

2018	Replacing Brad Ransom (TN)	Robert Posner (TX)
2020	Replacing Janice Banks (OK)	Janice Banks (OK)
	Replacing Jeff Manning (NC)	Jeff Manning (NC)
	Replacing Robert Morgan (TN)	Jeff Nichols (TN)

**Women Nationally Active for Christ**

2016		Pam Hackett (SC)
		Jonda Patton (KY)
		Lee Ann Wilfong (MO)
2018		Amy Johnson (IN)
		Susan Burgess (IL)
		Sarah Sargent (OH)
2020		Diana Bryant (FL)
		Janie Campbell (AR)
		Tracy Payne (OK)

**Welch College**

2020	Replacing Jeff Crabtree (Atl-Can)	Jeff Crabtree (Atl-Can)
	Replacing Shiloh Hackett (AL)	Shiloh Hackett (AL)
	Replacing Rusty Russell (NC)	Eddie Moody (NC)

**Commission for Theological Integrity**

2015	Replacing Craig Shaw (OK)	Rodney Holloman (TN)
2019	Replacing Randy Corn (TN)	Randy Corn (TN)

**Historical Commission**

2019	Replacing Robert Picirilli (TN)	Robert Picirilli (TN)
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**Media Commission**

2019	Replacing Josh Owens(TN)	Josh Owens (TN)
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**Music Commission**

2019	Replacing Kevin Justice (NC)	Kevin Justice (NC)
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**General Board**

2017	Indiana (Replacing Daniel Edwards)	Daniel Edwards
	Iowa District (Replacing Jim Martin)	Jim Martin
	Kansas (Replacing Zane Brooks)	Zane Brooks
	Kentucky (Replacing Venny VanHoose)	Chad Blair
	Mexico Assn. District (Replacing Bud Bivens)	Bud Bivens
	Michigan (Replacing Gene Norris)	Gene Norris
	Mid-Atlantic District (Replacing Wayne Hale)	Wayne Hale
	Mississippi (Replacing Larry Reynolds)	Larry Reynolds
	Missouri (Replacing Stan Bunch)	Stan Bunch
	New Mexico District (Replacing Mark Shores)	Mark Shores

**Executive Committee**

2017    Replacing Stan Bunch (MO) ..... Stan Bunch (MO)  
          Replacing Wayne Hale (Mid-Atlantic) ..... Wayne Hale (Mid-Atlantic)  
          Replacing Venny VanHoose (KY) ..... Daniel Edwards (IN)

**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**

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

# Budget Committee Report

The National Association of Free Will Baptists, Inc., has approved in this convention the following budgets for 2015:

Executive Office (Includes:)		\$859,884.00
Administrative	\$433,234.00	
Convention	<u>426,650.00</u>	
Free Will Baptist Foundation		996,207.00
Home Missions (Includes:)		5,148,643.00
Master's Men	148,643.00	
International Missions		6,700,000.00
Retirement and Insurance		550,000.00
Randall House Publications		4,898,750.00
Welch College		5,264,984.00
(Includes \$1,300,000.00 in unrestricted gifts)		
Women Nationally Active for Christ		286,000.00
Commission for Theological Integrity		7,500.00
Historical Commission		3,875.00
Media Commission		3,020.00
Music Commission		<u>3,575.00</u>
TOTAL	\$	24,722,438.00

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	22.0%
Welch College	22.0%
Home Missions	22.0%
Retirement and Insurance	12.0%
Free Will Baptist Foundation	3.0%
Women Nationally Active for Christ	15.0% *
Commission for Theological Integrity	1.0%
Historical Commission	1.0%
Media Commission	1.0%
Music Commission	<u>1.0%</u>
TOTAL	100.0%

Respectfully Submitted, Your Servants,

Keith Burden, Executive Secretary  
David Brown, General Director of Free Will Baptist Foundation  
David Crowe, 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  
Elizabeth Hodges, Executive Director of Women Nationally Active for Christ

\* The Executive Office will contribute the equivalent of 1% Co-op to WNAC.

# National Youth Conference Report

## Registration Total: 3,251

NYC Attendee	1,696
NYC Child Attendee	115
NYC Grades 1-3	261
NYC Grades 4-6	231
NYC Grades 7-12	584
NYC Preschool Worship	83
NYC Staff	181

## Competitive Activity Entries: 996 (Increase of 21 entries from 2013)

### Engage Leader Network Seminars

Total Number: 51

Dr. Van Gelder's session on revitalization and why denominations are in decline was videoed and will be made available to all pastors on our email list free of charge. See our booth to update your email address.

### Reach That Guy

Volunteers 147 (Ages ranged from 4 - 62)

Hours Worked (1,011)

Opportunities

Cook County Hospital

Food Bank.org

Tarrant Food Bank

Aunt Edna's Closet

Habitat for Humanity

Blood Drive

Canvassed neighborhoods

### Buck-A-Week

Total Tuesday Offering (\$2,561.01)

2015 Ministries: Steve & Becky Riggs, France/Greg Floars, Michigan

### Total Truth & Peace Participants (100)

#### Youth Evangelistic Team

Thirteen students traveled 3,400 miles through Texas, New Mexico, Utah, Wyoming, Colorado, Kansas and Oklahoma, serving Home Missions churches in Salt Lake City, UT, and Colorado Springs, CO. They worked with churches in New Mexico, Colorado, Kansas and Utah, logging more than 150 hours of service.

The 2015 YET team will be going to the Northeast part of the U.S.

**Moments**

Preschool - Parent quote: "My kids started asking about preschool woship as soon as we got suit cases out to head to the convention. We have had three come through this and I can't thank you enough. It's a ministry to my husband and I but it feeds my children as well. We are beyond thankful."

456 Worship - One young person prayed to receive Christ and more than 30 kids made rededica tions to the Lord to live authentic lives for Him.

NYC Services - Richard Ross called on students to magnify the view of Jesus. Four students gave "Reality Check Stories" from the stage about a time when they were not authentic online.

**Registration Report**

**National Convention**

Board/Commission Member	45
Licensed Minister	18
Local Church Delegate	45
NAFWB Attendee	1936
NAFWB Staff	21
Ordained Deacon	81
Ordained Minister	458
State Delegate	61
<b>Total</b>	<b>2665</b>

**National Youth Conference**

NYC Attendee	1696
NYC Child Attendee	115
NYC Grades 1-3	261
NYC Grades 4-6	331
NYC Grades 7-12	584
NYC Preschool Worship	83
NYC Staff	181
<b>Total</b>	<b>3251</b>

**Women Nationally Active For Christ**

WNAC Attendee	394
WNAC Local Delegate	28
WNAC Missionary	51
WNAC National Executive Committee	7
WNAC State Delegate	98
WNAC State Field Worker	9
WNAC State President	11
<b>Total</b>	<b>598</b>

**Total Unduplicated Attendance: 4320**

# Obituary Committee Report

January 1 - December 31, 2013

## Ministers

### Alabama

- Doug Carr

### Arkansas

- Gaylord Huckaba
- R.H. McCuin
- Leroy Scudder

### Georgia

- James Edward Ursery
- Williford Harden

### Missouri

- William Coffman
- Darrell Starnes
- Bob Long
- David Pinkston

### North Carolina

- James Steppes

### Ohio

- Bobby Slone
- Mike Stokes

### Oklahoma

- Marvin Mann
- Curtis Hogue
- J.C. Morgan
- Robert D. Hidde
- E.B. Condit

### South Carolina

- Carroll Alexander
- Robert Baker

### Tennessee

- William McNabb
- Norman Richards
- E.Y. Bailey
- Randy Howell

### Virginia

- Doug McCracken
- Roger Wayne Powers, Sr.

### West Virginia

- Noah P. Adkins
- David Bias
- Clarence Campbell
- Randolph Dishner
- Fred A. Giles
- Basil Hershberger
- Anthony Marcum
- Alan White

## Non-Ministers

### Arkansas

- Johnny Ennis
- Clyde Beard

### Missouri

- A.E. Boatwright
- Bob Selvey

### West Virginia

- Alfred Davis
- Herbert Smith

Obituary Committee:

Paul Etterling II (OH), Chairman

Gene Norris (MI)

Jim Brewer (KS)

Tim Roach (TN)

Luther Morgan (WV)

# Resolutions Committee Report

Whereas, the Executive Office has successfully planned and provided another encouraging national convention; and

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

Whereas, the Texas State Association and its state office coordinator, Marcus Brewer, his staff, and his volunteers, have generously hosted this 2014 convention;

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

Resolutions Committee:

Tim Hall (KY), Chairman

Daniel Edwards (IN)

Jeff Crabtree (Atl-Canada)

Randy Corn (TN)

Mike Wade (OK)

# Report of Special Committee Appointed at the 2013 Session of the NAFWB

During the 2013 Convention of the National Association of Free Will Baptists, a special committee was appointed to implement the following part of a resolution adopted by the body:

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.

The Special Committee has met twice during the year—in December and in April—and has communicated frequently between meetings and makes the following report.

## Preliminary Considerations

1. We think it important to offer some brief comments about the respective roles of the state and the church. Both of these have been established by God to operate in separate dominions. Where separation of church and state is practiced, as in our country, neither of the two can dictate to the other. Each must govern in its respective dominion according to the “just consent” of those governed and by the principles and grounds agreed on within its dominion. Within the church, these are found in the Bible; within the state, they are expressed in its constitution and in the laws enacted and upheld as provided by that constitution.

Since these are different for the two dominions, it is not surprising that the church and state do not always speak with the same voice, or even that tension between the two arises. Where there are differences, the church must continue to speak, without intimidation, the Word of God which reveals the will of God that stands in judgment over all human behavior with absolute authority. This can be done without demonizing the governmental authorities for refusing to listen to the church or to the Word of God that governs the church. Nothing in the state’s sphere of dominion requires them to do that. So long as the state does not require us to act in ways that violate the revealed will of God, we can obey both God and man. When the state requires disobedience to God—which in our circumstances, to this point in time, is very uncommon—we will obey God rather than man. If our society fully recognizes same-sex marriage, that by no means requires the church to do the same.

None of this means that the state may not make serious errors in governing within its proper dominion. And citizens of God’s kingdom are also citizens of the state. In that second role they should attempt to exert their influence for good government in the public arena—in ways that are appropriate to the exercising of their rights. Governments that recognize and uphold the moral laws of the Creator, who is identified as such in our grounding documents, will be more effective in fulfilling the divine intention for the state.

2. Meanwhile, our view is that our Free Will Baptist churches should take appropriate steps to protect themselves from unwarranted interference with the freedom to live under the government of God for His church. We offer the recommendations and resources defined in this report toward that end. In doing this, we caution that there is no absolute guarantee against the possibility of lawsuits brought by those who are zealous for what they see as the rights of homosexuals. In our society, it is almost true that anyone can sue anyone else for anything, real or imagined. What we can do is to make sure that, when challenged, the rights of our churches to believe and practice the Christian faith, as we understand it, can be protected by law and upheld by the courts as fully as possible.

Nor are there any guarantees to prevent the possibility that our churches’ tax exemption, or the rights of our members to have gifts to the church regarded as tax deductions, may be threatened over our refusal to recognize same-sex marriages in one way or another. That does not seem likely, at least not in the immediate



future, but in such an eventuality we must not adjust our Biblical theology of belief and behavior for the sake of mere financial convenience. Whatever develops, we can continue to provide our governing authorities with the fear and honor God has required of us in Romans 13:1-7—including obedience so long as that does not require disobedience of God.

3. Our attention in this report has been focused primarily on the legal implications, for the church, of the approval of same-sex marriages by the state—especially as this might involve the church’s recognition of and sanction of marriage as indicated by hosting or solemnizing weddings. We have not devoted much attention to the implications for church membership, except for a couple of brief statements in the sample “Policy on Marriage and Human Sexuality,” referenced below. For the most part, we do not think that the church needs separate policy statements regarding the persons approved for membership in good standing in the church. In whatever ways the church’s requirements of Biblical morality for membership are defined, the rejection of homosexual behavior, including same-sex marriage, should be included. While our focus has been on the legal implications of the approval of same-sex marriages, for the church, we have not intended to offer legal advice to any individual, church, or association. Any recommendations, resources, references and documents provided by this committee are in direct response to the charge placed upon it. Each individual, church, and association is strongly encouraged to seek legal counsel in utilizing this report.

## Resources

We think that one way we can fulfill our charge as a committee is to draw attention to resources that churches and their leaders can use to inform themselves, contribute to their understanding of the issues, prepare to minister to others within and without the church, and stand firm on Biblical and legal grounds. To that end, the following documents are made part of this report.

1. DOCUMENT ONE is a reproduction of the resolutions adopted by the National Association of Free Will Baptists that speak significantly to the subject of homosexuality and same-sex marriage. (There are two or three others that do little more than mention homosexuality in passing.) The National has not just recently spoken to the issue: clear resolutions date to 1976, 1977, 1987, 1993, 2002, and 2004.

It is always important, when legal action against the church seems possible, to have an established definition that affirms the religious basis for, and practice consistent with, any conviction. These six resolutions show that we regard homosexuality as sinful before God, and that our opposition to same-sex marriage is grounded in that conviction. The first four were adopted before legal recognition of same-sex marriage seemed a possibility. The last two were adopted when that possibility, sadly, began to be more realistic.

All churches that are part of the National Association of Free Will Baptists can freely use these resolutions, as desired, to provide explanation of, or defend, its practices in this matter. We do not judge that any further resolutions on the subject are needed at this point in time.

2. DOCUMENT TWO is a copy of the Appendix to the *Treatise of the Faith and Practices of the National Association of Free Will Baptists*, adopted in 2008, on the subject of same-sex marriage. We have included this since many of our people do not have copies of the *Treatise*.

The fact that this has been made an appendix to the *Treatise* goes much farther than the expressions stated in resolutions, as significant as they are. This means that a Biblical view of marriage has been made part of our very statement of faith, included in the fundamental doctrine of God’s creation of man. That is, of course, where the nature of marriage is properly grounded, given that the creation account in Genesis defines marriage in the creation of humanity, in the image of God, as male and female.

Free Will Baptist churches can point to this appendix as a clear statement of Biblical doctrine, as believed by us, about marriage. We should make sure that our people are informed that this is part of our basic doctrine of

God and man.

One of our recommendations will include a very slight change in the wording of this appendix. The meaning of the statement will only be clarified, not changed, by the recommended change.

3. DOCUMENT THREE provides some selected online resources that we suggest may be helpful, as examples, in understanding and framing policy regarding the issue of same-sex marriage. Important: *there will be some things in these statements that we would not agree with, and they should be critically evaluated.* But they provide examples of policy statements that others have issued and can offer some help in understanding both the moral and the legal ramifications of state-approved same-sex marriages.

Some excerpts from some of these resources have been adapted in the local church position statement that will be included as one of our recommendations.

4. DOCUMENT FOUR is an extensive bibliography, listing books, journal research, and podcasts—briefly annotated—that deal with the subject of homosexuality and same-sex marriage. *Again, it is important to note that the list includes sources that represent a wide variety of viewpoints, including some that are clearly opposed to Biblical standards; use it carefully and evaluate the resources by the Word of God.* They are included here for the benefit of those who seek a better understanding of the issues involved and desire to be armed against the arguments of those who support homosexuality. The discerning reader will recognize the works in this list that support traditional Christian morality. The annotations provide some insight into the nature of the material and what may be most helpful. Our intention, in providing this list, is to offer help both in understanding the issues—including the moral and legal ramifications of state-approved same-sex marriage—and in framing policy that will be useful when legal challenges come.

## Recommendations

Our report concludes with three recommendations.

*Recommendation one.* While the appendix to the *Free Will Baptist Treatise* that expresses our doctrinal view about marriage is fine as it is, we think that a small change in the wording might be helpful in a court where our position was at issue. We therefore recommend that the words “marital relationship” be changed to “Biblical marriage.” The affected sentence will then read, “It is the sole and beautiful context of the divine plan for the Biblical marriage 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.”

*Recommendation two.* We recommend that local Free Will Baptist churches be strongly encouraged to adopt a policy statement about marriage and human sexuality that will serve both to express forthrightly the church’s position on the issues and to protect the church and its ministerial staff in the event of potential legal challenges.

To this end we have included, as DOCUMENT FIVE, below, a “Policy on Marriage and Human Sexuality” that may serve as an example of such a statement. The document includes a section on marriage and a section on human sexuality, and each of these includes two options to choose between. Of course, the church may also adapt what is given or substitute other language to suit its own purposes. Indeed, we recommend that each church consult with an attorney for help in choosing the final wording. What we have provided in DOCUMENT FIVE has itself been shaped by borrowing from documents in use by others, including some found in the “online resources” named in DOCUMENT THREE.

*Recommendation three.* We recommend that all the bodies in the Free Will Baptist denomination that play a role in the examination, licensing, and ordination of ministers be urged to include instruction and careful questioning on the issues involved in homosexuality and same-sex unions as part of the process. Our churches and associations of churches must make sure that only those candidates who are in complete agree-

ment with the Appendix to Chapter IV, Section 1, of the *Free Will Baptist Treatise*, as adopted in July, 2008, are licensed or ordained to preach, and so to perform marriages, as Free Will Baptist clergy.

We have decided that no specific recommendation needs to be made by this committee regarding the implications of same-sex marriages for chaplains. Our reason for this is that the Home Missions Board has dealt satisfactorily with this in its document entitled "The Chaplaincy Under the National Association of Free Will Baptists."

Respectfully submitted.

Phillip Whiteaker (AR)

Robert Picirilli (TN)

Brenda Evans (KY)

Will Harmon (AR)

Eddie Moody (NC)

Keith Burden (TN)

Tim York (TN)

## DOCUMENT ONE

Resolutions by the National Association of Free Will Baptists, Inc. regarding homosexuality and same-sex marriage.

### 1976: HOMOSEXUALITY AND ADULTERY

WHEREAS, there is a widespread move by some modern advocates who want to consider Christian love as a basis for tolerating all kinds of sexual "freedom"; and

WHEREAS, these same persons advocate that homosexuality, adultery, and fornication are satisfactory ways of life even for Christians; and

WHEREAS, there is a growing sentiment and toleration among some church people toward homosexuality, adultery, and fornication; and

WHEREAS, the Bible is replete with references (See note below.) exposing and condemning such actions on the part of any person, whether that person claims to be a believer or not; and,

WHEREAS, Free Will Baptists believe the Bible is our rule and guide for faith and practice, therefore,

BE IT RESOLVED:

1. That the National Association of Free Will Baptists continue to denounce homosexuality and adultery as sinful, unChristian, and already condemned by God in His Word.

2. That the National Association of Free Will Baptists recommend that all pastors and church leaders continue to strongly denounce this unrighteous conduct and urge purity to prevail, "...for God has not called us unto uncleanness, but unto holiness" (I Thessalonians 4:3,7).

SPECIAL NOTE: Bible references supporting the above resolution: Genesis 13:13; 19:5, 7; Leviticus 18:22; 20:13; Deuteronomy 23:17; Judges 19:22, 23; Romans 1:24-27; I Corinthians 6:9,10; 7:2; Jude 7,18,19. While many other references could be attached, these are more than adequate to support the above resolution.

#### 1977: HOMOSEXUALITY

WHEREAS, the National Association of Free Will Baptists in its 1976 session passed a strong resolution against homosexuality and adultery; and

WHEREAS, homosexuality has come increasingly to the forefront graining widespread acceptance even among many so-called Christians; therefore,

BE IT RESOLVED: that we reaffirm our belief that according to the Bible homosexuality is sin; its participants are sinners; and the practice and the participant are condemned by God.

#### 1987 (untitled)

WHEREAS, Free Will Baptists believe that obedience to God's laws of chastity before marriage and faithfulness in marriage is God's plan for the sanctity of marriage and the prevention of many diseases, including acquired immune deficiency syndrome (AIDS);

THEREFORE, BE IT RESOLVED, that we oppose advertising and educational endeavors which appear to accept adultery, fornication, infidelity, homosexuality and promiscuity;

BE IT FURTHER RESOLVED, that we condemn and deplore any distribution of birth control devices which seem to encourage and condone immoral behavior; and exemplify compassion and sympathy toward the innocent and other victims.

BE IT FURTHER RESOLVED, that we encourage the teaching of Biblical principles by our parents, churches, and pastors concerning sexual conduct.

#### 1993: HOMOSEXUALITY

Whereas, homosexuality and the teachings of alternate lifestyles have invaded many segments of our society, and

Whereas, the Bible strongly condemns homosexuality, and because of our strong commitment to Biblical truth;

Therefore, be it resolved that we as Free Will Baptists go on record as

(1) opposing the lifting of the ban on homosexuals in our armed forces, and

(2) as opposing the government's condoning or accommodating homosexual practices in any manner.

And be it understood that neither our resolute opposition to the potential change in national military policy nor our continued belief in the sinfulness of homosexual practice should be construed to deny our historic evangelical beliefs about God's love for the sinner while hating the sin. God is full of grace, as well as truth. We thus reaffirm that homosexuals, like the rest of humanity, are fully the objects of God's redemptive love. By faith and repentance, all may obtain full forgiveness through the renewing of their minds by Jesus Christ (Ephesians 4:22-24). We welcome all who receive forgiveness and wholeness in Jesus Christ as fellow believers in the Body of Christ (1 Corinthians 6:9-11).

#### 2002 (untitled)

Be it resolved that we reaffirm our position that marriage as instituted by God is intended to be a union between a man and a woman (1 Corinthians 7:1-2), and that we oppose same-sex marriages.

Whereas the American Family Association (AFA) has launched an online petition [www.nogaymarriage.com](http://www.nogaymarriage.com) to boost the efforts of those in Congress trying to protect marriage, be it further resolved that all attending the national convention be urged to visit AFA online in support of their initiative. Be it also resolved, that every Free Will Baptist be urged to call or write their congress person stating our position on same-sex marriage. Note: Ac-

According to research, individual letters/emails are more effective than a single letter from a convention.

#### 2004: RESOLUTION CONCERNING SAME-SEX MARRIAGE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESOLVED, that since the Defense of Marriage Act may itself be struck down by activist courts, we press Congress to follow President Bush's lead and pass the Federal Marriage Amendment, which reads: Marriage in the United States shall consist only of the union of a man and a woman. Neither this Constitution, nor the Constitu-

tion of any State, shall be construed to require that marriage or the legal incidents thereof be conferred upon any union other than the union of a man and a woman (wording as of July 12, 2004); and be it further

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

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

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

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

## DOCUMENT TWO

Appendix to the *Treatise of the Faith and Practices of the National Association of Free Will Baptists, Inc.*

Chapter IV, Creation, Primitive State of Man, and His Fall

Section I. Creation: Part 3. Man

APPENDIX TO CHAPTER IV, SECTION I

Adopted July 2008

Both Scripture and nature as designed by God affirm the life-long, covenantal union of one man, being male 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.

## DOCUMENT THREE

### Online Resources

Some churches may find the following resources helpful in understanding the issues involved or in framing policies related to same-sex marriage. We have annotated them to indicate how they may be useful, but we do not thereby indicate approval of every idea expressed in them. Excerpts from some of the following have been adapted in one of the recommendations included in our report.

**1. Churches changing bylaws after gay marriage ruling** (Associated Press, August 24, 2013), by Travis Loller. A cursory survey of the issues, including a statement by Eric Rassbach with the Becket Fund for Religious Liberty, who said it is unlikely the government will try to force a pastor to perform a same-sex marriage, but churches that rent out their facilities to the general public could face problems if they refuse to rent to gay couples. Rassbach makes a few additional interesting comments.

You may access the article by Googling “Church changing bylaws after gay marriage ruling.”

**2. Manhattan Declaration: A Call of Christian Conscience**, released November 20, 2009. This is a nine-page document drafted by Timothy George, Beeson Divinity School at Samford; Robert George, professor at Princeton; and Chuck Colson. The document includes several lengthy talking points on marriage as the union of one man and one woman.

The document may be accessed in pdf format by Googling “Manhattan Declaration, November 20, 2009.”

**3. Nashville Declaration on Same-sex Marriage**, by Fellows of the Research Institute, March 9, 2005. This is a document from ERLC of the Southern Baptist Convention. Mostly talking points with six “appeals” at the end.

The document may be accessed by Googling “Nashville Declaration on Same-sex Marriage.”

**4. Oakwood Church Policy on Marriage and Human Sexuality**. This is an Evangelical Free Church’s position statement as well as the church’s policies, practices, and use-of- facilities statement.

You may access the document by Googling “Oakwood Church Policy on Marriage and Human Sexuality.”

**5. Wayside Chapel Marriage Policy**. Another Evangelical Free Church’s statement. Very brief. Access by Googling “Wayside Chapel Marriage Policy.”

## DOCUMENT FOUR

### Books

**Jones, S., and Yarhouse, M. (2007). *Ex-Gays?: A Longitudinal Study of Religiously Mediated Change in Sexual Orientation*. Downers Gove, IL: IVP Academic.**

Two Christian psychologists present solid research about how people who have been entangled in homosexual behaviors have been able to change. This work shows promise for those who participate in Christian interventions to treat homosexual behaviors.

**Yarhouse, M. (2007). *Homosexuality and the Christian: A Guide for Parents, Pastors, and Friends*. Ada, MI: Bethany House Publishers.**

A good resource that shifts the conversation from the causes of homosexuality to the choices one makes regarding the will of God (*Christianity Today*).

**Yarhouse, M. (2013). *Understanding Sexual Identity: A Resource for Youth Ministry*. Grand Rapids, MI: Zondervan.**

A guide for how to help young people who are struggling with same sex attraction.

**Butterfield, R. (2012). *The Secret Thoughts of an Unlikely Convert*. Pittsburgh, PA: Crown & Covenant Publications.**

A good example of how the homosexual movement is bankrupt and how Jesus Christ can radically change a life.

**Jones, S. (2000). *Homosexuality: The Use of Scientific Research in the Church’s Moral Debate*. Downers Gove, IL: IVP Academic.**

Though this is an old book, it is a good example of how the arguments for a scientific basis for homosexuality can be discounted when closely examined.

**Lutzer, E. W. (2004). *The Truth About Same-Sex Marriage*. Chicago: Moody Publishers.**

An old book that provides a solid Biblical approach on the damage that will be caused by the proliferation of homosexual marriage.

**Gangon, R. A. (2002). *The Bible and Homosexual Practice: Texts and Hermeneutics*. Nashville, Tennessee: Abingdon Press.**

A thorough analysis of all of the Biblical texts relating to homosexuality, demonstrating that the Bible clearly and definitively addresses homosexuality.

**Robinson, G. (2012). *God Believes in Love: Straight Talk About Gay Marriage*. New York: Random House.**

If you want to know the standard arguments of the homosexual community you can find them in this book. Robinson was the Episcopal bishop of New Hampshire, the first openly gay Episcopal Church bishop. It is helpful to read his arguments and what he says about Scripture, realizing that this is the standard argument provided in most secular settings.

## **Pertinent Research**

**Jones, S. L., and Kwee, A. W. "Scientific research, homosexuality, and the Church's moral debate: An Update." *Journal of Psychology and Christianity*, 24 (4) (2005). 304-316.**

A solid dismantling of the "scientific" arguments for homosexuality being causative in nature.

**McMinn, L. G. (2005). "Sexual Identity Concerns for Christian Young Adults: Practical Considerations for Being a Supportive Presence and Compassionate Companion." *Journal of Psychology and Christianity*, 24 (4) 368-367.**

A good article about how to help those who struggle with same sex attraction. This study was conducted at a conservative Christian university.

**Gagnon, R. A. (2005). "Scriptural Perspectives on Homosexuality and Sexual Identity." *Journal of Psychology and Christianity*, 24 (4) 293-303.**

A good explanation for how following Christ means one must submit to the lordship of Christ.

**Laumann, E. O., Gagnon, J. H., Michael, R. T., and Michaels, S. (1994). *The Social Organization of Sexuality: Sexual Practices in the United States*. Chicago: University of Chicago Press.**

A classic, national study that shows what sexual behaviors were like before the onslaught of homosexual propaganda. This study disproved the popular claim that 10% of the U.S. population was homosexual. Instead, they found that 6.2% of males and 4.4% of females reported same-sex attraction



## Helpful Podcasts

**Homosexuality Forum at Harding University.** Pay Special Attention to the two podcasts on “What Should We Say to the Man on the Bus?” <https://itunes.apple.com/us/podcast/what-should-we-say-to-man/id448945566?i=95484807&mt=2>

**Liberty University Convocation 2010: 2/12/2010. Alan Chambers, “Leaving Homosexuality.”** Chambers describes how he got into a homosexual lifestyle and through Christ left it behind. <https://itunes.apple.com/us/podcast/2010.02.12-leaving-homosexuality/id427899317?i=92369476&mt=2>

**“Homosexuality: What We Know from the Bible and Science.”** An old American Association of Christian Counseling class with Wheaton Provost Stanton Jones. He dismantles some of the so called scientific arguments about homosexuality. <https://itunes.apple.com/us/course/homosexuality-what-we-know/id547245977?i=118460781&mt=2>

**Homosexuality and the Church: Gordon Conwell Theological Seminary.** A panel discussion about homosexuality. The last session highlights a Christian who was saved out of the homosexual lifestyle. <https://itunes.apple.com/us/podcast/lecture-1/id522683191?i=113974140&mt=2>

## DOCUMENT FIVE

Policy on Marriage and Human Sexuality  
\_\_\_\_\_ Free Will Baptist Church  
Adopted \_\_\_\_\_, 20\_\_

### Introduction

This statement expresses the beliefs of \_\_\_\_\_ Free Will Baptist Church regarding marriage and human sexuality. It is based on the application of Biblical principles to our faith, our life, and our practice, and is in intentional accord with the *Treatise of the Faith and Practices of Free Will Baptists*, especially as expressed in the Appendix to Chapter IV, Section 1, adopted by the National Association of Free Will Baptists, of which this church is a member, in July 2008.

A civil government’s sanction of a union will be recognized as a legitimate marriage by this church only to the extent that it is consistent with the Biblical definition of marriage expressed in this policy statement.

## **What We Believe About Marriage and Human Sexuality**

### **MARRIAGE**

#### **[OPTION ONE; or choose OPTION TWO, below]**

Both Scripture and nature as designed by God affirm the life-long, covenantal union of one man, being male 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 Biblical marriage 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.

#### **[OPTION TWO]**

We believe, based on the teaching of the Scriptures in the Old and New Testaments, that marriage is an institution ordained by God from the foundation of the world and is intended as a lifelong union of one man and one woman. This understanding is supported by the account of creation in Genesis, chapters 1 and 2. Genesis 1:26-27 indicates that God created man in His own image, as male and female. The passage implies that the unity of a man and woman in marriage is in some way reflective of the image of God in mankind.

Genesis 2:18 provides a more detailed account, relating that God created the first man, Adam, and decided that it was not good for him to be alone. God indicated that He would make “an help meet for him,” which means a helper suitable for or matching him. Then God brought all of the animals to Adam, but none of them was such a suitable helper; so God created Eve, the first woman, from part of Adam himself. God did not create a second man to be Adam’s helper, or an assortment of multiple women, but one woman. Together they were man and wife and had “no shame” or sin in their union (Genesis 2:18-25).

Jesus Christ reaffirmed the teaching of the Old Testament when He said, as recorded in Matthew 19:4-6: “Have ye not read, that he which made them at the beginning made them male and female, and said, For this cause shall a man leave father and mother, and shall cleave to his wife: and they twain shall be one flesh? Wherefore they are no more twain, but one flesh. What therefore God hath joined together, let not man put asunder.”

The Apostle Paul states in Ephesians 5:22-32 that marriage is not merely a human institution, but is a special, divine metaphor that illustrates the union of Christ and the Church. For this reason also, only a union between one man and one woman can be a Biblical marriage because no other union—whether of two men, two women, or any other arrangement—could illustrate the relationship between Christ and His church in accord with this Biblical teaching.

### **HUMAN SEXUALITY**

#### **[OPTION ONE; or choose OPTION TWO, below]**

First Corinthians 6:9-11 condemns a variety of lifestyles including those associated with adultery, prostitution, and homosexuality. Indeed, the Bible condemns as sexual immorality—“fornication” in the Authorized Version—all sexual intercourse outside marriage as defined above. It also encourages Christians to flee from sexual immorality because of its destructive effects and because the body of the Christian is the temple of the Holy Spirit (1 Corinthians 3:16; 6:12-20).

Romans 1:18-32 makes clear that it is not only sinful to engage in homosexual unions, but also to approve

of such sins in others or to encourage their practice. As a result, in order to maintain our consistent Christian witness, we cannot sanction, approve, or promote in any way adultery or any other form of sexual immorality—including, but not limited to, pornography, pedophilia, polygamy, bestiality, or homosexual unions. This is made clear in many passages in the Old and New Testaments.

Our church follows what the Bible reveals as the “sure foundation” of the teachings of Jesus Christ and his apostles (Matthew 7:24-29; 1 Corinthians 14:37). If our church is to bear the name *Christian* authentically, we are called to teach and practice these teachings and are not at liberty to depart from them for a different authority. Though we strive to live peaceably with all people and to obey legitimate government authority, if the two come into conflict about matters as foundational as marriage, we must ultimately obey God rather than man (Acts 4:18-21).

Sexual activities outside of marriage, including but not limited to those named above, are inconsistent with the teachings of the Bible and the church. Lewd conduct; transgender behavior; and the creation, distribution, or viewing of pornography are incompatible with God’s purpose for human sexuality.

### **[OPTION TWO]**

Recognizing that we all struggle with sin, our church will provide an environment that welcomes people who struggle with sexual sin. We will seek to love all people in Jesus’ name, pointing them toward Christ’s power to forgive and heal. While the Bible teaches that those who engage in sexual immorality sin against their own bodies, we also recognize that sexual sin is not characterized in Scripture as being more severe than other forms of sin. We will seek God to discern ways that we can directly and indirectly minister and share God’s love with those who struggle with every kind of sin. We also recognize that there is a difference between temptation and behavior and that, while temptation is sometimes unavoidable, we are responsible for our behavior.

## **Church Practices Derived From This Policy**

### **For Membership in Our Church:**

No member of our church may enter into a sexual union other than Biblical marriage as defined by this policy without being subject to church discipline.

No person practicing a sexual union other than Biblical marriage as defined by this policy can be considered for membership in the church.

### **For Our Staff:**

Every minister or other staff member employed by the church shall affirm the statement of faith on marriage and human sexuality adopted by this church.

Ministers employed by the church shall be subject to dismissal and/or loss of ordination for violating this statement of faith on marriage and human sexuality or by officiating at a marriage ceremony that violates the letter or the spirit of this policy.

### **Use of Our Facilities:**

In a general way, and as a result of the religious beliefs described above—beliefs to which we must practice fidelity—it is our policy that the facilities of this church may not be used for any ceremony that in any way approves of, solemnizes, supports, or allows a same-sex union, a polygamous union, or any union that constitutes child abuse. Specific policies that express this include the following:

Only those applicants whose marriage is in accord with the Biblical view of marriage expressed in this policy

will be approved for weddings in our church facilities. In making use of our facilities they shall conduct themselves in a manner consistent with this policy.

Only ordained or duly licensed clergy approved by this church and conducting themselves in a manner consistent with this policy shall officiate at marriage ceremonies conducted on our church property.

The church may decline any application for use of the church facilities when there are significant concerns that one or both of the applicants may not be qualified to enter into the sacred bond of marriage for theological, doctrinal, moral, or legal reasons.

-Notes-

## **The Executive Secretary's Report 2013**

If you have ever driven a car you know adjustments have to be made in order to safely operate an automobile. Traffic, road conditions and the weather are just a few of the many factors that have to be taken into consideration. Thousands of highway fatalities occur each year because drivers fail to make the necessary adjustments. No one wants to become a statistic.

Making adjustments has become standard operational procedure in all of our lives. This is increasingly true for those who work in denominational ministries. The challenge we face is how to change our methods without compromising our message...how to adjust our practices without violating our principles. Achieving and maintaining balance in these areas has never been more difficult or vital.

The executive office continues to make adjustments as we seek to minister to our constituents. A few examples include:

- Effectively operating the agency in the face of growing demands, but with limited, and sometimes dwindling resources.
- Keeping the annual national convention on solid financial footing as we encounter changing housing patterns among attendees and escalating costs.
- Maintaining the national offices building and publishing the denominational magazine without creating budgetary hardships for participating departments.
- Upholding and defending our historic doctrinal position and biblical moral values in light of the current cultural shift and ever-changing governmental regulations.

These adjustments require not only wisdom, but courage as well. However, adjustments can only go so far. Frankly, in some areas change is *not* an option. We eventually come to the place where, in the words of the Apostle Paul, after “having done all, to stand,” we must “stand therefore.”

My staff and I need your prayers and support as we endeavor to stand for our Lord and represent you. Thank you for giving us the opportunity, privilege and honor to serve.

Keith Burden, CMP  
Executive Secretary

## Tracking The Together Way Totals

DESIGNATED		CO-OP		TOTAL	
<b>2004</b>					
3,631,305.92	3.30%	782,642.76	1.54%	4,413,948.68	2.98%
82%		18%			
<b>2005</b>					
3,946,786.84	8.69%	813,333.89	3.92%	4,760,120.73	7.84%
83%		17%			
<b>2006</b>					
4,193,622.91	6.25%	832,178.34	2.32%	5,025,801.25	5.58%
83%		17%			
<b>2007</b>					
4,168,077.00	-0.61%	874,548.07	5.09%	5,042,625.07	0.33%
83%		17%			
<b>2008</b>					
4,083,286.89	-2.03%	892,767.28	2.08%	4,976,054.17	-1.32%
82%		18%			
<b>2009</b>					
3,970,587.35	-2.76%	877,543.24	-1.71%	4,848,130.59	-2.57%
82%		18%			
<b>2010</b>					
3,719,114.31	-6.33%	830,020.39	-5.42%	4,549,134.70	-6.17%
82%		18%			
<b>2011</b>					
3,557,541.45	-4.34%	839,056.49	1.09%	4,396,597.94	-3.35%
81%		19%			
<b>2012</b>					
3,805,921.98	6.98%	867,489.00	3.39%	4,673,410.98	6.30%
81%		19%			
<b>2013</b>					
3,384,687.36	-11.07%	899,627.83	3.70%	4,284,315.19	-8.33%
79%		21%			

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### The Together Way Totals Increase from 2004-2013

Designated	-6.79%	CO-OP	14.95%
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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.**

**Report on the Financial Statements**

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, 2013 and 2012, 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 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, 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*

April 7, 2014

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

**Statements of Financial Position**

**December 31, 2013 and 2012**

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
<b>Current assets:</b>		
Cash in bank		
Executive Office	\$ 206,501	217,115
Convention	110,560	142,043
Special Projects - Hymnal royalties	68,805	61,001
<b>Total cash in bank</b>	<b>385,866</b>	<b>420,159</b>
Funds held by Free Will Baptist Foundation	16,035	17,500
Receivables:		
Randall House royalties	5,819	453
Other departmental and agency charges	19,032	509
<b>Total receivables</b>	<b>24,851</b>	<b>962</b>
<b>Total current assets</b>	<b>426,752</b>	<b>438,621</b>
<b>Equipment:</b>		
Office equipment and furniture	37,331	41,631
Automobiles	32,500	32,500
	69,831	74,131
Less accumulated depreciation	59,733	59,442
<b>Net fixed assets</b>	<b>10,098</b>	<b>14,689</b>
<b>Other assets:</b>		
Deposits for future conventions	29,650	46,131
	<u>\$ 466,500</u>	<u>499,441</u>
	<b><u>Liabilities and Net Assets</u></b>	
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 37,574	34,568
Disaster relief funds	-	7,005
Funds held for Church on the Ridge building improvements	16,035	17,500
<b>Total current liabilities</b>	<b>53,609</b>	<b>59,073</b>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Executive Office	313,918	311,666
Net Investment in Equipment	10,098	14,689
Special Projects	67,491	61,293
Convention Fund	21,384	52,720
<b>Total net assets</b>	<b>412,891</b>	<b>440,368</b>
	<u>\$ 466,500</u>	<u>499,441</u>

**See accompanying notes to financial statements.**

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

**Statements of Activities and Changes in Net Assets**

**For the years ended December 31, 2013 and 2012**

	<b>Executive Office</b>	<b>Special Projects</b>	<b>Convention Fund</b>	<b>2013 Totals</b>	<b>2012 Totals</b>
<b>Revenues:</b>					
The Together Way Plan	\$ 4,284,315	-	-	4,284,315	4,673,411
Disbursed to agencies and departments	(3,860,232)	-	-	(3,860,232)	(4,268,077)
Executive Office portion of Together Way Plan	424,083	-	-	424,083	405,334
Hymnal royalties	-	13,479	-	13,479	9,068
Sales:					
Free Will Baptist Convention Sermons	-	245	-	245	1,664
Gifts and offerings	2,585	-	6,694	9,279	9,466
Convention revenues	-	-	400,753	400,753	422,961
Gain from insurance proceeds	-	-	-	-	4,425
Other income	9,222	962	14,648	24,832	22,609
<b>Total revenues</b>	<u>435,890</u>	<u>14,686</u>	<u>422,095</u>	<u>872,671</u>	<u>875,527</u>
<b>Cost of sales:</b>					
Free Will Baptist Convention Sermons	-	-	-	-	5,425
<b>Net revenues</b>	<u>435,890</u>	<u>14,686</u>	<u>422,095</u>	<u>872,671</u>	<u>870,102</u>
<b>Expenses of operations:</b>					
Executive Office	438,229	-	-	438,229	407,774
Special Projects	-	8,488	-	8,488	5,848
Convention Fund	-	-	453,431	453,431	323,679
<b>Total expenses</b>	<u>438,229</u>	<u>8,488</u>	<u>453,431</u>	<u>900,148</u>	<u>737,301</u>
<b>Increase (decrease) in net assets</b>	<u>(2,339)</u>	<u>6,198</u>	<u>(31,336)</u>	<u>(27,477)</u>	<u>132,801</u>
<b>Net assets:</b>					
Beginning of year	<u>326,355</u>	<u>61,293</u>	<u>52,720</u>	<u>440,368</u>	<u>307,567</u>
<b>End of year</b>	<u>\$ 324,016</u>	<u>67,491</u>	<u>21,384</u>	<u>412,891</u>	<u>440,368</u>

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, 2013 and 2012**

	<b><u>Executive Office</u></b>	<b><u>Special Projects</u></b>	<b><u>Convention Fund</u></b>	<b><u>2013 Totals</u></b>	<b><u>2012 Totals</u></b>
<b>Expenses of operations:</b>					
Salaries	\$ 122,426	-	97,536	219,962	190,819
Housing allowance	20,000	-	-	20,000	20,000
Employee fringe benefits and health insurance	56,627	-	-	56,627	46,007
Payroll taxes	24,377	-	61	24,438	20,547
Support to One Magazine	116,433	-	17,463	133,896	133,896
Office rental	34,077	-	-	34,077	34,077
Travel	32,656	-	40,352	73,008	59,961
Supplies, office expense	7,690	50	10,822	18,562	26,123
Copier lease	7,052	-	-	7,052	7,764
Executive Committee and General Board	2,280	-	7,422	9,702	13,717
Depreciation	5,921	-	-	5,921	3,464
Legal and audit	3,833	-	4,173	8,006	6,147
Printing and promotion	1,896	-	12,882	14,778	15,133
Postage / mail services	288	-	148	436	582
Telephone	2,433	-	719	3,152	3,864
International Fellowship	240	-	-	240	240
Royalties and management fee	-	7,671	-	7,671	5,129
Church directory	-	767	-	767	638
Auditorium and other convention services	-	-	201,411	201,411	144,519
Attrition penalty	-	-	54,703	54,703	-
Special Committee	-	-	1,216	1,216	-
Publications Committee	-	-	1,564	1,564	1,413
Nominating Committee	-	-	1,359	1,359	1,661
Other	-	-	1,600	1,600	1,600
Total expenses	\$ <u>438,229</u>	<u>8,488</u>	<u>453,431</u>	<u>900,148</u>	<u>737,301</u>

**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, 2013 and 2012**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ (27,477)	132,801
Adjustments to reconcile change in net assets to net operating activities :		
Depreciation	5,921	3,464
Change in deposits for future conventions	16,481	(22,684)
(Increase) decrease in:		
Receivables	(23,890)	1,593
Inventory of "Free Will Baptist Convention Sermons"	-	4,452
Increase (decrease) in:		
Advance payment - Tennessee state fee for 2012 convention	-	(42,000)
Funds held for Church on the Ridge building improvements	(1,465)	1,613
Funds held for Disaster Relief	(7,005)	225
Accounts payable and accrued expenses	3,006	9,794
Net operating activities	<u>(34,429)</u>	<u>89,258</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of automobile and/or computers	<u>(1,329)</u>	<u>(15,000)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(35,758)	74,258
<b>Cash and cash equivalents:</b>		
<b>Beginning of year</b>	<u>437,659</u>	<u>363,401</u>
<b>End of year</b>	<u>\$ 401,901</u>	<u>437,659</u>
<b>Cash and cash equivalents consist of:</b>		
Cash in bank	\$ 385,866	420,159
Funds held by Free Will Baptist Foundation	<u>16,035</u>	<u>17,500</u>
	<u>\$ 401,901</u>	<u>437,659</u>

See accompanying notes to financial statements.

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

**December 31, 2013 and 2012**

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, 2013 and 2012, 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 April 7, 2014, 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 2013 and 2012. 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, 2012, 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 \$11,626 in 2013 and \$10,283 in 2012. 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 \$7,052 in 2013 and \$7,764 in 2012. The minimum annual payments required are \$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 2013 and 2012.

**(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 2013 and 2012.

**(6) Commitments for Future Conventions**

Contractual obligations for facility use at future conventions have been executed through 2019. Deposits amounting to \$29,650 in 2013 and \$46,131 in 2012 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, 2013 as compared to 2012 totals.

<b>Receipts:</b>	<b>2013</b>			<b>2012</b>
	<b>Designated</b>	<b>Cooperative</b>	<b>Total</b>	<b>Total</b>
Alabama	\$ 4,587	8,123	12,710	13,305
Arkansas	588,736	226,817	815,553	835,581
California	-	10,112	10,112	14,840
Florida	690	14,224	14,914	46,145
Georgia	367,710	32,227	399,937	492,261
Illinois	135,180	24,282	159,462	190,427
Indiana	12,183	1,370	13,553	16,036
Kentucky	-	9,028	9,028	9,439
Michigan	180,503	8,350	188,853	191,747
Mississippi	8,390	8,796	17,186	9,259
Missouri	414,760	210,460	625,220	682,812
New Mexico	7,437	1,027	8,464	5,476
North Carolina	41,736	31,811	73,547	72,692
Ohio	181,728	43,862	225,590	369,769
Oklahoma	546,966	208,631	755,597	726,503
South Carolina	609,685	417	610,102	656,848
Tennessee	147,639	44,116	191,755	168,491
Texas	111,896	5,444	117,340	138,005
Virginia	4,682	2,340	7,022	3,098
West Virginia	2,389	3,230	5,619	7,193
Canada	17,276	1,354	18,630	18,461
Contributions totaling \$2,500 or less	514	3,607	4,121	5,023
Total receipts	\$ 3,384,687	899,628	4,284,315	4,673,411
<b>Disbursements:</b>				
Executive Office	\$ 19,250	404,833	424,083	405,334
Welch College	248,625	113,803	362,428	380,011
FWB Foundation	192	29,688	29,880	29,069
Home Missions	609,929	89,063	698,992	885,340
International Missions	2,340,094	113,803	2,453,897	2,678,459
Master's Men	5,726	69,271	74,997	74,697
Retirement & Insurance	4,080	69,271	73,351	71,200
Commission for Theological Integrity	450	2,474	2,924	3,131
Historical Commission	223	2,474	2,697	2,839
Media Commission	457	2,474	2,931	3,135
Music Commission	607	2,474	3,081	3,228
Hillsdale Free Will Baptist College	46,901	-	46,901	37,358
Other	108,153	-	108,153	99,610
Total disbursements	\$ 3,384,687	899,628	4,284,315	4,673,411

**Executive Office****Budgets**

**2015  
EXECUTIVE OFFICE  
ADMINISTRATIVE BUDGETS  
FINANCIAL REPORT**

PROJECTED EXPENSES	2013 Budget	2013 Actuals*	2014 Budget	2015 Budget
Salaries	\$214,758.70	\$211,701.07	\$193,968.20	\$198,247.57
Housing	20,000.00	20,000.04	20,000.00	20,000.00
Social Security	22,965.99	24,376.54	21,475.63	21,905.16
Retirement	11,625.49	11,625.66	10,698.41	10,912.38
Employees Insurance (Dental/Disability/Health/Life/Travel)	41,140.53	40,395.76	45,917.75	45,943.00
Convention Reimbursements	-96,736.26	-96,736.21	-83,116.07	-84,496.09 **
Auditing/Legal	3,986.00	3,832.72	4,000.00	4,000.00
Books/Dues/Registrations	2,500.00	2,809.53	2,500.00	2,500.00
Computer Supplies	2,500.00	3,516.89	2,500.00	3,000.00
Copier Lease	7,400.00	7,051.70	7,400.00	8,000.00
Equipment Maintenance	100.00	0.00	100.00	100.00
Executive Committee	2,500.00	2,280.00	2,500.00	2,500.00
General Insurance	3,000.00	4,605.79	2,500.00	4,000.00
Int'l. Fellowship of FWB Churches	240.00	240.00	240.00	240.00
Leadership Conference	25.00	0.00	0.00	0.00
Office Rental (\$1.18 per sq. ft. x 2,491)	34,076.88	34,076.88	34,674.72	35,272.56
Office Supplies/Expense	1,500.00	1,413.33	1,500.00	700.00
Postage	750.00	288.28	500.00	500.00
Printing	1,000.00	1,080.32	1,000.00	1,000.00
Promotion	750.00	815.67	600.00	750.00
Telephone	3,250.00	2,433.22	3,800.00	3,000.00
Travel	27,000.00	32,656.49	28,000.00	30,000.00
Christmas Bonus (Extra Week's Salary)	0.00	7,461.55	0.00	0.00
Extra Week Ret. in lieu of 4th week vacation beginning 16th year of service	1,641.22	0.00	0.00	0.00
<i>One Magazine</i>	116,433.44	116,433.48	116,433.44	116,433.44
Contingency Fund	0.00	0.00	8,007.92	3,725.98
Women Nationally Active for Christ	0.00	0.00	0.00	5,000.00
<b>Totals</b>	<b><u>\$422,406.99</u></b>	<b><u>\$432,358.71</u></b>	<b><u>\$425,200.00</u></b>	<b><u>\$433,234.00</u></b>
<b>PROJECTED INCOME</b>				
The Together Way Plan				
Cooperative Gifts	\$385,000.00	\$404,832.65	\$401,700.00	\$409,734.00
Designated Gifts	16,500.00	19,250.38	15,000.00	15,000.00
Travel Reimbursement	1,000.00	4,130.28	1,000.00	1,000.00
Other Income	10,000.00	7,672.13	7,500.00	7,500.00
Surplus Revenue	<u>9,906.99</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Totals</b>	<b><u>\$422,406.99</u></b>	<b><u>\$435,885.44</u></b>	<b><u>\$425,200.00</u></b>	<b><u>\$433,234.00</u></b>

\*Budget comparison does not include depreciation expense.

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



**Executive Office**

**Salary Breakdown**

**SALARY BREAKDOWN**

	<b>2013</b>		<b>2014</b>		<b>2015</b>	
Executive Secretary						
Salary	\$45,450.11	2.00%	\$46,759.11	2.00%	\$48,094.29	2.00%
Housing and Utilities	20,000.00		20,000.00		20,000.00	
Social Security	10,013.87	15.30%	10,214.14	15.30%	10,418.43	15.30%
Retirement	3,272.51	5.00%	3,337.96	5.00%	3,404.71	5.00%
Insurance (Health/Dental/Life)	7,303.16		8,886.24		8,886.24	
Disability/Travel	471.98		449.43		457.31	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
NOTE: Office car furnished.						
	86,511.62		89,646.88		91,260.98	
Executive Administrator						
Salary	58,979.29	2.00%	60,158.87	2.00%	61,362.05	2.00%
Social Security	4,511.92	7.65%	4,602.15	7.65%	4,694.20	7.65%
Retirement	2,948.96	5.00%	3,007.94	5.00%	3,068.10	5.00%
Insurance (Health/Dental/Life)	14,444.89		17,588.74		17,588.74	
Disability/Travel	406.80		410.49		417.59	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
NOTE: Office car furnished.						
	81,291.86		85,768.19		87,130.68	
Executive Accountant						
Salary	46,363.23	2.00%	47,290.50	2.00%	48,236.31	2.00%
Social Security	3,546.79	7.65%	3,617.72	7.65%	3,690.08	7.65%
Retirement	2,318.16	5.00%	2,364.53	5.00%	2,411.82	5.00%
Insurance	7,591.33		9,242.06		9,242.06	
Disability	273.54		279.01		284.59	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	60,093.05		62,793.82		63,864.86	
Yearbook Coordinator/ Registration Coordinator						
Salary	38,980.12	2.00%	39,759.72	2.00%	40,554.92	2.00%
Vacation Days/Retirement	2,248.85		0.00		0.00	
Social Security	3,154.02	7.65%	3,041.62	7.65%	3,102.45	7.65%
Retirement	1,949.01	5.00%	1,987.99	5.00%	2,027.75	5.00%
Insurance	7,591.32		8,827.20		8,827.20	
Disability	229.98		234.58		239.27	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	54,153.30		53,851.11		54,751.59	
Assistant Yearbook Coordinator/ Registration Coordinator						
Salary	22,737.11	2.00%	0.00		0.00	
Social Security	1,739.39	7.65%				
Retirement	1,136.86	5.00%				
Insurance	4,428.27					
Disability	134.15					
Christmas Bonus	<u>0.00</u>					
	30,175.77					

**Convention**

**Budgets**

**CONVENTION BUDGETS**  
**Financial Report**  
**National Association of Free Will Baptists, Inc.**  
**July 27-30, 2014**  
**Forth Worth, Texas**

	<b>2013 Budget</b>	<b>2013 Actuals*</b>	<b>2014 Budget</b>
<b>PROJECTED REVENUE</b>			
Booth Fees	\$26,000.00	\$27,092.50	\$25,000.00
Host State (Texas)	30,000.00	30,000.00	30,000.00
Local Church Representation Fees (\$150)	1,000.00	900.00	0.00
Offerings	7,500.00	6,694.32	7,000.00
Printing Income	10,000.00	10,049.82	10,750.00
Reimbursements	6,500.00	4,361.11	10,400.00
State Representation Fees (\$150 per church)	335,000.00	332,710.44	333,000.00
Truck Reimbursement	4,500.00	3,020.54	3,000.00
Other	<u>7,500.00</u>	<u>7,260.00</u>	<u>7,500.00</u>
<b>TOTALS</b>	<b><u>428,000.00</u></b>	<b><u>422,088.73</u></b>	<b><u>426,650.00</u></b>
<b>PROJECTED EXPENDITURES</b>			
Auditorium	182,950.00	170,003.26	153,722.00
Printing and Promotion	31,213.47	30,495.92	31,213.47
Convention Office	119,858.90	123,291.84	115,836.17
Convention Personnel			
Meals	5,734.00	5,720.93	5,734.00
Travel	9,872.23	7,686.26	8,344.50
Lodging	3,419.18	52,073.22	7,020.69
Convention Officials	5,291.72	5,035.38	5,648.58
Volunteer Staff	5,251.96	5,171.39	8,128.69
Honorariums	1,600.00	1,600.00	1,600.00
Decorator Services	19,430.00	19,772.01	17,075.00
Meal Functions	2,528.54	2,275.57	1,721.42
Executive Committee			
Meal and Motel Expenses	3,600.00	3,150.00	4,050.00
Pre-Convention Expenses	22,250.00	16,764.17	22,000.00
National Committee Expenses	<u>15,000.00</u>	<u>10,392.38</u>	<u>16,000.00</u>
<b>Sub-Totals</b>	<b>428,000.00</b>	<b>453,432.33</b>	<b>398,094.52</b>
Surplus Revenue (Operating Capital for Future Conventions)	<u>0.00</u>	<u>-31,343.60</u>	<u>28,555.48</u>
<b>TOTALS</b>	<b><u>\$428,000.00</u></b>	<b><u>\$422,088.73</u></b>	<b><u>\$426,650.00</u></b>

\*Budget comparison does not include depreciation expense.

**Convention**

**Budgets**

**CONVENTION BUDGETS**  
**Financial Report**  
**National Association of Free Will Baptists, Inc.**  
**July 27-30, 2014**  
**Forth Worth, Texas**

	<b>2013 Budget</b>	<b>2013 Actuals*</b>	<b>2014 Budget</b>
<b>PROJECTED REVENUE</b>			
Booth Fees	\$26,000.00	\$27,092.50	\$25,000.00
Host State (Texas)	30,000.00	30,000.00	30,000.00
Local Church Representation Fees (\$150)	1,000.00	900.00	0.00
Offerings	7,500.00	6,694.32	7,000.00
Printing Income	10,000.00	10,049.82	10,750.00
Reimbursements	6,500.00	4,361.11	10,400.00
State Representation Fees (\$150 per church)	335,000.00	332,710.44	333,000.00
Truck Reimbursements	4,500.00	3,020.54	3,000.00
Other	<u>7,500.00</u>	<u>7,260.00</u>	<u>7,500.00</u>
<b>TOTALS</b>	<b><u>428,000.00</u></b>	<b><u>422,088.73</u></b>	<b><u>426,650.00</u></b>
<b>PROJECTED EXPENDITURES</b>			
<b>AUDITORIUM</b>			
Rental/Arena/Meeting Space	65,000.00	57,418.00	37,450.00
Flowers	500.00	443.79	500.00
Other			
First Aid Staff	3,500.00	1,593.00	3,360.00
Liability, ASCAP, BMI, CCLI Insurance	1,500.00	2,122.06	2,600.00
Music/Equipment	4,600.00	5,370.95	5,000.00
Offering Buckets	100.00	0.00	0.00
Signs	100.00	0.00	0.00
Sound System/AV Equipment	91,000.00	79,535.00	78,152.00
Boom/Rigging/Stage Hands	6,000.00	9,466.00	10,000.00
Usher Badges/Usher Room Table, Chairs	150.00	10.00	200.00
Police Security/Badge Checkers	7,000.00	9,547.75	8,000.00
Streaming Video Expense	2,000.00	2,500.00	6,210.00
General Board AV	<u>1,500.00</u>	<u>1,996.71</u>	<u>2,250.00</u>
<b>TOTALS</b>	<b><u>182,950.00</u></b>	<b><u>170,003.26</u></b>	<b><u>153,722.00</u></b>
<b>PRINTING AND PROMOTION</b>			
Convention Materials			
<i>Digest of Reports</i>	8,500.00	8,301.67	9,000.00
Programs	3,250.00	2,982.87	3,000.00
Photos	0.00	150.00	0.00
Pre-Convention Printing/Art	2,000.00	1,597.90	1,750.00
<i>ONE Magazine</i>	<u>17,463.47</u>	<u>17,463.48</u>	<u>17,463.47</u>
<b>TOTALS</b>	<b><u>31,213.47</u></b>	<b><u>30,495.92</u></b>	<b><u>31,213.47</u></b>

**Convention****Budgets**

	2013 Budget	2013 Actuals	2014 Budget
<b>CONVENTION OFFICE</b>			
Audit	\$3,500.00	\$4,172.67	\$4,000.00
Convention Manager Package	65,264.68	65,264.64	68,850.39
Convention Manager Computer	1,000.00	0.00	200.00
Convention Courtesy Car	50.00	0.00	50.00
Equipment Rentals			
Computers, Printers	900.00	4,644.79	3,750.00
Copiers (3)/Paper	3,200.00	2,551.50	1,500.00
Furniture/Radios, etc.	1,500.00	1,173.00	1,800.00
Information Tables	100.00	0.00	110.00
Media Room/Press Office Tables	300.00	680.89	300.00
Office Expense/Supplies	1,450.00	1,772.25	2,500.00
Postage	200.00	147.72	150.00
Pre-Registration Salaries	29,235.09	29,235.09	13,251.91
Payroll Taxes	2,236.48	2,236.48	1,013.77
Pre-Registration Staff	1,368.00	800.00	3,400.00
Payroll Taxes	104.65	61.20	260.10
Pre-Registration (Supplies, Postage)	6,500.00	6,950.00	7,000.00
Registration (Supplies)	600.00	1,132.77	1,000.00
Registration Computers/Printers	1,750.00	1,750.00	6,000.00
Telephone/Internet	<u>600.00</u>	<u>718.84</u>	<u>700.00</u>
<b>TOTALS</b>	<b>119,858.90</b>	<b>123,291.84</b>	<b>115,836.17</b>
<b>CONVENTION PERSONNEL</b>			
<b>MEALS</b>			
Debbie Burden (24 meals @ \$14.00 each)	336.00	336.00	336.00
Keith Burden (33 meals @ \$14.00 each)	462.00	462.00	462.00
Bud Estes (24 meals @ \$14.00 each)	294.00	294.00	336.00
Dari Goodfellow (24 meals @ \$14.00 each)	336.00	336.00	0.00
Melody Hood (27 meals @ \$14.00 each)	378.00	378.00	378.00
Ryan Lewis (33 meals @ \$14.00 each)	462.00	462.00	462.00
Steve Pate (18 meals @ \$14.00 each)	252.00	252.00	252.00
Eric Thomsen (24 meals @ \$14.00 each)	378.00	378.00	336.00
Charles Wise (24 meals @ \$14.00 each)	0.00	0.00	336.00
Anna York (24 meals @ \$14.00 each)	336.00	336.00	336.00
Convention Interns (8)	<u>2,500.00</u>	<u>2,486.93</u>	<u>2,500.00</u>
<b>TOTALS</b>	<b>5,734.00</b>	<b>5,720.93</b>	<b>5,734.00</b>
<b>TRAVEL</b>			
Debbie Burden	318.30	318.30	372.00
Keith Burden	318.30	318.30	372.00
Bud Estes	500.00	660.07	250.00
Dari Goodfellow	400.00	274.30	0.00
Melody Hood	400.00	274.30	434.50
Kevin Justice	272.30	242.30	0.00
Ryan Lewis	350.00	330.30	383.00
Steve Pate	400.00	0.00	0.00
Eric Thomsen	400.00	400.00	366.50
Charles Wise	0.00	0.00	395.00
Anna York	400.00	274.30	391.50
Convention Truck (Fuel/Meals/Trailer Rental)	4,763.33	3,649.82	3,880.00
Staff Expense Money	<u>1,350.00</u>	<u>944.27</u>	<u>1,500.00</u>
<b>TOTALS</b>	<b>9,872.23</b>	<b>7,686.26</b>	<b>8,344.50</b>
<b>LODGING</b>			
Keith Burden	0.00	0.00	0.00
Bud Estes (7 nights @ \$123.17)	532.38	507.00	862.19
Melody Hood (8 nights @ \$123.17)	88.73	0.00	985.36
Ryan Lewis	0.00	131.71	0.00
Steve Pate (7 nights @ \$123.17)	0.00	0.00	862.19
Eric Thomsen (7 nights @ \$123.17)	264.73	188.04	862.19
Charles Wise (7 nights @ \$123.17)	0.00	0.00	862.19
Anna York (7 nights @ \$123.17)	0.00	422.50	862.19
Convention Interns (14 nights @ \$123.17)	2,533.34	1,820.00	1,724.38
Comp Rooms	0.00	-5,699.03	0.00
Attrition	<u>0.00</u>	<u>54,703.00</u>	<u>0.00</u>
<b>TOTALS (Includes applicable tax and parking)</b>	<b>3,419.18</b>	<b>52,073.22</b>	<b>7,020.69</b>

## Convention

## Budgets

	2013 Budget	2013 Actuals	2014 Budget
<b>CONVENTION OFFICIALS</b>			
<b>Moderator - Tim York</b>			
Travel	\$400.00	\$400.00	\$266.50
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.17)	664.38	616.76	739.02
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	<b>1,808.38</b>	<b>1,760.76</b>	<b>1,749.52</b>
<b>Clerk - Randy Bryant</b>			
Travel	158.20	158.20	350.00
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.17)	664.38	638.71	739.02
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	<b>1,566.58</b>	<b>1,540.91</b>	<b>1,833.02</b>
<b>Assistant Moderator - William Smith</b>			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.17)	<u>664.38</u>	<u>507.00</u>	<u>739.02</u>
	<b>958.38</b>	<b>801.00</b>	<b>1,033.02</b>
<b>Assistant Clerk - Ernie Lewis</b>			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.17)	<u>664.38</u>	<u>638.71</u>	<u>739.02</u>
	<b>958.38</b>	<b>932.71</b>	<b>1,033.02</b>
<b>TOTALS (Includes applicable tax and parking)</b>	<b>5,291.72</b>	<b>5,035.38</b>	<b>5,648.58</b>
<b>VOLUNTEER STAFF</b>			
<b>Impact Coordinator - Ken Akers</b>	775.11	723.21	862.19
Lodging (7 nights @ \$123.17)			
<b>Keyboardist</b>	553.65	444.45	0.00
Lodging (5 nights @ \$110.73)			
<b>Media Commission</b>	621.11	591.50	615.85
Lodging (5 nights @ \$123.17)			
<b>Music Coordinator - Kevin Justice</b>	532.38	507.00	739.02
Lodging (6 nights @ \$123.17)			
<b>Musicians (4 Rooms)</b>	0.00	0.00	2,463.40
Lodging (20 nights @ \$123.17)			
<b>Photographer - Rodney Yerby</b>	664.38	616.76	739.02
Lodging (6 nights @ \$123.17)			
<b>Photographer</b>	0.00	0.00	739.02
Lodging (6 nights @ \$123.17)			
<b>Pianist</b>	443.65	422.50	0.00
Lodging (5 nights @ \$88.73)			
<b>Translators (2 Rooms)</b>	997.30	1,227.26	1,231.17
Lodging (10 nights @ \$123.17)			
<b>Usher Coordinator - Johnny Fowlkes</b>	<u>664.38</u>	<u>638.71</u>	<u>739.02</u>
Lodging (6 nights @ \$123.17)			
<b>TOTALS (Includes applicable tax and parking)</b>	<b>5,251.96</b>	<b>5,171.39</b>	<b>8,128.69</b>
<b>HONORARIUMS</b>			
Marcus Brewer	200.00	200.00	200.00
Danny Gasperson	200.00	200.00	200.00
Randy Corn	200.00	200.00	200.00
Todd Smith	200.00	200.00	200.00
Will Harmon	200.00	200.00	200.00
Heath Ferguson	200.00	200.00	200.00
Preaching Conference Speaker - Howard Bass	200.00	200.00	200.00
Preaching Conference Speaker - Keith Woody	<u>200.00</u>	<u>200.00</u>	<u>200.00</u>
<b>TOTALS</b>	<b>1,600.00</b>	<b>1,600.00</b>	<b>1,600.00</b>

**Convention****Budgets**

	<b>2013 Budget</b>	<b>2013 Actuals*</b>	<b>2014 Budget</b>
<b>DECORATOR SERVICES</b>			
Booth (70) Installation/Draped Tables/Union	\$7,200.00	\$6,704.26	\$4,550.00
Exhibitor Badges	100.00	100.00	50.00
Registration			
Chairs, Counters, Skirted Tables, Carpet	2,000.00	3,380.00	3,400.00
Electricity/Masking Drape	650.00	1,243.75	750.00
Stage			
Platform/Carpet	4,000.00	1,463.00	7,800.00
Risers	4,000.00	5,405.00	0.00
Skirted Tables/Chairs	300.00	194.00	325.00
Skirting/Draping	780.00	1,212.00	0.00
Forklift	<u>400.00</u>	<u>70.00</u>	<u>200.00</u>
<b>TOTALS</b>	<b>19,430.00</b>	<b>19,772.01</b>	<b>17,075.00</b>
<b>MEAL FUNCTIONS</b>			
Executive Committee	2,388.24	2,150.14	1,581.12
Dinner (36 people @ \$43.92)			
Presidents' Breakfast			
(5 people @ \$28.06)	<u>140.30</u>	<u>125.43</u>	<u>140.30</u>
<b>TOTALS</b>	<b>2,528.54</b>	<b>2,275.57</b>	<b>1,721.42</b>
<b>EXECUTIVE COMMITTEE</b>			
<b>MEAL AND MOTEL EXPENSES</b>			
(For the Executive Committee Meeting prior to the 2014 National Convention)			
Stan Bunch	450.00	0.00	450.00
Tim Campbell	450.00	450.00	450.00
Rick Cash	450.00	450.00	0.00
Wayne Hale	0.00	0.00	450.00
Wayne Miracle	0.00	0.00	450.00
Glenn Poston	450.00	450.00	450.00
David Shores	450.00	450.00	450.00
Todd Smith	450.00	450.00	450.00
Venny VanHoose	450.00	450.00	450.00
Mike Wade	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
<b>TOTALS</b>	<b>3,600.00</b>	<b>3,150.00</b>	<b>4,050.00</b>
<b>PRE-CONVENTION EXPENSES</b>			
Impact Fort Worth	2,250.00	1,564.40	2,000.00
Pre-Convention Meetings/Site Inspections	<u>20,000.00</u>	<u>15,199.77</u>	<u>20,000.00</u>
<b>TOTALS</b>	<b>22,250.00</b>	<b>16,764.17</b>	<b>22,000.00</b>
<b>NATIONAL COMMITTEE EXPENSES</b>			
Executive Committee	12,000.00	7,817.42	12,000.00
Nominating Committee	3,000.00	1,359.06	3,000.00
Special Committee	<u>0.00</u>	<u>1,215.90</u>	<u>1,000.00</u>
<b>TOTALS</b>	<b>15,000.00</b>	<b>10,392.38</b>	<b>16,000.00</b>
<b>SUB-TOTALS</b>	<b>428,000.00</b>	<b>453,432.33</b>	<b>398,094.52</b>
<b>SURPLUS REVENUE</b>			
(Operating Capital for Future Conventions)	<u>0.00</u>	<u>-31,343.60</u>	<u>28,555.48</u>
<b>GRAND TOTALS</b>	<b><u>\$428,000.00</u></b>	<b><u>\$422,088.73</u></b>	<b><u>\$426,650.00</u></b>

# 2013 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	\$596.61	\$233.84	\$222.69	\$541.83	\$193.32	\$185.40	\$459.95	\$219.45	\$195.55	\$0.00	\$618.01	\$188.91	\$3,655.56
Arkansas	6,394.04	8,478.05	11,184.01	7,516.04	9,825.37	10,211.19	7,015.93	10,051.14	7,080.93	6,204.28	11,835.63	6,271.20	102,677.81
Arizona	0.00	0.00	130.50	0.00	0.00	0.00	0.00	0.00	40.50	0.00	0.00	0.00	171.00
California	615.67	299.96	393.08	494.79	345.11	337.33	277.36	488.78	250.13	457.65	278.09	312.48	4,550.43
Canada	0.00	233.40	38.11	49.03	54.08	44.51	52.20	44.90	41.11	51.81	0.00	0.00	609.15
Florida	0.00	0.00	0.00	0.00	45.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,400.65
Georgia	2,093.32	1,176.07	784.05	1,558.72	935.58	1,176.93	1,452.05	1,050.34	763.68	1,708.87	838.01	964.66	14,502.28
Illinois	1,121.21	1,252.49	707.51	920.75	1,098.99	567.85	973.09	1,110.61	507.40	998.65	1,037.24	631.06	10,926.85
Indiana	208.80	16.02	18.00	104.40	126.90	0.00	24.57	0.00	104.40	0.00	13.50	0.00	616.59
Kansas	0.00	0.00	44.63	41.34	0.00	0.00	30.98	31.11	0.00	0.00	0.00	55.12	203.18
Kentucky	259.70	262.88	463.06	318.18	0.00	870.46	279.86	515.34	472.93	270.31	350.07	0.00	4,062.79
Michigan	594.45	156.14	319.43	237.90	196.70	439.74	178.61	409.12	4.52	384.58	386.91	449.30	3,757.40
Missouri	10,213.96	6,727.20	5,919.24	10,067.36	7,937.41	6,907.92	10,229.28	7,322.75	5,436.55	10,127.26	5,894.30	7,923.65	94,706.88
Mississippi	328.68	328.71	327.64	475.53	187.28	467.06	0.00	613.07	274.78	0.00	643.37	312.07	3,958.19
North Carolina	514.35	1,056.24	1,214.77	2,730.61	247.50	311.85	1,597.95	267.75	580.05	3,356.42	1,323.45	1,113.96	14,314.90
New Mexico	0.00	0.00	87.27	0.00	0.00	255.72	23.54	10.00	0.00	65.43	0.00	20.01	461.97
Ohio	1,784.70	1,635.73	1,103.90	1,675.47	1,763.97	1,412.33	1,485.95	1,926.57	1,142.15	2,628.65	1,708.75	1,469.61	19,737.78
Oklahoma	7,264.34	7,559.30	6,889.23	6,483.93	6,857.42	7,303.14	17,752.80	7,187.86	8,241.14	6,189.39	6,653.49	5,501.76	93,883.80
Oregon	108.00	36.00	108.00	72.00	90.00	72.00	90.00	54.00	72.00	54.00	72.00	90.00	918.00
South Carolina	14.83	15.87	20.40	11.25	15.61	17.65	12.00	0.90	12.65	22.75	17.69	25.92	187.52
Tennessee	4,918.06	849.41	975.14	0.00	2,241.79	2,464.32	3,003.04	902.12	873.35	1,603.36	0.00	2,021.68	19,852.27
Texas	388.56	281.49	189.28	247.65	142.58	165.73	274.79	161.79	121.19	216.31	242.49	18.00	2,449.86
Utah	33.75	0.00	33.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	67.50
Virginia	580.95	0.00	0.00	166.86	0.00	0.00	170.58	0.00	0.00	0.00	0.00	134.73	1,053.12
Virgin Islands	28.59	24.35	0.00	27.97	43.76	0.00	23.92	37.16	0.00	56.16	21.64	0.00	263.55
West Virginia	120.33	105.98	59.36	100.61	150.82	94.28	88.39	133.73	84.30	225.03	176.13	114.66	1,453.62
<b>TOTALS</b>	\$38,162.90	\$30,729.13	\$31,233.05	\$33,842.22	\$32,499.19	\$33,305.41	\$45,496.84	\$32,538.49	\$26,299.31	\$34,620.91	\$32,110.77	\$33,974.43	\$404,832.65

**2013**  
**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	\$519.35	\$250.26	\$270.20	\$468.59	\$274.12	\$272.82	\$446.10	\$259.34	\$297.95	\$0.00	\$604.82	\$263.69	\$3,927.24
Arizona	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arkansas	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
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	10.00	9.70	9.40	9.42	9.43	9.24	9.22	9.26	9.16	9.27	0.00	0.00	94.10
Florida	161.79	0.00	0.00	114.49	0.00	0.00	120.18	0.00	0.00	113.32	0.00	0.00	509.78
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	121.44	87.41	94.25	94.25	103.92	103.93	184.85	0.00	93.93	106.00	0.00	162.44	1,152.42
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	0.00	100.00	0.00	100.00	0.00	30.00	0.00	100.00	0.00	0.00	430.00
Mississippi	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	540.00	0.00	0.00	0.00	540.00
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	185.00	960.00	150.00	46.00	1,015.00	585.00	75.00	1,090.00	10.00	185.00	1,035.00	0.00	5,336.00
Ohio	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Oklahoma	115.70	250.00	0.00	0.00	106.76	0.00	107.90	0.00	0.00	106.39	0.00	0.00	686.75
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	356.81	222.90	234.73	346.40	231.08	247.90	306.05	224.59	210.91	305.52	217.82	384.54	3,289.25
Tennessee	470.00	0.00	20.00	250.00	194.00	20.00	584.00	20.00	20.00	646.50	0.00	140.00	2,364.50
Texas	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
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	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	167.48	0.00	0.00	317.48
Virgin Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
West Virginia	40.86	38.19	0.00	98.79	38.91	0.00	86.26	40.10	34.10	39.28	0.00	36.37	452.86
<b>TOTALS</b>	\$2,230.95	\$1,918.46	\$778.58	\$1,527.94	\$2,023.22	\$1,338.89	\$1,919.56	\$1,673.29	\$1,216.05	\$1,778.76	\$1,857.64	\$987.04	\$19,250.38



# 2013 Gifts to National Ministries

States	Executive	FMB	Home Missions	International Ministries	Master's Men	Retirement & Insurance	Witch College	WNAC	Commission for Civic Integrity	Historical Commission	Media Commission	Music Commission	Totals
Alabama	\$7,640.52	\$326.01	\$534,132.40	\$381,885.15	\$2,540.80	\$978.33	\$70,174.00	\$6,320.00	\$23.22	\$22.75	\$22.68	\$22.34	\$1,013,768.20
Alaska	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arizona	0.00	45.97	47,696.98	27,893.01	20.00	59.74	348.00	360.00	1.56	1.26	1.26	1.05	76,842.10
Arkansas	102,367.63	7,685.31	160,000.86	558,118.78	16,286.09	17,647.80	46,652.00	16,020.51	628.79	625.15	624.91	623.74	928,279.57
California	4,550.43	333.69	76,232.72	68,570.54	960.57	776.63	10,757.00	1,234.00	27.80	27.80	27.80	27.80	164,449.78
Colorado	745.00	13,070.00	1,000.00	1,000.00	3,333.33	1,000.00	1,575.00	0.00	0.00	0.00	0.00	0.00	17,420.00
Connecticut	0.00	0.00	273,305.88	3,254.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	277,160.46
Delaware	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
District of Columbia	6,000.00	0.00	293.00	6,197.98	0.00	1,197.98	640.00	2,000.00	0.00	0.00	0.00	0.00	6,837.98
Florida	12,000.00	58,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00
Georgia	14,891.44	7,253.41	111,949.16	258,918.57	2,459.19	2,654.60	109,807.00	10,114.60	91.52	89.96	289.74	89.83	551,503.82
Hawaii	0.00	0.00	558.00	450.00	0.00	0.00	1,047.00	0.00	0.00	0.00	0.00	0.00	2,055.00
Idaho	10.00	85.00	147,382.77	9,175.68	3,003.02	1,000.00	579.00	4,000.00	0.00	0.00	0.00	0.00	10,137.43
Illinois	1,791.21	212.50	52,979.29	47,419.31	293.91	382.27	2,851.00	854.16	198.56	198.41	3.91	3.78	107,234.34
Iowa	0.00	0.00	3,000.00	2,200.00	0.00	0.00	329.00	0.00	0.00	0.00	0.00	0.00	5,629.00
Kansas	203.18	14.89	5,644.72	15,088.62	25.33	34.78	850.00	0.00	1.24	1.24	1.24	1.24	21,786.46
Kentucky	4,000.00	29,000.00	111,000.00	11,000.00	1,000.00	1,000.00	13,116.00	4,000.00	0.00	0.00	0.00	0.00	145,000.00
Louisiana	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
Maine	0.00	0.00	4,180.00	67.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,247.36
Maryland	0.00	0.00	0.00	7,163.72	0.00	0.00	386.00	0.00	0.00	0.00	0.00	0.00	7,549.72
Massachusetts	4,234.02	322.31	67,133.02	155,643.91	3,046.09	865.61	10,856.00	3,989.64	23.66	23.26	23.22	22.95	246,004.68
Mid-Atlantic Association	0.00	0.00	17,278.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,278.77
Minnesota	4,000.00	0.00	148,975.00	71,720.00	829.00	0.00	39.00	2,000.00	0.00	0.00	0.00	0.00	1,250.00
Mississippi	4,000.00	29,000.00	148,975.00	829.00	829.00	0.00	39.00	2,000.00	0.00	0.00	0.00	0.00	29,000.00
Missouri	84,916.56	7,055.29	148,189.24	454,902.20	15,199.58	16,305.77	106,344.00	7,055.16	580.43	576.53	576.40	576.76	852,165.92
Montana	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
Nebraska	0.00	0.00	0.00	1,750.00	0.00	0.00	40.00	0.00	0.00	0.00	0.00	0.00	1,790.00
Nevada	0.00	0.00	0.00	960.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00	980.00
New Hampshire	0.00	0.00	3,680.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,680.00
New Jersey	0.00	0.00	0.00	1,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,500.00
New Mexico	506.59	80.09	6,079.54	5,420.27	75.62	121.71	587.00	543.90	3.52	3.14	3.08	2.81	13,429.87
New York	19,818.00	1,520.00	100,697.00	178,575.00	3,833.94	3,463.34	2,000.00	7,536.00	121.69	123.19	123.19	120.00	191,501.83
North Carolina	20,266.77	1,688.15	671,524.88	846,834.13	3,409.83	3,040.48	152,844.00	13,668.87	97.32	92.03	91.28	86.57	1,716,361.41
Northwest Association	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ohio	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
Oklahoma	84,906.37	7,121.56	167,862.99	525,337.32	16,747.86	16,380.35	89,757.00	8,186.55	577.33	575.39	575.11	573.73	928,301.56
Oregon	0.00	67.32	33,240.00	9,060.06	141.68	157.08	253.00	0.00	0.00	0.00	0.00	0.00	46,849.69
Pennsylvania	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
Rhode Island	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	3,476.77	192.79	106,377.42	480,741.19	401.16	2,096.49	116,928.00	8,025.00	1.16	1.16	1.16	1.16	718,656.46
South Dakota	22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tennessee	22,230.83	537.44	383,214.05	87,545.83	11,343.55	5,070.86	243,335.00	16,757.00	42.77	42.77	42.77	42.77	380,594.12
Texas	22,230.83	537.44	383,214.05	87,545.83	11,343.55	5,070.86	243,335.00	16,757.00	42.77	42.77	42.77	42.77	380,594.12
Utah	67.50	4.96	1,450.00	950.00	11.56	11.56	18,195.00	1,885.86	0.42	0.42	0.42	0.42	2,516.26
Virginia	1,270.60	77.23	130,594.88	73,005.55	907.15	180.20	16,135.00	2,885.00	6.43	6.43	6.43	6.43	225,278.33
Washington	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
West Virginia	1,950.88	151.17	91,102.44	123,116.99	329.11	742.23	8,848.00	1,740.00	28.00	9.21	235.58	8.00	230,170.52
Wisconsin	0.00	0.00	8,350.00	2,350.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,700.00
Wyoming	0.00	0.00	340.00	650.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	990.00
Yukon-Charley	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	293.55	19.33	39,623.16	46,205.93	45.10	45.10	1,078.00	0.00	1.61	1.61	1.61	1.61	46,867.91
Other	0.00	1,000.00	438,072.22	46,205.93	0.00	0.00	0.00	3,522.64	0.00	0.00	0.00	0.00	461,800.79
Foundation	0.00	0.00	9,146.67	0.00	0.00	0.00	0.00	154.59	0.00	0.00	0.00	0.00	9,301.46
WNAC	0.00	0.00	18,196.92	0.00	0.00	0.00	1,126.00	0.00	0.00	0.00	0.00	0.00	19,322.92
TOTALS	\$426,867.52	\$33,437.43	\$4,403,921.82	\$6,005,184.74	\$85,029.85	\$76,160.32	\$1,194,892.00	\$124,843.14	\$3,235.33	\$2,739.46	\$2,946.37	\$3,080.88	\$12,362,130.26

\*Foundation- Other includes Endowment gifts through the Cooperative Channel.  
 \*\*Other includes miscellaneous income, investment gains or 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.



Hill, Harper & Associates  
Certified Public Accountants

### Independent Auditors' Report

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

**Report on the Financial Statements**

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, 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 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 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, 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.

Franklin, Tennessee  
April 2, 2014

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

**Statements of Financial Position**

**December 31, 2013 and 2012**

	<u>Assets</u>	<u>2013</u>	<u>2012</u>
<b>Current assets:</b>			
Cash and cash equivalents:			
Cash in bank	\$	299,502	269,028
Funds held by Free Will Baptist Foundation		18,669	57,137
		<u>318,171</u>	<u>326,165</u>
Accounts receivable		12,097	11,715
		<u>330,268</u>	<u>337,880</u>
<b>Total current assets</b>			
<b>Property, plant and equipment:</b>			
Land and land improvements		224,978	220,078
Building		1,578,855	1,572,435
Building services equipment		75,115	125,107
Departmental workstations		77,228	77,228
		<u>1,956,176</u>	<u>1,994,848</u>
Less accumulated depreciation		1,542,648	1,553,170
		<u>413,528</u>	<u>441,678</u>
<b>Net property, plant and equipment</b>			
		<u>\$ 743,796</u>	<u>779,558</u>
	<u><b>Liabilities and Net Assets</b></u>		
<b>Accounts payable</b>	\$	203	21,700
<b>Net assets:</b>			
<b>Unrestricted net assets:</b>			
<b>Undesignated:</b>			
Operations		316,939	264,324
Net investment in property, plant and equipment		413,528	441,678
		<u>730,467</u>	<u>706,002</u>
<b>Designated:</b>			
Stewardship promotion		8,586	13,726
Reserve for building and equipment replacement		4,540	38,130
		<u>13,126</u>	<u>51,856</u>
<b>Total net assets</b>		<u>743,593</u>	<u>757,858</u>
	\$	<u>743,796</u>	<u>779,558</u>

See accompanying notes to financial statements.

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

**Statements of Activities and Changes in Net Assets**

**For the years ended December 31, 2013 and 2012**

	2013				2012
	Operations	Stewardship Education	Reserve for Building / Equipment Replacements	Totals	Totals
<b>Revenues:</b>					
Building rental	\$ 278,114	-	-	278,114	278,114
Reimbursement from departments	504,575	-	-	504,575	488,317
Interest income	-	403	861	1,264	1,487
Other	4,800	-	-	4,800	409
<b>Net revenues</b>	<u>787,489</u>	<u>403</u>	<u>861</u>	<u>788,753</u>	<u>768,327</u>
<b>Expenses:</b>					
<b>Expenses incurred for departments:</b>					
Employee benefits	331,187	-	-	331,187	319,646
Stewardship office expense	5,543	-	-	5,543	5,281
Leadership conference	21,196	-	-	21,196	25,631
Property and liability insurance	61,144	-	-	61,144	51,775
Telephone	24,894	-	-	24,894	22,362
Mailroom and other	61,734	-	-	61,734	63,833
	<u>505,698</u>	<u>-</u>	<u>-</u>	<u>505,698</u>	<u>488,528</u>
<b>Building operating expenses:</b>					
Salaries	73,130	-	-	73,130	72,153
Payroll taxes	5,594	-	-	5,594	5,520
Employee benefits	30,908	-	-	30,908	28,739
Janitorial services	30,083	-	-	30,083	31,762
Depreciation	73,501	-	-	73,501	71,396
Audit and legal	3,634	-	-	3,634	4,005
General insurance	19,791	-	-	19,791	16,811
Supplies and office expense	11,180	-	-	11,180	7,975
Utilities / telephone	31,245	-	-	31,245	38,056
Repairs and maintenance	6,111	-	-	6,111	10,392
Mailroom and other	12,143	-	-	12,143	10,699
	<u>297,320</u>	<u>-</u>	<u>-</u>	<u>297,320</u>	<u>297,508</u>
<b>Total expenses</b>	<u>803,018</u>	<u>-</u>	<u>-</u>	<u>803,018</u>	<u>786,036</u>
<b>Excess of expenses (over) under revenues</b>	(15,529)	403	861	(14,265)	(17,709)
<b>Expenditures for stewardship education</b>	5,543	(5,543)	-	-	-
<b>Provision for telephone system replacement</b>	(6,000)	-	6,000	-	-
<b>Purchase of telephone system</b>	40,451	-	(40,451)	-	-
<b>Increase (decrease) in net assets</b>	24,465	(5,140)	(33,590)	(14,265)	(17,709)
<b>Net assets at beginning of year</b>	706,002	13,726	38,130	757,858	775,567
<b>Net assets at end of year</b>	<u>\$ 730,467</u>	<u>8,586</u>	<u>4,540</u>	<u>743,593</u>	<u>757,858</u>

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, 2013 and 2012**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Cash Flows from Operating Activities</u></b>		
Decrease in net assets	\$ (14,265)	(17,709)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	73,501	71,396
Decrease in receivables	(382)	(4,521)
Increase in accounts payable	<u>(21,497)</u>	<u>21,700</u>
Net operating activities	<u>37,357</u>	<u>70,866</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	<u>(45,350)</u>	<u>(10,406)</u>
Net investing activities	<u>(45,350)</u>	<u>(10,406)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(7,993)	60,460
<b>Cash and cash equivalents, at beginning of year</b>	<u>326,165</u>	<u>265,705</u>
<b>Cash and cash equivalents, at end of year</b>	\$ <u>318,172</u>	<u>326,165</u>
<b>Cash and cash equivalents consists of:</b>		
Cash in bank	\$ 299,502	269,028
Funds held by Free Will Baptist Foundation	<u>18,669</u>	<u>57,137</u>
	\$ <u>318,171</u>	<u>326,165</u>

See accompanying notes to financial statements.

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

**December 31, 2013 and 2012**

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 2013 and 2012. 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**

**(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 April 2, 2014, 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, 2012, 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 \$3,313 in 2013 and \$3,124 in 2012. 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 \$6,753 for 2013 and \$5,964 for 2012. The minimum payments required are \$8,220 for 2014 and 2015; and \$6,165 for 2016.

**(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 2013 and 2012. Rentals for 2014 are expected to decrease to \$275,616.

**(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**

	<b>2013</b>	<b>2012</b>
<b><u>Stewardship Promotion</u></b>		
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.	\$ 8,586	13,726
<b><u>Reserve for Building and Equipment Replacements</u></b>		
Established to fund future building and equipment replacements	\$ 4,540	38,130

**2015  
BUILDING SERVICES  
BUDGETS  
FINANCIAL REPORT**

<b>PROJECTED INCOME</b>	<b>2013 Budget</b>	<b>2013 Actuals*</b>	<b>2014 Budget</b>	<b>2015 Budget</b>
Square Footage (19,800 @ \$1.18 = \$23,364.00 mo.)	<u>\$278,114.40</u>	<u>\$278,114.40</u>	<u>\$282,993.60</u>	<u>\$280,368.00</u>
Total Income	<u>\$278,114.40</u>	<u>\$278,114.40</u>	<u>\$282,993.60</u>	<u>\$280,368.00</u>

**PROJECTED EXPENSES**

Audit & Legal	\$4,000.00	\$3,633.53	\$4,000.00	\$4,000.00
Replacement Reserve	1,200.00	6,000.00	6,000.00	6,000.00
General Supplies	5,000.00	3,458.66	4,000.00	4,000.00
Insurance (Employee)	26,365.62	27,594.67	35,120.13	38,601.44
Insurance (Plant)	22,000.00	19,791.05	22,900.00	26,500.00
Janitorial Services	35,000.00	30,082.50	30,000.00	32,500.00
Janitorial Supplies	3,500.00	4,021.30	3,000.00	4,200.00
Mail Room	10,000.00	8,436.84	9,000.00	10,000.00
Mail Truck	2,500.00	2,212.50	2,500.00	2,750.00
General Maintenance/Contingency Fund	32,867.95	6,110.64	34,883.79	22,851.09
Network Expense	4,500.00	3,321.69	4,500.00	4,500.00
Payroll Taxes (Employer's S.S.)	5,629.95	5,594.45	5,545.73	5,656.65
Postage Meter/UPS	500.00	378.35	550.00	550.00
Retirement	3,956.80	3,313.20	3,250.73	3,315.74
Salaries	73,594.08	73,130.12	72,493.22	73,943.08
Telephone	10,000.00	560.24	7,500.00	2,000.00
Utilities	37,000.00	30,684.83	37,000.00	37,000.00
Other	<u>500.00</u>	<u>1,493.60</u>	<u>750.00</u>	<u>2,000.00</u>
Total Expenses	<u>\$278,114.40</u>	<u>\$229,818.17</u>	<u>\$282,993.60</u>	<u>\$280,368.00</u>

\*Budget comparison does not include depreciation expense.



## BUILDING SERVICES SALARY BREAKDOWN

	2013		2014		2015	
Maintenance Superintendent/ Mail Room Supervisor						
Salary	\$33,472.16	2.00%	\$34,141.60	2.00%	\$34,824.44	2.00%
Social Security	2,560.62	7.65%	2,611.83	7.65%	2,664.07	7.65%
Insurance (Dental/Health/Life)	19,373.99		25,925.90		28,518.49	
Disability	197.49		201.44		205.46	
Retirement	1,673.61	5.00%	1,707.08	5.00%	1,741.22	5.00%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	57,277.86		64,587.85		67,953.68	
Receptionist/Phone System Administrator/Assistant Bookkeeper						
Salary	30,267.62	2.00%	30,872.97	2.00%	31,490.43	2.00%
Social Security	2,315.47	7.65%	2,361.78	7.65%	2,409.02	7.65%
Insurance (Dental/Health/Life)	7,289.91		8,810.64		9,691.70	
Disability	178.58		182.15		185.79	
Retirement	1,513.38	5.00%	1,543.65	5.00%	1,574.52	5.00%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	41,564.96		43,771.19		45,351.46	
Assistant Receptionist/Phone System Administrator/Assistant Bookkeeper						
Salary	2,522.30		0.00		0.00	
Social Security	192.96	7.65%				
Insurance (Dental/Health/Life)	607.49					
Disability	14.88					
Retirement	126.12	5.00%				
Christmas Bonus	<u>0.00</u>					
	3,463.75					
Part-time Worker						
Salary	7,332.00	75 days (12.22 hr.)	7,478.64	75 days (12.46 hr.)	7,628.21	75 days (12.71 hr)
Social Security	<u>560.90</u>	7.65%	<u>572.12</u>	7.65%	<u>583.56</u>	7.65%
	7,892.90		8,050.76		8,211.77	



Hill, Harper & Associates  
Certified Public Accountants

Independent Auditors' Report

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

**Report on the Financial Statements**

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, 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 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 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, 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*

Franklin, Tennessee  
March 28, 2014

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

**Statements of Financial Position**

**December 31, 2013 and 2012**

	<u><b>Assets</b></u>	
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Current assets:</b>		
Cash and interest bearing deposits	\$ 235,466	191,109
Accounts receivable	4,010	4,369
<b>Total current assets</b>	<u>239,476</u>	<u>195,478</u>
<b>Other assets:</b>		
Funds held by Free Will Baptist Foundation for endowment fund purposes	24,185	22,983
<b>Fixed assets:</b>		
Furniture and equipment	9,775	18,456
Less accumulated depreciation	(5,508)	(16,960)
<b>Net fixed assets</b>	<u>4,267</u>	<u>1,496</u>
	<u>\$ 267,928</u>	<u>219,957</u>
	<u><b>Liabilities and Net Assets</b></u>	
<b>Liabilities:</b>		
Accounts payable	\$ 452	927
<b>Total liabilities</b>	<u>452</u>	<u>927</u>
<b>Net assets:</b>		
Unrestricted - operations	243,292	196,047
Temporarily restricted - endowment earnings	3,184	1,983
Permanently restricted - endowment funds	21,000	21,000
<b>Total net assets</b>	<u>267,476</u>	<u>219,030</u>
	<u>\$ 267,928</u>	<u>219,957</u>

See accompanying notes to financial statements.

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

**Statements of Activities and Changes in Net Assets**

**For the years ended December 31, 2013 and 2012**

	<b>2013</b>				
	<b>Unrestricted Operations</b>	<b>Temporarily Restricted Net Assets</b>	<b>Permanently Restricted Funds</b>	<b>Total</b>	<b>2012 Total</b>
<b>Revenues:</b>					
Assessments to publish One Magazine from Free Will Baptist departments and agencies	\$ 431,340	-	-	431,340	430,960
Revenues for additional pages printed	-	-	-	-	518
Net results from endowments held by Free Will Baptist Foundation	1,139	1,201	-	2,340	2,151
Other	2,317	-	-	2,317	30
<b>Total revenues</b>	<b>434,796</b>	<b>1,201</b>	<b>-</b>	<b>435,997</b>	<b>433,659</b>
<b>Expenses:</b>					
<b>Direct cost of publication:</b>					
Printing	153,751	-	-	153,751	157,786
Postage and mailing services	91,156	-	-	91,156	93,139
Design	35,864	-	-	35,864	36,607
Graphics expense	3,638	-	-	3,638	1,751
Writer's fees	2,348	-	-	2,348	2,543
<b>Total direct cost of publication</b>	<b>286,757</b>	<b>-</b>	<b>-</b>	<b>286,757</b>	<b>291,826</b>
<b>Employee compensation:</b>					
Salary	66,018	-	-	66,018	64,522
Payroll Taxes	5,050	-	-	5,050	4,936
Retirement	2,961	-	-	2,961	2,903
Other employee benefits	8,485	-	-	8,485	7,541
<b>Total employee compensation</b>	<b>82,514</b>	<b>-</b>	<b>-</b>	<b>82,514</b>	<b>79,902</b>
<b>Operating expenses:</b>					
Supplies and other office expense	11,941	-	-	11,941	12,395
Travel	4,541	-	-	4,541	4,375
Depreciation	1,798	-	-	1,798	1,700
<b>Total operating expenses</b>	<b>18,280</b>	<b>-</b>	<b>-</b>	<b>18,280</b>	<b>18,470</b>
<b>Total expenses</b>	<b>387,551</b>	<b>-</b>	<b>-</b>	<b>387,551</b>	<b>390,198</b>
<b>Increase in net assets</b>	<b>47,245</b>	<b>1,201</b>	<b>-</b>	<b>48,446</b>	<b>43,461</b>
<b>Net assets at beginning of year</b>	<b>196,047</b>	<b>1,983</b>	<b>21,000</b>	<b>219,030</b>	<b>175,569</b>
<b>Net assets at end of year</b>	<b>\$ 243,292</b>	<b>3,184</b>	<b>21,000</b>	<b>267,476</b>	<b>219,030</b>

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, 2013 and 2012**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Cash Flows from Operating Activities</u></b>		
Increase in net assets	\$ 48,446	43,461
Adjustments to reconcile increase in net assets to net operating activities:		
Depreciation	1,798	1,700
(Increase) decrease in accounts receivable	359	(61)
Increase (decrease) in accounts payable	<u>(475)</u>	<u>927</u>
<b>Net operating activities</b>	<u>50,128</u>	<u>46,027</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchases of computing equipment	(4,569)	-
Change in investment with Free Will Baptist Foundation	<u>(1,202)</u>	<u>(1,008)</u>
<b>Net investing activities</b>	<u>(5,771)</u>	<u>(1,008)</u>
<b>Increase in cash and cash equivalents</b>	44,357	45,019
<b>Cash and cash equivalents, at beginning of year</b>	<u>191,109</u>	<u>146,090</u>
<b>Cash and cash equivalents, at end of year</b>	\$ <u>235,466</u>	<u>191,109</u>

See accompanying notes to financial statements.

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

**Notes to Financial Statements**

**December 31, 2013 and 2012**

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, 2013 and 2012, 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:

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Permanently restricted net asset:</b>		
Original donor investment (corpus)	\$ 21,000	21,000
<b>Temporarily restricted net assets:</b>		
Balance at beginning of year	\$ 1,983	975
Investment earnings, including investment gains and losses	2,340	2,151
Distributions of earnings to unrestricted net assets	(1,139)	(1,143)
	<u>\$ 3,184</u>	<u>1,983</u>

**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 2013 and 2012. 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 28, 2014, 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:

Executive Office:

Administrative budget

Convention budget

Free Will Baptist Foundation

Welch College - formerly Free Will Baptist Bible College

Board of Home Missions

International Missions

Master's Men

Randall House Publications

Board of Retirement and Insurance

Women Nationally Active for Christ

	<u>2013</u>	<u>2012</u>
	\$ 116,433	116,433
	17,463	17,463
	46,575	46,575
	46,526	49,542
	71,022	71,022
	46,694	43,298
	8,382	8,382
	46,575	46,575
	23,288	23,288
	8,382	8,382
	<u>\$ 431,340</u>	<u>430,960</u>

Revenues are expected to approximate \$431,000 in 2014.

**(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 \$202,599 in 2013 and \$212,529 in 2012.

**(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 \$2,961 in 2013 and \$2,903 in 2012. 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, 2012, from which the summarized information was derived.



**2015  
ONE MAGAZINE  
BUDGETS  
FINANCIAL REPORT**

<b>REVENUE</b>	<b>2013 Budget</b>	<b>2013 Actuals*</b>	<b>2014 Budget</b>	<b>2015 Budget</b>
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	40,751.05	46,693.90	50,938.81	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	46,526.04	46,526.04	46,526.04	46,526.04
WNAC	8,382.11	8,382.12	8,382.11	8,382.11
Endowment	0.00	2,340.33	0.00	0.00
Reimbursements	1,000.00	802.32	500.00	500.00
Subscription Revenue	<u>500.00</u>	<u>1,515.00</u>	<u>100.00</u>	<u>100.00</u>
<b>Total Revenue</b>	<b><u>\$426,898.32</u></b>	<b><u>\$435,998.83</u></b>	<b><u>\$436,186.08</u></b>	<b><u>\$436,186.08</u></b>
<b>EXPENSES</b>				
Salary & Benefits	\$75,142.35	\$77,063.78	\$78,474.42	\$80,786.65
Auto/Cell Phone Allowance	5,451.70	5,451.68	5,560.73	5,671.95
Audit & Legal	4,700.00	3,933.53	4,700.00	4,700.00
Books, Dues & Registrations	1,000.00	1,488.48	1,500.00	2,000.00
Computer Software/Services	3,000.00	305.16	5,000.00	2,500.00
Design	35,000.00	35,864.00	35,000.00	37,000.00
Graphics	4,500.00	3,637.75	4,500.00	4,500.00
Mail Services	10,000.00	669.18	10,000.00	5,500.00
Postage	93,000.00	89,653.24	100,000.00	100,000.00
Postal Returns	2,000.00	833.60	2,000.00	2,000.00
Printing	180,000.00	153,751.21	170,000.00	170,000.00
Promotion	1,200.00	1,913.42	2,000.00	2,500.00
Supplies	2,000.00	1,912.48	2,000.00	2,500.00
Telephone	50.00	0.00	0.00	0.00
Travel	5,000.00	4,541.43	7,000.00	7,000.00
Website	0.00	0.00	2,000.00	2,000.00
Writer's Fees	2,000.00	2,347.95	2,000.00	2,500.00
Other	<u>2,854.27</u>	<u>2,388.56</u>	<u>4,450.93</u>	<u>5,027.48</u>
<b>Total Expenses</b>	<b><u>\$426,898.32</u></b>	<b><u>\$385,755.45</u></b>	<b><u>\$436,186.08</u></b>	<b><u>\$436,186.08</u></b>

\*Budget comparison does not include depreciation expense.



### REPORT OF THE GENERAL DIRECTOR

It was a cool, spring morning in 1963. I sat on the front steps of our home, a farm in rural North Carolina. About 50 feet away, a John Deere tractor plowed the field. I loved the roar of a tractor. But, on that day, the fresh aroma of newly plowed dirt topped the tractor's roar. I loved farm life. Yes, the work was hard, but most often rewarding. If all went as it should, a good harvest would follow.

From age eight, I spent many hours in the fields, hoeing out weeds and harvesting crops. Before going to Africa in 1978, my 10 years on the farm lulled me into believing I understood the joy and sorrow of the farmer.

However, observing African men and women in their fields left me laughing at myself. How easy farm work had been in America! With two very simple tools, a machete and short-handled hoe, the African farmer attacked a piece of land covered with thorns, stones, and sunbaked ground. He and his wife spent hours in their fields, bent at the waist, taking on a task riddled with resistance. If they persevered, they would eventually see a harvest...maybe. Often bad weather, thieves, or lazy field workers who failed to safeguard the growing plants from weeds, birds, and monkeys robbed these industrious workers of a good harvest.

No matter where one hopes to plant and harvest, preparation of the ground must always occur. Sometimes the ground is extremely hard and resistant to the laborer as well as to the seed. As we send missionaries out into the fields to serve, we are constantly reminded that the time between planting and harvesting may be days, months, or even years.

### HARVEST PLACES, HARD PLACES, AND HUMANITARIAN PROJECTS

These terms provide a good foundation for talking about Free Will Baptist International Missions' work in various areas of field ministry. Some of our missionaries toil in the **hard places**. They clear and break the ground to receive seeds. The **humanitarian acts** of faithful workers who clearly demonstrate God's compassion for those in need frequently break down resistance to the gospel. By persevering in the work in hard places and touching lives through humanitarian acts, our missionaries eventually see the **harvest**.

For 79 years, FWBIM has been at the task of reaching the unreached...in hard places, in harvest places, and through humanitarian projects.

### The Harvest Places

A harvest, great or small, does not spring up one day after planting. A great deal of physical, emotional, and, most of all, spiritual labor brings about the harvest.

At FWBIM, we are committed to sending faithful laborers into the fields as God directs us. Ultimately, we believe harvest will come and, when it appears, we all rejoice. After almost 80 years of consistent, backbreaking effort in difficult places around the world, God has proven Himself faithful. Free Will Baptists worked together to reach people who are lost and have no hope. Faithful supporters prayed and provided so missionaries could go.

**Although in the early years, as the hard ground was tilled and the seed was planted, few visible results appeared, God’s people remained faithful.** Eventually, faith began to sprout and take root. We are now participating in harvest in many places.

When we speak of **harvest**, it is **not simply a reference to converts**. The harvest includes the spiritual growth and development of believers and those who become leaders, pastors, and influencers in their community. It also includes the time when the harvest becomes harvesters.

Let’s take a quick look at several of our harvest fields, comparing what we see today to the years Free Will Baptists arrived in those areas. Please understand, we are not indicating everything that occurred in evangelical mission efforts is due to what Free Will Baptists have done and are doing. But, we can say with assurance, we have often played a strategic role in the opening of an area to the advancement of His Kingdom in some extremely hard places. We have stayed true to our mission statement by laboring “with the body of Christ to fulfill the Great Commission.”

**BRAZIL:** Our work in Brazil began in 1957 with Dave Franks. It grew to one of our largest fields with over 30 missionaries assigned there. Today, one IM couple serves in Brazil; but a strong national church is poised to take the gospel to the next generation.

% Evangelical Christians in 1958:	4%
% Evangelical Christians in 2012:	22%
Ordained FWB Pastors:	28
Average Sunday Attendance	2,070

God is using these 28 pastors to lead the churches and keep them focused on taking the gospel to the unreached. Your missionaries won many and helped train most of these pastors and leaders, then willingly stepped aside to encourage these men and women to carry the torch.

**COTE D'IVOIRE:** The first Free Will Baptist missionaries to Côte d'Ivoire arrived in 1958. By 1978, the missionary force had grown to nearly 35. In the early days, great resistance to the gospel existed. Côte d'Ivoire was a hard place, but it has become a harvest place. Missionaries worked diligently to win, disciple, and develop leaders. In 2014, though no IM missionaries are assigned to Côte d'Ivoire, IM works in partnership with Ivorian believers as they take the reigns and press forward to see a bountiful future harvest.

Number of FWB in 1958:	0
Number of FWB in 2013:	4,792
Converts in 2013:	131

Over 10 years of civil war stymied the rapid growth the Church experienced prior to 2002. But statistics for 2013 indicate life is coming back to the Church and they are ready to plow ahead in these fields white unto harvest.

**PANAMA:** In 1936, pioneer missionaries Pop and Mom Willey became the first Free Will Baptist workers in Panama. A dedicated missionary force grew and did just what they were sent to do: win souls, develop leaders, and plant churches. But change is on the way. In January 2015, our IM missionaries will exit the country, eagerly passing the baton to the Panamanian national association which enthusiastically declared, “We can do the job; we can evangelize our people.”

Number of FWB churches 2013:	14
Number of church planting projects:	18

Every missionary lives for the day when the national church takes on the roles of planting, watering, and harvesting. We are seeing this happen in Panama. We as Free Will Baptists can raise our voices in praise for what God is doing, and will do, for the Church under dedicated Panamanian leaders!

**CUBA:** In 1938, Pop and Mom Willey pioneered their second field—Cuba. From the outset, they realized leadership training was imperative. Their forced exit in 1960 left a young Church fending for itself in the face of a communistic, atheistic government. For the next 27 years, the leaders trained by Pop Willey stood strong and kept the work going. When IM was able to make contact with our Cuban family again we found

Bible-based, faith-grounded, dedicated servants ready to partner with us to accelerate the expansion of the Church. Our biggest fear was that we would get in the way.

We at IM are partnering with our brothers and sisters in this difficult harvest place and, collectively, we have a robust faith that an even greater harvest is coming.

Number of FWB churches 2013:   57  
Number of church planting projects:   78

**INDIA:** In 1935, Laura Belle Barnard stepped out in faith to become the first missionary under the newly formed Free Will Baptist Foreign Missions Department. Other missionary candidates attempted to serve in this hard place, but only a few made it through the rigorous visa process. In 1952, Carlisle and Marie Hanna passed through the grid and began a ministry that continues today. Mrs. Marie is one of three Free Will Baptist missionaries who literally laid down her life while serving where God called her.

Number of FWB in 1935:           0  
Number of FWB in 2013:       21,640

Earlier this year, over 10,000 believers attended the annual Free Will Baptist conference in India. The outreach ministries of the Indian pastors and evangelists touched Christians from Nepal, Bhutan, and more.

**REJOICING IN THE HARVEST:** It’s relatively easy to get behind a work that is seeing results. We experience a thrill of excitement when we read the news of someone from another part of the world who is saved, baptized, or showing signs of great leadership.

But, all our fields are not seeing abundant harvest. Many of our missionaries work in what we call the hard places.

**The Hard Places**

We define hard places as those areas of the world where the gospel has not yet penetrated, less than 2% of the population is evangelical Christian, and/or the government presents a clear, consistent obstacle to the spread of the gospel.

In the year 2000, the IM board and staff set out to develop strategies to penetrate these last frontiers of missions. Fourteen years later, we find ourselves taking significant steps to balance the numbers that reflect an apparent neglect of these hard places.

In the area of the world known as the 1040 Window, over one billion people have never heard the gospel...even one time. In this block of countries, over 87% of the people are still unreached. In spite of this glaring need, evangelical mission agencies are sending only 11% of their missionary force and investing less than 5% of their resources in these hard places.

It is scandalous for the missions community to continue this disproportionate spending and use of our resources. There is simply no excuse for poor stewardship. Christ's command to go into the entire world does not offer a pass for the hard places.

Romans 15:20-21 comes to mind when I think of the hard places: *"Yea, so have I strived to preach the gospel, not where Christ was named, lest I should build upon another man's foundation: But as it is written, To whom he was not spoken of, they shall see: and they that have not heard shall understand."* A quantum leap in reasoning is not required to grasp that the hard places easily fit these verses as places where Christ has not been named and no other man's foundation is present on which to build.

Europe—France, Spain, and Bulgaria— these countries fit in the category of hard places. All are less than 2% evangelical Christian. A missionary friend who worked in North Africa and France said the French people were as hard, if not harder, to reach as Muslims. That is a pretty shocking assessment of what our missionaries in Europe are up against.

**FRANCE:** Since 1966, we have sent missionaries to France. Though missionaries have faithfully labored, only in the past two years have French pastors taken on pastoral leadership for two churches planted by missionaries—after decades of missionaries praying, hoping, and working for French leaders. France is truly a hard place to labor, yet our faithful missionaries are determined to see a harvest.

**SPAIN:** In Spain, it took over 13 years for one of our churches to gain permission to build. In March of this year, the edifice was officially dedicated. Our missionary staff remained focused on pressing on even in the face of great obstacles. Their perseverance paid off, yet the fields are still resistant to the seed of the gospel. Without a doubt, Spain is a hard place.

**BULGARIA:** Bulgaria has been under the control of political powers that deny the existence of God. It has been under the influence of a Church that preaches little or no gospel and is laden with false doctrine and politicized leadership.

As a result, less than one-half of 1% of the population claims Jesus Christ as Savior. This country ranks with the toughest of the hard places. Our team of four couples knows there are days, weeks, months, and years of hard work ahead.

One couple plans to go to one of the largest unreached Muslim people groups, with no known believers among 750,000 individuals. Can you even imagine the challenge they face?

**JAPAN:** The Japanese are the second largest unreached people group in the world. Thousands of years of darkness have erected a wall of spiritual resistance that is hard to imagine and even more challenging to destroy.

At this point, Japan has our largest missionary contingency—20 missionaries work in this hard place. Although Japan is our most expensive mission field, it is obviously one of the most unreached. Japan will remain in darkness, and will never become a harvest place, if we do not invest in this hard place.

Will we stand by these missionaries while their labor is intensive, the progress painfully slow, and the results minimal? Will we judge them as ineffective, unproductive, or, perhaps, even lazy? I hope not. We as a denomination didn't respond with negativism as Pop and Mom Willey, Laura Belle Barnard, Carlisle and Marie Hanna and other early pioneers labored for decades with minimal results. Our consistent prayer and financial support coupled with their diligent labor eventually turned hard, stony ground into fertile soil that, today, yields much fruit. Let us stand with these new pioneers and see Bulgaria, Japan, France, and Spain transformed from stony, infertile soil to a harvest field.

### **Do We Continue In The Hard Places?**

As we think of sending missionaries into the hard places, Hebrews 11 comes to mind. The chapter is full of great faith stories of men and women who, against all odds, followed God's direction. It is divided into several distinct parts: those who accomplished great things for God through obedience to Him and others who were outcasts, tortured, or even killed. An interesting twist to this chapter is seen in verses 13 and 39. These verses remind us that these heroes, though they walked by faith, did not "receive the promise." They lived, and even died, for something beyond their time here on earth.

Working in the hard places is much like that. Missionaries sent to these areas must be willing to walk by faith, to live and die for a harvest of souls that may not occur in their lifetime. They may not see the hard place become a harvest place, but they know the God of the harvest and believe it will come. They may not receive the promise, but that does not annul the promise.

All our missionaries in the hard places are to be highly commended for their courage, temerity, and commitment to breaking up this resistant soil, planting the precious seed of the gospel, and patiently awaiting a harvest. We, the senders, must stand by them with the

same level of courage, temerity and commitment. We must join together and commit to a hope that outlives us. Maybe our children will see great harvest coming from the hard places.

***As a denomination, we need to declare our commitment to these hard places. Are you in?***

### **Humanitarian Projects**

In Acts 26:16-18 the Apostle Paul presents the case for his faith to King Agrippa. As he recounts his life-changing story, he reveals the marching orders he received from Christ. In verse 16 we read, “*and I have called you for this purpose, to be a minister and witness.*”

I don't know of two words that more clearly define the missionary task. **Minister** implies serving others to meet their needs. **Witness** means to simply share something you have seen, heard, or experienced. I am convinced that if we minister to people's needs, we will earn the privilege of witnessing—sharing the Good News of God's love and salvation for all who believe.

Evangelicals have done quite well in emphasizing the witnessing aspect, as they should. However, to not give credence to the ministering element of our ministries is negligent and potentially detrimental to the advancement of the Kingdom.

Let me share a few of the physical needs in the world today.

- 2.6 billion people lack basic sanitation
- 1.8 billion people walk at least ¾ of mile to get water
- 1.8 billion individuals are undernourished
- 1.5 billion people have no access to medical help
- 1.4 billion people are classified as poor—living on less than \$1.85 a day
- 1.1 billion people are without sufficient housing to protect them from the elements

*Do we have no responsibility to meet these needs?*

How about the spiritual needs?

- 2.6 billion people live without freedom of religion
- 6,700+ unreached people groups (less than 2% evangelical Christian)
- 4,000+ languages without a complete translation of the Bible
- 1 billion+ individuals who have never heard the gospel, even one time

***Surely, we must do something to minister to those who have these needs.***



We at IM are focused on doing our part to turn the tide. Through The Hanna Project and our partnerships we are going into areas mission agencies cannot go or reaching out in ways churches cannot. By meeting physical needs in Bulgaria, Côte d'Ivoire, Japan, Kazakhstan, Tajikistan, and other areas, we are seeing doors open to the Good News.

Our missionaries to Japan share marvelous stories of lives touched and doors opened in the tsunami area. The team in Bulgaria has seen incredible results from simply building a playground. Our partners in Central Asia are constantly sharing how humanitarian projects are serving as the first step in breaking down barriers to the gospel.

It is unbiblical to close our eyes to the needs of those around us. I John 3:17 succinctly and clearly states, *"But whoso hath this world's good, and seeth his brother have need, and shutteth up his bowels of compassion from him, how dwelleth the love of God in him?"*

The needs are real...the people are real...our responsibility is clear. Does the love of God dwell in us? What will we do?

As you know, the past few years have been challenging for IM, as well as for other global missions agencies. In the face of these difficulties, our people have worked tirelessly with reduced resources. Many of you have given sacrificially to see the work continue. Thank you!

We want all Free Will Baptist people to join us on this journey and, in the end, we will share in His rewards for *"neither is he that planteth any thing, neither he that watereth; but God that giveth the increase"* (I Corinthians 3:6-8).

#### TRIBUTES

Since our last report, three heroes of the faith entered Heaven and received their reward for faithful service: **Rolla Smith** (March 15, 2013), former general director; **Norman Richards** (August 22, 2013), former missionary to Côte d'Ivoire; and **Geneva Poole** (November 20, 2013), missionary to Brazil.

**Patsy Vanhook** (France), **Bobby Poole** (53 years, Brazil), and **Molly Barker** (50 years, Uruguay) retired from missionary service.

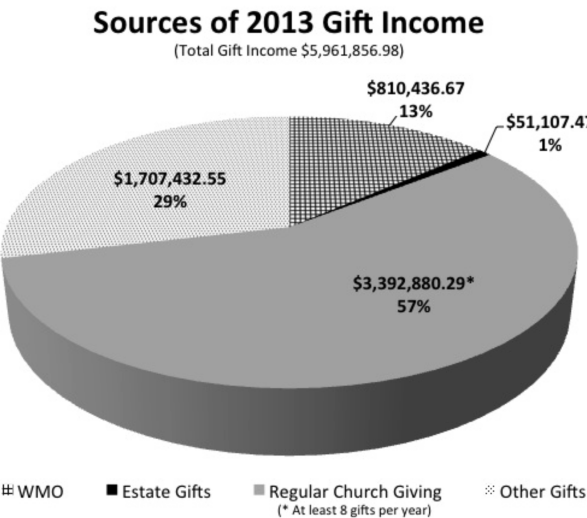
These missionaries are no longer ministering with IM: **Verlin and Debbie Anderson** (16 years, Côte d'Ivoire), **Paul and Chrissy Collins** (5 years, Panama), **Cathy Crawford** (32 years, France), **Tim and Di Keener** (10 years, France), and **Darren and Dana Portell** (12 years, The Hanna Project).

**Jerry and Barbara Gibbs** (France) and **Dale and Sandra Bishop** (Japan) achieved 40 years of service. **Ken and Judy Bailey, Steve and Becky Riggs, Jeff and Susan Turnbough** (Spain, office) were recognized for completing 30 years with the Mission.

**FINANCIAL SUMMARIES**

Our collective obedience to God’s prompting to give enables missionaries to go overseas, to share the gospel with people who have never heard the name of Jesus, to disciple new believers, to plant churches, and to train leaders and pastors. Each donation is important.

As the following pie chart indicates, the vast majority of our income is due to churches and individuals who faithfully make consistent, monthly donations to International Missions. *We cannot express how grateful we are to all who express their commitment to reaching the lost around the world through consistent contributions.*



In 2013, 570 churches and associations gave regularly to support the work of missionaries in both the hard places and the harvest fields. We applaud these consistent givers. They are the backbone of Free Will Baptist International Missions' work around the world.

### **1701 Churches or Associations Donated to IM in 2013**

#### **570 Churches and Associations Made Consistent, Regular Gifts Throughout the Year**

<b>Church or Association</b>	<b>City</b>	<b>State</b>
Ahoskie FWB Church	Ahoskie	NC
Allen Chapel FWB Church	Batesville	AR
Amador FWB Mission	Pioneer	CA
Ambassador FWB Church	Cincinnati	OH
Antioch FWB Church	Russellville	AR
Antioch FWB Church	Burnsville	MS
Antioch FWB Church	Wheelersburg	OH
Arbor Grove FWB Church	Hoxie	AR
Arkansas State Association of FWB	Conway	AR
Arkansas WAC	Atkins	AR
Arnold View FWB Church	Creal Springs	IL
Ash Street Church	Middleport	OH
Ashland City FWB Church	Ashland City	TN
Ashmore Memorial FWB Church	Jemison	AL
Auxier FWB Church	Auxier	KY
Bakerville FWB Church	Bonnie	IL
Ballew's Chapel FWB Church	Grubbs	AR
Barnesville FWB Church	Hamilton	AL
Baxley FWB Church	Baxley	GA
Bay City FWB Church	Semmes	AL
Bay FWB Church	Hartsfield	GA
Beacon FWB Church	Raytown	MO
Bear Point FWB Church	Sesser	IL
Beaver Creek Association of FWB	Piedmont	SC
Belk FWB Church	Belk	AL
Bellview FWB Church	Colquitt	GA
Belton FWB Church	Belton	MO
Ben Avenue FWB Church	Kannapolis	NC
Ben Hur FWB Church	Pelsor	AR
Bethany FWB Church	Timmons ville	SC
Bethel FWB Church	South Roxana	IL
Bethel FWB Church	Kinston	NC
Bethesda Chapel FWB Church	Beaver	OH
Bethlehem FWB Church	Ashland City	TN
Betsy Layne FWB Church	Betsy Layne	KY
Beulah FWB Church	Pamplico	SC
Black Oak FWB Church	Marshfield	MO

Black River FWB Church	Andrews	SC
Blackland Chapel FWB Church	Oil Trough	AR
Blue Point FWB Church	Cisne	IL
Boldman FWB Church	Harold	KY
Boles FWB Church	Boles	AR
Brush Creek FWB Church	Argillite	KY
Buckfield FWB Church	Pikeville	KY
Buckfield FWB Sunday School	Pikeville	KY
Burbank FWB Church	Roan Mountain	TN
Calvary Baptist Church	Jaeger	WV
Calvary Chapel FWB Church	Buffalo	MO
Calvary Fellowship FWB Church	Fenton	MO
Calvary FWB Church	Springdale	AR
Calvary FWB Church	Columbus	GA
Calvary FWB Church	Salem	IL
Calvary FWB Church	Swannanoa	NC
Calvary FWB Church	Ravenna	OH
Calvary FWB Church	Georgetown	SC
Calvary FWB Church	Union	SC
Canah Chapel FWB Church	Erwin	TN
Cane Ridge FWB Church	Nolensville	TN
Carbon Hill First FWB Church	Carbon Hill	AL
Cavanaugh FWB Church	Fort Smith	AR
Cave City FWB Church	Cave City	AR
Cave Springs FWB Church	Town Creek	AL
Cedar Chapel FWB Church	Greenville	NC
Cedar Heights FWB Church	Quitman	AR
Cedar Springs FWB Church	Jakin	GA
Cedrom Grove FWB Church	Carbon Hill	AL
Center Point FWB Church	Birmingham	AL
Central Association of FWB	North Little Rock	AR
Central FWB Church	Lavaca	AR
Central FWB Church	Royal Oak	MI
Central TX District Association of FWB	Houston	TX
Chapel Lane FWB Church	Searcy	AR
Charity FWB Church	Lucasville	OH
Clearview FWB Mission	McKinney	TX
Cleveland FWB Church	Cleveland	OH
Cofer's Chapel FWB Church	Nashville	TN
Colquitt FWB Church	Colquitt	GA
Columbia Original FWB Church	Columbia	SC
Community FWB Church	Prestonsburg	KY
Community FWB Church	West Jefferson	OH
Cool Ridge FWB Church	Cool Ridge	WV
Cool Springs FWB Church	Norman Park	GA
Coon Creek FWB Church	Hartville	MO
Copper Mines FWB Church	Fredericktown	MO

Corinth FWB Church	Ozark	AL
Corinth FWB Church	Alma	GA
Corner Stone FWB Church	Murfreesboro	TN
Cornerstone FWB Church	Perry	GA
Cornerstone FWB Church	Mountain Grove	MO
Cornerstone FWB Church	Mansfield	OH
Cornerstone FWB Church	Crab Orchard	WV
Cornerstone-Fellowship FWB Church	Manning	SC
Cove City FWB Church	Cove City	NC
Cramerton FWB Church	Cramerton	NC
Cross Creek FWB Church	Olive Branch	MS
Cross Point FWB Church	Wichita	KS
Cross Roads FWB Church	Jacksonville	AR
Cross Timbers FWB Church	Nashville	TN
Crossroads FWB Church	Effingham	IL
Crossroads FWB Church	Jenks	OK
Crossville FWB Church	Crossville	TN
Cuba FWB Church	Cuba	MO
Cumberland FWB Church	Williamsburg	KY
Daisy FWB Church	Kirby	AR
Davis Chapel FWB Church	Sterrett	AL
Donelson FWB Church	Nashville	TN
Doran Addition FWB Church	Mount Carmel	TN
Double Branch FWB Church	Hawkinsville	GA
East 38th St FWB Church	Anderson	IN
East Belmont FWB Church	Belmont	NC
East Lebanon FWB Church	Lebanon	VA
East Nashville FWB Church	Nashville	TN
East Valley FWB Church	Mesa	AZ
Eastern Gate FWB Church	Springfield	MO
Eastside FWB Church	Dothan	AL
Eastside FWB Church	Florence	SC
Ebenezer FWB Church	Glennville	GA
Eifort FWB Church	Oak Hill	OH
Emmanuel FWB Church	Wabash	IN
Fairview FWB Church	Moody	AL
Fairview FWB Church	Nebo	NC
Fairview FWB Church	Spartanburg	SC
Faith FWB Church	Jonesboro	AR
Faith FWB Church	Chandler	IN
Faith FWB Church	Rush	KY
Faith FWB Church	Ray	MI
Faith FWB Church	Morganton	NC
Faith FWB Church	Logan	OH
Faith FWB Church of Maysville	Maysville	NC
Faith Ministries Church	Metter	GA
Farmersville FWB Church	Farmersville	CA

Fayette First FWB Church	Fayette	AL
Fellowship Association of FWB	Russellville	AR
Fellowship District Woman's Auxiliary	Atkins	AR
Fellowship FWB Church	Albany	GA
Fellowship FWB Church	Park Hills	MO
Fellowship FWB Church	Richton	MS
Fellowship FWB Church	Florence	SC
Fellowship FWB Church	Kingsport	TN
Fellowship FWB Church	Bryan	TX
Fifteen Mile Road Baptist Church	Sterling Heights	MI
First Bible FWB Church	New Castle	IN
First Church Ministries	Newport News	VA
First FWB Church	Dothan	AL
First FWB Church	Florence	AL
First FWB Church	Headland	AL
First FWB Church	Jasper	AL
First FWB Church	Northport	AL
First FWB Church	Sulligent	AL
First FWB Church	Vernon	AL
First FWB Church	Atkins	AR
First FWB Church	Batesville	AR
First FWB Church	Charleston	AR
First FWB Church	Dardanelle	AR
First FWB Church	Greenwood	AR
First FWB Church	Hot Springs National Park	AR
First FWB Church	Jonesboro	AR
First FWB Church	Mountain Home	AR
First FWB Church	N Little Rock	AR
First FWB Church	Paragould	AR
First FWB Church	Pocahontas	AR
First FWB Church	Russellville	AR
First FWB Church	Tuckerman	AR
First FWB Church	Walnut Ridge	AR
First FWB Church	Bakersfield	CA
First FWB Church	Albany	GA
First FWB Church	Blakely	GA
First FWB Church	Brunswick	GA
First FWB Church	Cairo	GA
First FWB Church	Columbus	GA
First FWB Church	Eastman	GA
First FWB Church	Jesup	GA
First FWB Church	Thomaston	GA
First FWB Church	Benton	IL
First FWB Church	North Judson	IN
First FWB Church	Rolling Prairie	IN
First FWB Church	Lexington	KY
First FWB Church	Morehead	KY

First FWB Church	Owensboro	KY
First FWB Church	Auburn Hills	MI
First FWB Church	Ypsilanti	MI
First FWB Church	De Soto	MO
First FWB Church	Farmington	MO
First FWB Church	Fredericktown	MO
First FWB Church	Houston	MO
First FWB Church	Lebanon	MO
First FWB Church	Monett	MO
First FWB Church	Mountain Grove	MO
First FWB Church	Neosho	MO
First FWB Church	O Fallon	MO
First FWB Church	Ozark	MO
First FWB Church	Rolla	MO
First FWB Church	Springfield	MO
First FWB Church	Waynesville	MO
First FWB Church	Beaufort	NC
First FWB Church	China Grove	NC
First FWB Church	Gastonia	NC
First FWB Church	Morehead City	NC
First FWB Church	Austintown	OH
First FWB Church	Springfield	OH
First FWB Church	Barnsdall	OK
First FWB Church	Checotah	OK
First FWB Church	Sapulpa	OK
First FWB Church	Vinita	OK
First FWB Church	Charleston	SC
First FWB Church	Darlington	SC
First FWB Church	Florence	SC
First FWB Church	Greenwood	SC
First FWB Church	Hartsville	SC
First FWB Church	Church Hill	TN
First FWB Church	Dickson	TN
First FWB Church	Elizabethton	TN
First FWB Church	Johnson City	TN
First FWB Church	Mc Minnville	TN
First FWB Church	Duncanville	TX
First FWB Church	Houston	TX
First FWB Church	Springfield	TN
First FWB Church of Decatur	Decatur	AL
First FWB Church of Johnston City	Johnston City	IL
Florida State Association of FWB	Vero Beach	FL
Fordland FWB Church	Fordland	MO
Forestdale FWB Church	Birmingham	AL
Free Water FWB Church	Guin	AL
Free Will Baptist Church	Cannelton	IN
Free Will Baptist Church	Christiansted	VI

Freedom FWB Church	Pea Ridge	AR
Freedom Way FWB Church	Swansboro	NC
Freeman Chapel FWB Church	Saint Joseph	MO
Friendship FWB Church	Rose Bud	AR
Friendship FWB Church	Davison	MI
Fulton FWB Church	Fulton	MS
FWB Church of New Castle County	New Castle	DE
Garfield FWB Church	Myrtle	MO
Generations FWB Church	Joplin	MO
Georgia Women Active for Christ	Moultrie	GA
Gethsemane FWB Church	Marion	NC
Glamorgan Chapel FWB Church	Wise	VA
Glen Hayes FWB Church	Fort Gay	WV
Glennville FWB Church	Glennville	GA
God's Country Closet	Jenkins	KY
Good Hope FWB Church	Elyria	OH
Good News FWB Church	Chesterfield	VA
Good Springs FWB Church	Pleasant View	TN
Goodwater FWB Church	Slocomb	AL
Gospel Light FWB Church	Bonne Terre	MO
Grace Church of Pitt County	Greenville	NC
Grace Community Church	Fredericktown	MO
Grace For The World Ministries	Dickson	TN
Grace FWB Church	Moultrie	GA
Grace FWB Church	Lexington	KY
Grace FWB Church	Arnold	MO
Grace FWB Church	Lake City	SC
Grace FWB Church	Louisa	VA
Grace Global Ministries	Lawrenceville	GA
Grange Hall FWB Church	Marion	IL
Grant Ave FWB Church	Springfield	MO
Green Forest United Baptist	Green Forest	AR
Greeneville First FWB Church	Greeneville	TN
Greenwood FWB Church	Camilla	GA
Hager Hill FWB Church	Hagerhill	KY
Hannon FWB Church	Liberal	MO
Happy Hill FWB Church	Lebanon	MO
Happy Home FWB Church	Andrews	SC
Hardin Valley FWB Church	Knoxville	TN
Harmony FWB Church	Mountain Home	AR
Harmony FWB Church	Russellville	AR
Harmony FWB Church	Fresno	CA
Harmony FWB Church	West Frankfort	IL
Harper Road FWB Church	Joelton	TN
Harris Memorial FWB Church	Greeneville	TN
Harrison FWB Church	Minford	OH
Hartville FWB Church	Hartville	MO



Harvest FWB Church	Jasper	AL
Hazel Dell FWB Church	Sesser	IL
Hector FWB Church	Hector	AR
Heritage Baptist Church	Johnson City	TN
Heritage Chapel	Nixa	MO
Heritage FWB Church	Columbus	OH
Highland Drive FWB Church	Lincolnton	NC
Highland Hills FWB Church	Greeley	CO
Hillsboro FWB Church	Hillsboro	OH
Hilltop FWB Church	Fuquay Varina	NC
Hopewell FWB Church	Tunas	MO
Horse Branch FWB Church	Turbeville	SC
Hosanna FWB Church	Charleston	AR
Hurricane Chapel FWB Church	McEwen	TN
Illinois State Association of FWB Board		
Missions	O'Fallon	IL
Immanuel Baptist Blended Bunch	Benton	IL
Immanuel FWB Church	Durham	NC
Ina FWB Church	Ina	IL
Jack's Creek FWB Association	Bakersville	NC
Jefferson Rd FWB Church	Sumter	SC
Jerome FWB Church	Jerome	ID
Johnson FWB Church	Scranton	AR
Jones Chapel FWB Church	Fairview	MO
Keener FWB Church	Waldron	AR
Keystone FWB Church	Johnson City	TN
Lake Hills FWB Church	Hot Springs	AR
Landmark FWB Church	Phenix City	AL
Lavergne FWB Church	LaVergne	TN
Leadington FWB Church	Leadington	MO
Lebanon FWB Church	Lebanon	OH
Lebanon Green Hills FWB Church	Lebanon	MO
Lee's Chapel FWB Church	Waynesboro	MS
Liberty Baptist Church	Durham	NC
Liberty Bible FWB Church	Oakwood	GA
Liberty Free Will Baptist Church	Millington	TN
Liberty FWB Church	Guin	AL
Liberty FWB Church	Lawley	AL
Liberty FWB Church	Waycross	GA
Liberty FWB Church	Broken Arrow	OK
Life FWB Church	Fresno	CA
Lighthouse Fellowship FWB Church	Hanford	CA
Lighthouse FWB Church	Louisa	KY
Little Missouri River Association	Glenwood	AR
Locke FWB Church	Mountainburg	AR
Locust Grove FWB Church	Locust Grove	OK
Lodi FWB Church	Glenwood	AR

Lynches River FWB Church	Lake City	SC
Lyons FWB Church	Lyons	GA
Macedonia FWB Church	Millport	AL
Madison FWB Church	Madison	AL
Maple Meadow Chapel	Fairdale	WV
McArthur FWB Church	McArthur	OH
Meadowbrook FWB Church	Black Mountain	NC
Middle District FWB Church	Bakersville	NC
Midway FWB Church	Moultrie	GA
Mill Creek FWB Church	Fredericktown	MO
Millrock FWB Church	Collinwood	TN
Mine La Motte FWB Church	Farmington	MO
Missouri State Association	Lebanon	MO
Missouri Women Active for Christ	De Soto	MO
Moody FWB Church	Moody	AL
Moore FWB Church	Berryville	AR
Moore's Chapel FWB Church	Elizabethton	TN
Morgan Chapel Church	Hampton	TN
Morning Light Community FWB Church	Piney Flats	TN
Mother's Home FWB Church	Colquitt	GA
Mt. Olive FWB Church	Guin	AL
Mt. Pisgah FWB Church	Cabool	MO
Mt Pleasant FWB Church	Centreville	AL
Mt. Pleasant FWB Church	Guin	AL
Mt. Zion Cuba FWB Church	Marshfield	MO
Mt. Zion FWB Church	Thayer	MO
Mt. Zion FWB Church	Thompsonville	IL
Mt. Bethel FWB Church	Rose Bud	AR
Mt. Gilead FWB Church	Brinson	GA
Mt. Glory FWB Church	Newton	GA
Mt. Harmony FWB Church	Vernon	AL
Mt. Harmony FWB Church	Strawberry	AR
Mt. Moriah FWB Church	Gordo	AL
Mt. Vernon FWB Church	Russellville	AR
Mt. Zion FWB Church	Pell City	AL
Mullins-Marion FWB Church	Mullins	SC
Myrtle FWB Church	Myrtle	MO
North Auburn Hills Baptist Church	Auburn Hills	MI
Nevada Free Will Baptist	Nevada	MO
New Buckley Rd FWB Church	Ashland	KY
New Center Point FWB Church	Greenwood Springs	MS
New Home FWB Church	Hartville	MO
New Hope FWB Church	Midland City	AL
New Hope FWB Church	Jesup	GA
New Hope FWB Church	Moultrie	GA
New Hope FWB Church	Ewing	IL
New Hope FWB Church	Fredericktown	MO

New Hope FWB Church	Chillicothe	OH
New Hope FWB Church	Joelton	TN
New Lebanon FWB Church	Tishomingo	MS
New Liberty FWB Church	Bankston	AL
New Life Fellowship FWB Church	Statesboro	GA
New Life FWB Church	Licking	MO
New Life FWB Church	Monett	MO
New Life FWB Church	Houlka	MS
New Light FWB Church	Morgan	GA
New Mexico State Association	Hobbs	NM
New Oak Grove FWB Church	Nauvoo	AL
New Prospect FWB Church	Pamplico	SC
New Salem FWB Church	Colquitt	GA
New Sulphur FWB Church	Prairie Grove	AR
New Zion FWB Church	Shorterville	AL
North Warren FWB Church	Rochester Hills	MI
Northside FWB Church	Pocahontas	AR
Northwest Association of FWB	Alpena	AR
Northwest FWB Church	Chicago	IL
Number One FWB Church	Huggins	MO
Oak Grove FWB Church	Atkins	AR
Oak Grove FWB Church	Lynn	AR
Oak Grove FWB Church	Scheller	IL
Oak Grove FWB Church	Mountain Grove	MO
Oak Grove FWB Church	Greeneville	TN
Oak Grove FWB Church	Lancing	TN
Oak Hill FWB Church	Saint Clair	MO
Oak Hills FWB Church	Edmond	OK
Oak Street Chapel FWB Church	Flatwoods	KY
Oakwood FWB Church	Woodlawn	TN
O'Kean FWB Church	O'Kean	AR
Oklahoma Total Support Plan	Moore	OK
Old Reyno FWB Church	Reyno	AR
Olivet FWB Church	Marshall	MO
Open Door Fellowship FWB Church	Valdosta	GA
Ozark FWB Church	Ozark	AR
Ozias FWB Church	Pearson	GA
Palmer Association Woman's Aux Convention	Greenville	NC
Parker's Chapel FWB Church	Greenville	NC
Parkview FWB Church	Desloge	MO
Patmos FWB Church	Leary	GA
Peace FWB Church	Wilson	NC
Peace FWB Church	Florence	SC
Peace FWB Mission	Martinez	GA
Perry FWB Church	Stigler	OK
Petrea FWB Church	Jackson	OH

Philadelphia FWB Church	Folkston	GA
Phillips Chapel FWB Church	Springdale	AR
Phillip's Chapel FWB Church	Northport	AL
Pikeville FWB Church	Pikeville	KY
Pilgrim Rest FWB Church	Eufaula	AL
Pine Creek FWB Church	Franklin Furnace	OH
Pine Level FWB Church	Alma	GA
Piney Flats FWB Church	Piney Flats	TN
Piney Grove FWB Church	Guin	AL
Piney Grove FWB Church	Bristol	GA
Plainview FWB Church	Plainview	AR
Plainview FWB Church	Pikeville	TN
Pleasant Hill FWB Church	Vienna	GA
Pleasant Hill FWB Church	Thayer	MO
Pleasant Hill FWB Church	Dover	TN
Pleasant Home FWB Church	Cabool	MO
Pleasant Mound FWB Church	Bellevue	TX
Pleasant Ridge FWB Church	Tunas	MO
Pleasant View FWB Church	Walnut Hill	IL
Pocahontas FWB Church	Carbon Hill	AL
Pocola Heights FWB Church	Pocola	OK
Poplar Springs FWB Church	Glen	MS
Porter Chapel FWB	Lebanon	MO
Porter FWB Church	Wheetersburg	OH
Poulan FWB Church	Sylvester	GA
Prince of Peace FWB Church	Kannapolis	NC
Prince of Peace FWB Church	Huntington	WV
Pyburn Freewill Baptist Church	Greeneville	TN
Quail Valley FWB Church	Batesville	AR
Rachel Chapel Church	Coeburn	VA
Rawl FWB Church	Delbarton	WV
Red Bay FWB Church	Red Bay	AL
Rejoice FWB Church	Columbia	MO
Rejoice FWB Church	Antioch	TN
Rescue FWB Church	Whittington	IL
Richland FWB Church	Nashville	TN
Richwoods FWB Church	Richwoods	MO
Rittman Community FWB Church	Rittman	OH
Robson FWB Church	Robson	WV
Rock Chapel FWB Church	Norwood	MO
Rock Fork FWB Church	Garrett	KY
Rockford FWB Church	Keota	OK
Rocky Pass FWB Church	Marion	NC
Rose Hill FWB Church	Mccurtain	OK
Rouge FWB Church	Wyandotte	MI
Rupert FWB Church	Rupert	ID
Salem Road FWB Church	Fayetteville	WV

Samantha FWB Church	Leesburg	OH
Sand Hill FWB Church	Coward	SC
Sandhill FWB Church	Castalia	OH
Sandy City FWB Church	Catlettsburg	KY
Sciotodale FWB Church	Portsmouth	OH
Second FWB Church	Ashland	KY
Serenity FWB Church	Frederickton	NB
Shady Hill FWB Church	Andalusia	AL
Shafter FWB Church	Shafter	CA
Sharon FWB Church	Vilonia	AR
Sharum FWB Church	Delaplaine	AR
Sheraton Park FWB Church	Julian	NC
Sherwood Forest FWB Church	El Sobrante	CA
Sherwood Forest FWB Church	New Bern	NC
Shiloh FWB Church	Vernon	AL
Shiloh FWB Church	Detroit	MI
Sophia FWB Church	Beckley	WV
Soul's Harbor FWB Church	Vinemont	AL
South Heights FWB Church	Searcy	AR
South Highland FWB Church	Muscle Shoals	AL
South Point Church	Centreville	VA
Southeast MO District Association	Fredericktown	MO
Southside FWB Church	Fort Smith	AR
Southside FWB Church	Darlington	SC
Southside FWB Church	Paintsville	KY
Spring Grove FWB Church	Jesup	GA
Springfield FWB Church	Vernon	AL
Springfield FWB Church	Springfield	OH
St. Francois District Women's Auxiliary	Park Hills	MO
St. Joe FWB Church	Atkins	AR
Stockton FWB Church	Stockton	MO
Sulphur Springs FWB Church	Northport	AL
Sunnyside FWB Church	Douglas	GA
Surrency FWB Church	Surrency	GA
Sutton FWB Church	Pocahontas	AR
Swainsboro FWB Church	Swainsboro	GA
Sweet Home Church	Atkins	AR
Tabernacle FWB Church	Northport	AL
Tabernacle FWB Church	Coward	SC
Tanner Trails Community FWB Church	North Aurora	IL
Temple FWB Church	Winterville	NC
Temple FWB Church	Darlington	SC
Ten Mile FWB Church	Madison Heights	MI
Texas State Association of FWB	Bryan	TX
Thayer FWB Church	Thayer	MO
The Springs Church	Tucson	AZ
Thirteenth St. FWB Church	Ashland	KY

Thomaston Community Church	Thomaston	TX
Three Rivers FWB Church	Cranberry Twp	PA
Tick Ridge FWB Church	WHEELERSBURG	OH
Tippett's Chapel FWB Church	Clayton	NC
Tom's Creek FWB Church	Lowmansville	KY
Toney's Branch FWB Church	Comfort	WV
Townley FWB Church	Townley	AL
Traveler's Rest FWB Church	Colquitt	GA
Trinity FWB Church	Mauk	GA
Trinity FWB Church	Ypsilanti	MI
Trinity FWB Church	Bridgeton	MO
Trinity FWB Church	Greenville	NC
Trinity FWB Church	Logan	WV
Turkey Creek FWB Church	Friendship	OH
Turlock FWB Church	Turlock	CA
Turner's Chapel FWB Church	Butler	GA
Unicoi FWB Church	Unicoi	TN
Union Chapel FWB Church	Winfield	AL
Union Chapel FWB Church	Chocowinity	NC
Union FWB Church	West Frankfort	IL
Union FWB Church	WHEELERSBURG	OH
Union Grove FWB Church	Atkins	AR
Union Hill FWB Church	Reform	AL
Union Hill FWB Church	Slocumb	AL
Union Light FWB Church	Marquand	MO
Union Ridge FWB Church	Sulligent	AL
Union Springs FWB Church	Pansey	AL
United FWB Church	Walnut Ridge	AR
United FWB Church	West Plains	MO
Unity Free Will Baptist Church	West Frankfort	IL
Unity FWB Church	Vinemont	AL
Unity FWB Church	Lebanon	MO
Unity FWB Church	Greenville	NC
Unity FWB Church	Cleveland	OH
Unity FWB Church	Johnsonville	SC
Urbana FWB Church	Urbana	OH
Valley Grove FWB Church	Wilkinson	IN
Valley View FWB Church	Clintwood	VA
Verdella FWB Church	Liberal	MO
Victory FWB Church	Goldsboro	NC
Victory FWB Church	Jackson	TN
Victory FWB Church	Springfield	TN
Wabash FWB Church	Wabash	IN
Wakefield FWB Church	Wakefield	OH
Waltonville FWB Church	Bonnie	IL
Weavers Chapel FWB Church	Batesville	AR
Weems Road FWB Church	Columbus	GA

Welcome Home FWB Church	Hector	AR
Weleetka First FWB Church	Weleetka	OK
West Calvary FWB Church	Smithfield	NC
West Greene FWB Church	Greeneville	TN
West Tulsa FWB Church	Tulsa	OK
Westerville FWB Church	Westerville	OH
Westside FWB Church	Johnsonville	SC
White Hall FWB Church	Pine Bluff	AR
White Oak Hill FWB Church	Bailey	NC
White Oaks FWB Church	Macon	GA
White Savannah FWB Church	Conway	SC
Willow Springs FWB Church	Mountain Grove	MO
Winfield First FWB Church	Winfield	AL
Woodlawn FWB Church	Russellville	AR
WV St Association Mission Board	Charleston	WV
Yorkshire FWB Church	Manassas	VA
Zephyr Hills FWB Church	Asheville	NC

International Missions recorded World Missions Offerings from 883 churches in 2013. Together, these churches donated \$825,233.67 to the WMO. Every gift is important, regardless of how small. Some small churches demonstrated that church size isn't a deterrent when your heart is determined to give, amazing the WMO team by averaging more than \$100 per attendee.

**883 Churches Donated \$825,234 to the WMO in 2013**  
**35 Churches Gave \$5,000 or More**

Church	City	State	WMO Amount
Bethel FWB Church	Kinston	NC	\$31,814.00
Unity FWB Church	Greenville	NC	\$23,211.00
Zephyr Hills FWB Church	Asheville	NC	\$17,000.00
First FWB Church	Beaufort	NC	\$15,494.97
Limestone FWB Church	Limestone	TN	\$13,957.89
Faith FWB Church	Lubbock	TX	\$12,206.20
Bethany FWB Church	Broken Arrow	OK	\$12,000.00
Calvary Fellowship FWB Church	Fenton	MO	\$11,377.17
Head's FWB Church	Cedar Hill	TN	\$10,438.48
Red Bay FWB Church	Red Bay	AL	\$10,319.89
Peace FWB Church	Wilson	NC	\$10,000.00
Canyon Country FWB Church	Canyon	TX	\$10,000.00
Peace FWB Church	Florence	SC	\$8,639.00
Temple FWB Woman's Auxiliary	Darlington	SC	\$8,500.00
Harrison FWB Church	Minford	OH	\$8,098.23

First FWB Church	Gastonia	NC	\$7,738.59
Brush Creek FWB Church	Argillite	KY	\$7,249.77
Oak Grove FWB Church	Greeneville	TN	\$7,053.50
Mountain Grove FWB Church	Mountain Grove	MO	\$6,568.50
Central FWB Church	Huntington	WV	\$6,504.00
Sherwood Forest FWB Church	New Bern	NC	\$6,300.00
Travelers Rest FWB Church	Colquitt	GA	\$6,000.00
New Oak Grove FWB Church	Nauvoo	AL	\$5,981.15
Oak Hills FWB Church	Edmond	OK	\$5,956.89
Bethlehem FWB Church	Ashland City	TN	\$5,663.25
Hartville FWB Church	Hartville	MO	\$5,585.38
First FWB Church	Dickson	TN	\$5,404.00
Grifton FWB Church	Grifton	NC	\$5,361.03
Sulphur FWB Church	Sulphur	OK	\$5,321.02
Trinity FWB Church	La Grange	NC	\$5,235.03
Fellowship FWB Church	Bryan	TX	\$5,134.28
Ina FWB Church	Ina	IL	\$5,000.00
Macedonia FWB Church	Purdy	MO	\$5,000.00
Madison FWB Church	Madison	AL	\$5,000.00
Black River FWB Church	Andrews	SC	\$5,000.00

*\*If your church gave \$5,000 or more 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 2013 top ten states in overall giving.

#### **10 STATES GAVE MORE THAN \$5 MILLION**

Tennessee	\$974,547.55
North Carolina	\$848,834.13
Arkansas	\$558,119.78
Oklahoma	\$525,337.32
South Carolina	\$480,741.19
Missouri	\$454,902.20
Alabama	\$391,865.15
Georgia	\$298,918.57
Illinois	\$222,019.61
Ohio	\$178,577.77
Michigan	\$155,643.91



### **SUMMARY OF BOARD MEETINGS**

The Board of International Missions met four times, conducted two email ballots, and held three phone conferences from May 1, 2013, to May 1, 2014. 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).

Board actions throughout the year included:

- Assigning Josh and Lydia Provow as two-year, short-term interns to Bulgaria
- Reassigning Steve and Lori Torrison from Panama to Uruguay, due to the planned independence of the Panamanian Church
- Appointing Matt and Halie Deckard as two-year, short-term interns to France through The Hanna Project
- Appointing the Cuban couple, Lázaro Riesgo and Dr. Ariadna Iglesias, as short-term interns
- Blessing Tony and Dana Sebastian's service with a partner organization
- Seconding Greg and Britani Schwartz to work in Asia with a partner organization
- Laying off Cathy Crawford, due to financial cuts, following 32 years in France
- Laying off Darren Portell, stateside administrator for THP, due to financial cuts
- Accepting the retirement of Molly Barker, due to financial cuts, after 50 years of service in Uruguay
- Accepting the resignations of Paul and Chrissy Collins (Panama) due to the planned independence of the Panamanian Church
- Accepting the resignations of Verlin and Debbie Anderson (Côte d'Ivoire)
- Setting a burial allowance of \$1,500 per individual for active career personnel
- Requiring short-term interns to raise 100% of their support prior to departure
- Partnering with Home Missions for the purpose of cross-cultural projects in North America
- Establishing the position of Educational Specialist for Latin America

## Free Will Baptist International Missions

### 2015 Operational Budget Summary

Category	2013 Proposed Budget	2013 Actuals	2014 Proposed Budget	2015 Proposed Budget
Field Ministries & Projects	\$ 1,203,280.93	\$ 1,101,721.83	\$ 1,174,040.40	\$ 1,155,217.62
Missionary Compensation & Benefits	\$ 3,836,472.95	\$ 3,203,359.18	\$ 3,789,083.66	\$ 3,358,903.20
Missionary Travel/Transportation	\$ 462,530.94	\$ 641,323.85	\$ 762,830.06	\$ 672,464.31
Mobilization & Development	\$ 519,596.25	\$ 620,439.76	\$ 684,153.10	\$ 650,566.16
Administration	\$ 976,116.93	\$ 822,891.92	\$ 859,992.77	\$ 862,848.70
<b>Grand Totals</b>	<b>\$ 7,000,000.00</b>	<b>\$ 6,389,736.54</b>	<b>\$ 7,250,000.00</b>	<b>\$ 6,700,000.00</b>

Does not include Non-Governmental Organizations Projects, WFOs, or other "Potential" Budgets approved by the Board of International Missions.

Operational: All projects and ministries funded by or through the General Fund

### 2015 Operational Budget Breakout

Functional Description	2015 Amt	Functional Description	2015 Amt
Missionary Salary	\$1,122,795.41	Int'l Missions Month	\$2,500.13
Missionary COLA	\$290,826.24	One Magazine	\$60,003.11
Missionary Housing - Field	\$626,687.92	Board Expenses	\$16,500.85
Missionary Housing - US	\$210,221.39	Office Travel Domestic	\$16,000.83
Missionary Christmas Bonus	\$22,189.94	Travel Insurance	\$434.02
Missionary Social Security Taxes	\$233,631.66	Department Insurance	\$2,644.14
Missionary Fieldside Transportation	\$170,059.19	Candidate Expenses	\$1,000.05
Missionary Cell Phones	\$36,735.52	Recruiting	\$500.03
Missionary Vehicle Purchases	\$97,820.08	Mobilization	\$650.03
Missionary Medical Insurance	\$566,651.85	Employee Recognition	\$3,650.19
Missionary Furlough Expenses	\$1,018.96	Strategic Planning Retreat	\$10,000.52
Missionary Overseas Travel	\$101,067.52	COLA Indices	\$6,600.34
Missionary Childrens Schooling	\$45,955.06	Compassion/Relief	\$1,500.06
Missionary Language School/Cont Ed	\$29,602.18	Cell Phone Usage	\$7,800.40
Missionary Furniture/Appliances	\$12,227.51	Meals/Enter/Lodging Others	\$2,250.12
Missionary Childrens College	\$7,463.88	Orientation for New Missionary	\$250.01
Missionary Retirement	\$45,913.31	Mission Community Development	\$200.01
Missionary Non US Taxes	\$38,160.02	Donor Development	\$2,000.10
Missionary Special Projects	\$169,809.55	Advisory Council	\$1,500.08
Missionary Newsletters	\$34,817.84	Office Travel International	\$37,501.94
Missionary Miscellaneous	\$26,839.38	Missionary Stateside Assignment - Fuel	\$60,548.59
Missionary Equipment	\$30,507.64	Missionary Stateside Assignment - Airfare	\$12,000.62
Missionary Meeting Places	\$82,637.59	Missionary Stateside Assignment - Lodging	\$20,001.04
Missionary Maintenance Mission Prop	\$31,985.32	Missionary Stateside Assignment - Meals	\$25,001.29
Missionary Evangelism	\$79,012.13	Missionary Stateside Assignment - ReEntry	\$4,500.23
Missionary National Workers	\$149,848.14	Missionary Stateside Assignment - Internet	\$1,200.06
Missionary Other Supporting	\$276,886.05	Missionary Stateside Assignment - EveryOne Car	\$2,000.10
Missionary Overseas Shipping	\$15,534.63	Missionary Stateside Assignment - Equipment	\$6,500.34
Missionary Dental & Optical	\$68,504.63	Missionary Stateside Assignment - National Conv	\$18,000.93
Missionary Customs Charges	\$1,324.65	Missionary Stateside Assignment - Misc	\$1,000.05
Missionary COLA Equalization	\$54,801.66	WMO Ambassador Travel	\$17,500.91
Missionary Other Insurance	\$21,010.94	WMO Ambassador Honorariums	\$10,000.52
Missionary Field Admin Expenses	\$3,204.63	WMO Campaign Expenses	\$5,000.26
ELIC Personnel	\$96,801.12	WMO Coin Banks	\$20,605.07
Office Salary	\$504,057.79	WMO Ambassador Training	\$6,000.31
Office Housing	\$75,596.01	Professional Services	\$7,250.38
Office Social Security	\$66,100.26	Auditing Expenses	\$13,000.67
Office Christmas Bonus	\$11,146.61	Rent - 5233 Mt View Rd	\$90,004.66
Office Insurance	\$106,058.04	Software Expense	\$10,200.53
Office Retirement	\$27,035.36	Office/Computer Equipment	\$10,000.52
Audio Visual	\$509.48	Office Equip Maint	\$1,000.05
Film and Art	\$6,113.76	Office Supplies	\$10,750.56
Video	\$21,366.14	Other Expenses	\$269,913.98
Promotional Materials	\$8,866.64	Bank Service Charges	\$7,250.38
Services and Dues	\$407.58	Depreciation Expense	\$92,004.76
Info Services Materials	\$611.38	Credit Card Process Fees	\$7,250.38
Telephone	\$6,877.97	Website	\$27,751.44
Copier Expense	\$3,770.15	Internet Service Provider	\$2,500.13
Regular Postage	\$13,042.68	Vehicle Fuel	\$16,400.85
Miscellaneous Mailings	\$5,349.54	Vehicle Maintenance	\$6,000.31
Books and Subscriptions	\$1,426.54	Vehicle Repairs	\$19,501.01
Together Way Campaign	\$2,139.81	Vehicle Registration	\$1,440.07
Surveys	\$509.48	Vehicle Insurance	\$12,000.62
Reentry	\$1,273.70		
Seminary Training Expense	\$22,468.05		
National Convention	\$25,728.72		
		<b>Totals</b>	<b>6,700,000.00</b>

## Compensation Detail - FWBIM Directors

	2013 Proposed/Actual	2014 Proposed/Actual	2015 Proposed
<b>General Director - Clint Morgan</b>			
Salary	40,773.48	40,773.48	42,716.68
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	10,445.37	10,863.11	11,189.01
Retirement	3,238.67	3,238.67	3,335.83
Insurance	14,495.88	14,495.88	15,220.67
Christmas Bonus	1,245.64	1,245.64	1,283.01
<b>Total Cost of Employment</b>	<b>94,199.04</b>	<b>94,616.79</b>	<b>97,745.21</b>
<b>Director of Advancement - Mark McPeak</b>			
Salary	28,072.29	28,072.29	29,814.46
Housing and Utilities	30,000.00	30,000.00	30,000.00
Social Security	9,364.73	9,739.26	10,031.44
Retirement	2,903.61	2,903.61	2,990.72
Insurance	20,064.00	20,064.00	21,067.20
Christmas Bonus	1,116.77	1,116.77	1,150.28
<b>Total Cost of Employment</b>	<b>91,521.41</b>	<b>91,895.94</b>	<b>95,054.10</b>
<b>Director of Field Operations - Jeff Turnbough</b>			
Salary	34,072.29	34,072.29	35,814.46
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	9,364.73	9,739.26	10,031.44
Retirement	2,903.61	2,903.61	2,990.72
Insurance	14,495.88	14,495.88	15,220.67
Christmas Bonus	1,116.77	1,116.77	1,150.28
<b>Total Cost of Employment</b>	<b>85,953.29</b>	<b>86,327.82</b>	<b>89,207.57</b>
<b>Director of Financial Operations - Robert Conley</b>			
Salary	58,072.29	58,072.29	59,814.46
Social Security	9,253.24	9,806.09	10,100.27
Retirement	2,903.61	2,903.61	2,990.72
Insurance	21,492.72	21,492.72	22,567.36
Christmas Bonus	1,116.77	1,116.77	1,150.28
<b>Total Cost of Employment</b>	<b>92,838.63</b>	<b>93,391.49</b>	<b>96,623.09</b>
<b>Member Care Consultant - Neil Gilliland</b>			
Salary	38,192.40	38,192.40	39,338.17
Social Security	-	2,977.91	3,067.24
Retirement	-	-	-
Insurance	-	-	-
Christmas Bonus	734.47	734.47	756.50
<b>Total Cost of Employment</b>	<b>38,926.87</b>	<b>41,904.77</b>	<b>43,161.92</b>
<b>Associate Director of Advancement - Sam McVay</b>			
Salary		27,600.00	28,428.00
Housing and Utilities		24,000.00	24,720.00
Social Security		8,653.80	8,913.41
Retirement		2,580.00	2,657.40
Insurance		14,495.88	15,220.67
Christmas Bonus		992.31	1,022.08
<b>Total Cost of Employment</b>	<b>-</b>	<b>78,321.99</b>	<b>80,961.56</b>

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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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, 2013 and 2012, 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 purpose 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.

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, 2013 and 2012, 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 7, 2014

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>		
	<b>2013</b>	<b>2012</b>
Cash	\$ 873,374	\$ 1,337,993
Investments in trusts	94,968	385,854
Investments	4,419	3,081
Prepaid expenses	98,462	55,290
Receivables from employees and missionaries	260,791	309,597
Property and equipment, net	<u>993,594</u>	<u>975,951</u>
Total assets	<u>\$ 2,325,608</u>	<u>\$ 3,067,766</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 194,481	\$ 232,467
Notes payable	201,351	221,968
Accrued severance payable	<u>92,950</u>	<u>114,657</u>
Total liabilities	<u>488,782</u>	<u>569,092</u>
Net assets:		
Unrestricted	1,324,461	1,985,802
Temporarily restricted	486,124	486,631
Permanently restricted	<u>26,241</u>	<u>26,241</u>
Total net assets	<u>1,836,826</u>	<u>2,498,674</u>
Total liabilities and net assets	<u>\$ 2,325,608</u>	<u>\$ 3,067,766</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 ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Unrestricted:		
Revenue:		
Contributions	\$ 3,028,211	\$ 3,583,527
Gain on settlement of note receivable	-	194,090
Gain on disposal of property and equipment	31,506	32,407
Investment income	10,453	7,078
Other income	1,369	4,415
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>2,926,580</u>	<u>2,929,614</u>
Total revenue	<u>5,998,119</u>	<u>6,751,131</u>
Functional expenses:		
General fund	1,313,134	1,191,045
Missionary/field ministry	5,280,605	5,011,550
Impact	<u>65,721</u>	<u>67,446</u>
Total functional expenses	<u>6,659,460</u>	<u>6,270,041</u>
(Decrease) increase in unrestricted net assets	<u>(661,341)</u>	<u>481,090</u>
Temporarily restricted:		
Revenue:		
Contributions	2,926,073	2,993,376
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(2,926,580)</u>	<u>(2,929,614)</u>
(Decrease) increase in temporarily restricted net assets	<u>(507)</u>	<u>63,762</u>
Total (decrease) increase in net assets	(661,848)	544,852
Net assets, beginning of year	<u>2,498,674</u>	<u>1,953,822</u>
Net assets, end of year	<u><u>\$ 1,836,826</u></u>	<u><u>\$ 2,498,674</u></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, 2013 AND 2012**

	2013	2012
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (661,848)	\$ 544,852
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	171,502	179,365
Unrealized gain on investments	(10,453)	(7,078)
Gain on disposal of property and equipment	(31,506)	(7,235)
Gain on settlement of note receivable	-	(194,090)
(Increase) decrease in		
Receivables from employees and missionaries	48,806	(33,047)
Prepaid expenses	(43,172)	9,640
Increase (decrease) in		
Accounts payable and accrued expenses	(37,986)	2,116
Accrued severance payable	(21,707)	(6,887)
Net cash (used in) provided by operating activities	<u>(586,364)</u>	<u>487,636</u>
Cash flows from investing activities:		
Purchases of property and equipment	(255,570)	(333,725)
Proceeds from sale of property and equipment	97,932	103,305
Proceeds from the settlement of note receivable	-	248,198
Purchases of investments	-	(250,000)
Proceeds from sale of investments	<u>300,000</u>	<u>96,307</u>
Net cash provided by (used in) investing activities	<u>142,362</u>	<u>(135,915)</u>
Cash flows from financing activities:		
Payments on notes payable	(20,617)	(19,562)
Net cash used in financing activities	<u>(20,617)</u>	<u>(19,562)</u>
(Decrease) increase in cash	(464,619)	332,159
Cash, beginning of year	<u>1,337,993</u>	<u>1,005,834</u>
Cash, end of year	<u>\$ 873,374</u>	<u>\$ 1,337,993</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u>\$ 13,497</u>	<u>\$ 18,138</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, 2013 AND 2012**

**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, 2013, 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 2010.

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 and Depreciation

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, 2013 AND 2012**

**NOTE 3 - INVESTMENTS IN TRUSTS**

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

	2013	2012
General Reserves Trust	\$ 63,717	\$ 355,444
Support Services Endowment	24,963	24,291
St. Sebastian Trust	3,993	3,885
Scholarship Endowment	<u>2,295</u>	<u>2,234</u>
	<u>\$ 94,968</u>	<u>\$ 385,854</u>

The total investment income was \$9,115 and \$6,264 for 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012 consisted of equity securities. Unrealized gains were \$1,338 and \$814 for 2013 and 2012, 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 \$242,977 and \$254,418 in 2013 and 2012, 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  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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:

	<b>2013</b>	<b>2012</b>
Land	\$ 187,213	\$ 187,213
Buildings	561,638	561,638
Office furniture and equipment	42,914	39,979
Cameras and projectors	63,339	69,339
Automobiles	1,004,784	1,024,689
Computer equipment and software	<u>107,036</u>	<u>109,972</u>
	1,966,924	1,992,830
Less accumulated depreciation	<u>(973,330)</u>	<u>(1,016,879)</u>
<b>Total</b>	<b><u>\$ 993,594</u></b>	<b><u>\$ 975,951</u></b>

Depreciation expense amounted to \$171,502 and \$179,365 for 2013 and 2012, respectively. Depreciation expense in the amount of \$148,876 and \$96,777 is included in the general fund expenses for 2013 and 2012, respectively, while the remainder is included in missionaries' expenses.

Gains on disposal of property and equipment totaled to \$31,506 for 2013 and is primarily from the sale of automobiles.

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

**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, 2013 AND 2012**

**NOTE 9 - NOTES PAYABLE**

Notes payable consist of the following as of December 31:

	2013	2012
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.	\$ 71,555	\$ 82,555
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>129,796</u>	<u>139,413</u>
	<u>\$ 201,351</u>	<u>\$ 221,968</u>

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

Year ending December 31,

2014	\$ 22,315
2015	23,815
2016	25,417
2017	27,127
2018	28,952
Thereafter	<u>73,725</u>
	<u>\$ 201,351</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 \$95,329 and \$161,442 for 2013 and 2012 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, 2013 AND 2012**

**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 \$85,491 and \$85,457 for 2013 and 2012, respectively.

**NOTE 12 - CONCENTRATIONS**

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$460,110 at December 31, 2013. 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:

	2013	2012
Missionary/field ministry	\$ 74,756	\$ 105,984
IMpact	256,612	248,672
Subsidiary	<u>154,756</u>	<u>131,975</u>
	<u>\$ 486,124</u>	<u>\$ 486,631</u>

These net assets are restricted due to donor restrictions.

Permanently restricted net assets are restricted to:

	2013	2012
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 7, 2014 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, 2013 AND 2012**

	2013	2012
General fund:		
Salaries	\$ 373,495	\$ 320,383
Depreciation	148,876	96,777
Missionary stateside assignment	144,659	166,114
Health insurance	94,405	78,849
Office rent	85,491	85,457
Department auto	58,682	53,236
Housing	54,000	50,250
Employer payroll taxes	51,251	40,488
WMO campaign	43,828	12,737
One Magazine	36,694	35,683
Office supplies and equipment	28,846	30,617
Convention	28,499	23,825
Department travel	22,767	32,338
WMO Ambassador travel and training	19,646	10,135
Legal and professional	19,035	20,878
Retirement	18,245	9,870
Fees and service charges	13,751	11,002
Board members	11,312	12,319
Postage	9,027	8,260
COLA indexes	6,295	6,000
Telephone and internet	6,197	15,251
Video and audio visual	5,300	10,662
Publicity and promotion	4,755	7,783
Seminars, training and retreats	4,334	2,880
Staff recognition	4,180	1,830
Website	4,068	13,904
Recruiting and candidate	3,312	1,072
WMO Ambassador honorariums	3,310	3,694
Visitor meals, entertainment and lodging	2,695	1,778
Department insurance	2,402	1,975
Other field ministry	1,618	-
Benevolence	1,089	1,447
Donor development	1,049	2,865
Impulse video magazine	21	82
WMO coin bank	-	20,604
	<hr/>	<hr/>
Total general fund	\$ 1,313,134	\$ 1,191,045

**BOARD OF INTERNATIONAL MISSIONS OF THE  
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS  
AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Missionary/field ministry:		
Japan	\$ 1,120,431	\$ 1,007,110
France	842,094	830,578
Subsidiary	713,543	674,135
Spain	412,426	422,080
India	390,910	374,617
Uruguay	317,237	265,421
Panama	279,496	300,761
Student ministries	258,237	235,040
Brazil	193,270	190,270
Bulgaria	177,399	155,560
Other projects	175,869	170,624
Ivory Coast	152,430	164,120
Field operations	116,565	108,243
Russia	56,897	56,913
Missionary medical	55,645	28,410
Unreached people	18,156	24,168
Korea	-	3,500
	<hr/>	<hr/>
Total missionary/field ministry	5,280,605	5,011,550
	<hr/>	<hr/>
IMpact:		
Project expenses	65,721	67,446
	<hr/>	<hr/>
Total functional expenses	<u>\$ 6,659,460</u>	<u>\$ 6,270,041</u>

## 2014 President's Report Welch College

### Quantitative

Last year I told the delegates at the annual meeting of the National Association that Welch College was beginning to “turn the corner” in terms of its finances and enrollment. A year later, we are much more confident we are turning the corner.

Why do we think this? Here are the basic reasons:

1. We had roughly a 24% increase in dormitory enrollment both semesters.
2. We had an increase of 22% (projected at press time) in income from tuition, room, and board. These two enrollment-related increases are the largest since 1981, or 33 years (the furthest back we counted).
3. Net income from tuition, room, and board were the highest since 2006-07.
4. We had an increase in total (projected) income of 11.5%.
5. We paid off \$158,000 in long-term debt, bringing our total long-term debt down by 3.5% from last year.
6. Non-co-op gifts from individuals and churches are at comparable levels to last year's record high. National co-op gifts and estate gifts are projected to be down around \$130,000, which means we will have a deficit. However, we project (at press time) it will be much lower than the deficits of \$225,475 in 2013 and \$318,214 in 2012.

The obvious question is: What happened? If we had a 24% increase in dorm enrollment, and a 22% increase in income from tuition, room, and board, and an 11.5% increase in overall income, why do we have a deficit at all?

The answer is simple: When we analyzed our financial situation in September, after a 33-year-record increase in fall enrollment and an increase in gifts over the summer, we decided not to cut the budget. *For the first time in my twelve years here, we made the decision not to cut the budget in early fall.* Even when we reported to the Board of Trustees in December, gifts had continued to hold up through early December, and we still thought we were in a good place. Then, over the next several months, gifts sharply decreased. Again, around \$130,000 of the decrease in gifts resulted from a steep downturn in national co-op giving and estate gifts, which is of course beyond our control. Thus, though we will have a deficit this year, this represents a different sort of problem than we have been having the past several years.

We believe enrollment will gradually continue to increase. Our anecdotal data says that much of the enrollment increase resulted from the name change (of course, about one-fourth of the increase in dormitory enrollment resulted from the transfer of students from Gateway Christian College, which I will discuss below). We may not see a linear increase every year in enrollment. The economy and the changing face of Christian higher education are too precarious to expect that we will not experience ups and downs over the next few years. But I strongly

believe that we will experience a “stair-step” improvement in enrollment and financial gains over the next several years.

We experienced a setback in our relocation plans when Aquinas College withdrew its offer to purchase our West End campus after neighbors opposed the deal. However, our realtors continue to aggressively market the campus to residential developers in a real estate market that is improving somewhat from where it has been. We are waiting on the Lord to provide us with the right buyer in His timing. Please continue to pray for our efforts toward the relocation of our campus.

## Qualitative

In terms of our students and mission fulfillment, this was the best year at Welch in my twelve years as president. Here are the leading indicators:

- Class attendance, chapel attendance, overall GPAs, and freshman-to-sophomore retention are all the highest they have been.
- Students on academic probation and students experiencing disciplinary problems are at an all-time low.
- Participation in Christian service, Wednesday evening Campus Church, and SpirituaLife groups has increased markedly.
- The percentage of male students who are preachers is extremely high: 52% of men on campus are preachers and 62% of total men (on-campus, online, adult degree) are preachers.
- Student morale is high, and society participation and society sponsorship of social events on campus are the highest in my tenure here.

In the spring of 2013, we were saddened to hear of the planned closure of Gateway Christian College, a Free Will Baptist school in Virginia Beach, Virginia. We reached out to their remaining students with a special teach-out agreement to allow them to complete their degrees at Welch College. We now have twelve students from Gateway and are expecting more next year.

We at Welch College have been praying for and working toward a campus community that would truly reach out to all Free Will Baptists, a place that is philosophically centrist enough that students from across our diverse denomination can feel equally at home, equally affirmed, equally welcomed and loved, feeling that they are getting a top-notch Christian higher education in a Free Will Baptist context. That is what we have been praying for and hoping for and attempting to create. And I am happy to say that we are there. We have students from across the spectrum of the Free Will Baptist denomination, and they are all happy. They all feel at home. They all love each other and are giving things up for the sake of community.

We are fulfilling the vision of denominational unity in our student body that we have been praying for and working toward. And that unity in our student body is symbolic of what I think will be more and more unity in our denomination, especially in the younger millennial generation.

There are numerous other signs of qualitative growth and excellence:

We continue to rank higher in *U.S. News and World Report's Best Colleges* than many larger colleges and universities that have many times over the financial resources we have. We are one of only a handful of institutions from the Bible college movement that are ranked in this publication.

For the second time in a row, we were named a Certified Best Christian Workplace by the Best Christian Workplaces Institute, for which we received a public commendation at the annual meeting of the Association for Biblical Higher Education, our Bible college accrediting organization.

Other measures of qualitative growth and excellence include:

1. Higher scores on the Noel-Levitz Student Satisfaction Inventory (in which 88% of students said the college met their expectations [compared with a national average of 84%] and 67% said the college exceeded their expectations [compared with a national average of 53%])
2. Rave reviews from the Board of Examiners of the Tennessee State Department of Education on our 10-year reaffirmation of teacher education, which touches every area of our campus
3. Extremely positive feedback on the Choir, *Rejoice!*, the Men's Quartet, and the Evangelists Drama Team, for which we have more demand than ever—we cannot accommodate all the requests for these excellent groups.

## Conclusion

We are definitely turning the corner at Welch College! After the difficult challenges of a recessionary economy and its aftermath, which has negatively affected so many small, denominational Bible colleges, we are experiencing a new day. We have seen the highest enrollment increase in at least 33 years, the highest increase in income in at least 33 years, and the highest net income in tuition, room, and board since 2006-07.

We are experiencing a wonderful spirit of campus unity that symbolizes a growing denominational unity and a growing commitment to ministry and spiritual and intellectual formation on the part of our students, combined with top-notch student and employee satisfaction ratings.

We appreciate our Free Will Baptist people and the love you have for your college in economically good times and bad times. We count on your steadfast prayers and financial support, but mostly, we love the wonderful Free Will Baptist students you send us. The Lord is doing a great work on the campus of Welch College, and as we remain true to His Word and His gospel in the fulfillment of the mission to which He has called us, we are confident He will continue to use Welch College to do great things for His glory and the extension of His kingdom.

In Christ,

J. Matthew Pinson  
President

Registration Report  
2013-2014

ENROLLMENT 380

States

Alabama . . . . .	13	Kentucky . . . . .	5	South Carolina . . . . .	12
Arkansas . . . . .	17	Louisiana . . . . .	1	Tennessee . . . . .	180
California . . . . .	3	Michigan . . . . .	8	Texas . . . . .	1
Florida . . . . .	12	Mississippi . . . . .	7	Virginia . . . . .	13
Georgia . . . . .	11	Missouri . . . . .	9	Virgin Islands . . . . .	1
Illinois . . . . .	8	North Carolina . . . . .	26	West Virginia . . . . .	2
Indiana . . . . .	2	Ohio . . . . .	13	Wisconsin . . . . .	1
Kansas . . . . .	1	Oklahoma . . . . .	5	International . . . . .	29

The student body represents 23 states (USA) and three other countries (Canada, Cuba, and Panama).

Classification

Freshman . . . . .	103
Sophomore . . . . .	91
Junior . . . . .	62
Senior . . . . .	37
Non-Degree Part-Time . . . . .	32
Dual Enrollment . . . . .	55

Vocational

Christian Ministry (Bach.) . . . .	78	Exercise Science . . . . .	14	Science/Nursing . . . . .	19
Christian Ministry (Assoc.) . . . .	18	General Studies . . . . .	16	Teacher Education* . . . . .	60
Missions . . . . .	10	History . . . . .	3	Dual Enrollment . . . . .	55
Business . . . . .	39	Music . . . . .	10	Non-Degree Part-Time . . . . .	32
English . . . . .	9	Psychology . . . . .	17		

\*Teacher Education includes these areas: Bible, Biology (3), Early Childhood (12), Elementary (22), English (7), History (8), Music (6), and Physical Education(2).

Other Categories

Full-Time . . . . .	248	Male . . . . .	200	New . . . . .	68
Part-Time . . . . .	132	Female . . . . .	180	Returning . . . . .	21
				Continuing . . . . .	166
Dorm . . . . .	151	Single . . . . .	307	Transfer . . . . .	38
Commuter . . . . .	60	Married . . . . .	73	Non-Degree Part-Time . . . . .	32
Adult Studies . . . . .	21			Dual Enrollment . . . . .	55
Lifetime Learning . . . . .	80	Free Will Baptist . . . . .	280		
Online . . . . .	25	Other . . . . .	100		

Financial Aid Report  
2013-2014

Type of Aid	Number of Recipients	Amount of Aid
Institutional Loans.....	6	\$ 7,544.89
College-Administered Scholarships .....	314	1,247,633.53
Federal Pell Grants.....	156	570,455.03
Federal SEOG Grants .....	23	14,635.31
Federal Work-Study.....	8	12,021.25
Federal TEACH Grant.....	4	13,874.00
Federal Stafford Loans (Subsidized) .....	171	661,464.00
Federal Stafford Loans (Unsubsidized).....	177	550,607.00
Federal Plus Loans .....	24	245,020.00
TSAA Grants. ....	23	45,500.00
Tennessee HOPE Scholarship.....	44	171,250.00
Tennessee Helping Heroes Grant .....	0	0.00
Tennessee Dual Enrollment Grant .....	33	14,100.00
Alternative Loans .....	16	154,215.00
<b>TOTAL FINANCIAL AID ADMINISTERED, 2013-2014</b>		<b>\$3,708,320.01</b>

Welch Library Report  
2013-2014

<b>EOS Statistics:</b>	
Reference .....	1,654
General Collection .....	62,565
Curriculum Lab .....	1,876
Audiovisuals .....	1,128
Ministry Lab .....	36
Historical Collection .....	1,941
<b>Additional Resources:</b>	
Sarah Lacey Nicholas Music Collection .....	2,239
EBSCO E-books Database E-books .....	48,368
ERIC Microfiche .....	74,630
Microfiche Books .....	427
<b>TOTAL</b>	<b>194,864</b>



## **Synopsis of Minutes Board of Trustees July 2013-May 2014**

### ***July 8, 2013 (conference call)***

The Board voted to rescind the motion establishing the short-term loan operational debt ceiling at \$1.45 million, \$1 million of which could come from the line of credit with the Free Will Baptist Foundation.

### ***July 21, 2013 (National convention)***

The Board approved the 2013 audit and requested the Free Will Baptist Foundation to provide statements of accounts on a monthly basis via internet.

### ***November 15, 2013 (called meeting)***

The Board voted to sell the West End campus to Aquinas College and construct a new campus in Gallatin.

### ***December 11, 2013***

The Board voted to receive the report of a business and finance consultant and accept his recommendations, including not acquiring integrated software, moving to a block tuition format, and leaving the fiscal year at May 31. The Board approved the faculty's new General Education Core Curriculum.

### ***March 31, 2014 (conference call)***

The Board approved a new Worship Ministry major, which will supersede the Church Music major, and approved the hiring of Chris Talbot and Frank Thornsby as faculty.

### ***May 6-8, 2014***

The Board voted to commend Vice President Craig Mahler for progress in the Business Office and approved a capital improvement loan for needed repairs, maintenance, and computer upgrades resulting from the phase-out of Windows XP. The Board also approved the 2014-15 budget, including a 1% restoration of faculty and staff salaries.

## Salary Breakdowns

	2012-2013	2013-2014	2014-2015
<b>President*</b>			
Salary	\$65,437	\$65,437	\$66,091
Social Security	5,006	5,006	5,056
Retirement**	7,838	327	330
Medical Insurance	10,447	10,447	11,235
Life Insurance	<u>331</u>	<u>344</u>	<u>378</u>
	\$89,059	\$81,561	\$83,090
<b>Provost</b>			
Salary	\$53,096	\$53,096	\$53,627
Social Security	4,062	4,062	4,102
Retirement**	6,360	265	268
Medical Insurance***	0	0	0
Life Insurance	<u>331</u>	<u>344</u>	<u>378</u>
	\$63,849	\$57,767	58,375
<b>Vice President for Financial Affairs</b>			
Salary	\$47,500	\$47,500	\$47,975
Social Security	3,634	3,634	3,670
Retirement**	5,720	238	240
Medical Insurance	3,442	3,442	3,702
Life Insurance	<u>331</u>	<u>344</u>	<u>378</u>
	\$60,627	\$55,158	55,965
<b>Vice President for Institutional Advancement</b>			
Salary	\$50,000	\$50,000	\$50,500
Social Security	3,825	3,825	3,863
Retirement**	4,400	250	253
Medical Insurance	7,229	7,229	7,774
Life Insurance	<u>331</u>	<u>344</u>	<u>378</u>
	\$65,785	\$61,648	\$62,768

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

\*\*Defined benefit pension plan dissolved in 2012-2013. See notes to financials in 2013 audit for details. Budget for 2013-2014 and 2014-2015 provides a ½ of 1% of salary college match (.005) to the individual retirement accounts of qualified employees who contribute via salary reduction.

\*\*\*Voluntarily declined.



**Hill, Harper & Associates**  
**Certified Public Accountants**

**Independent Auditor's Report**

**The Board of Trustees**  
**Welch College**

**Report on Financial Statements**

We have audited the statements of financial position of Welch College (a nonprofit organization) as of May 31, 2014 and 2013, 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 continues to experience operational deficits from unrestricted net assets. See note 16 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 as of May 31, 2014 and 2013, 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.

**July 11, 2014**

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**WELCH COLLEGE**  
**Statements of Financial Position**  
**May 31, 2014 and 2013**

	<u>Assets</u>	<u>2014</u>	<u>2013</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$	815,171	908,847
Investments in marketable securities, at market value		467,646	310,471
Accounts receivable, net of allowance for doubtful accounts of \$70,000 in 2014 and \$80,500 in 2013		225,673	147,839
Prepaid expenses		7,309	14,544
<b>Total current assets</b>		<u>1,515,799</u>	<u>1,381,701</u>
<b>Non current assets:</b>			
Cash and cash equivalents:			
Restricted for endowments		166,185	115,803
Restricted for student loans		242,661	246,995
Investments in marketable securities, at market value:			
Restricted for endowments		1,191,288	1,191,288
Investment in land - gift in kind		30,000	30,000
Campaign pledges receivable		230,706	324,169
Loans to students, net of allowance for doubtful loans of \$60,000 in 2014 and \$30,000 in 2013		45,200	169,955
<b>Total non current assets</b>		<u>1,906,040</u>	<u>2,078,210</u>
<b>Property, plant and equipment:</b>			
Investment in property, plant and equipment		14,446,157	14,184,607
Accumulated depreciation		5,078,050	4,888,552
<b>Net property, plant and equipment</b>		<u>9,368,107</u>	<u>9,296,055</u>
<b>Total assets</b>	\$	<u>12,789,946</u>	<u>12,755,966</u>
	<u>Liabilities and Net Assets</u>		
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$	202,384	95,963
Current portion of long-term debt		150,231	149,520
Notes payable		125,319	140,516
Student deposits and agency funds		177,961	163,863
Accrued salaries		103,452	100,084
Deferred revenues		51,179	40,001
<b>Total current liabilities</b>		<u>810,526</u>	<u>689,947</u>
<b>Other liabilities:</b>			
Long-term debt		4,561,333	4,669,195
Asset retirement obligation		297,852	279,018
<b>Total liabilities</b>		<u>5,669,711</u>	<u>5,638,160</u>
<b>Net assets:</b>			
Unrestricted funds		4,588,738	4,669,021
Temporarily restricted funds		813,865	664,905
Permanently restricted funds		1,717,632	1,783,880
<b>Total net assets</b>		<u>7,120,235</u>	<u>7,117,806</u>
<b>Total liabilities and net assets</b>	\$	<u>12,789,946</u>	<u>12,755,966</u>

See accompanying notes to financial statements.

# WELCH COLLEGE

## Statements of Activities and Changes in Net Assets

For the years ended May 31, 2014 and 2013

	2014				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2014	Total 2013
<b>Revenues:</b>					
Tuition and fees	\$ 2,350,304	-	-	2,350,304	1,960,718
Federal grants and contracts	-	25,228	-	25,228	25,228
Private gifts	1,167,280	222,740	53,440	1,443,460	1,552,170
Income from investment transactions including endowment income and gain or loss transactions	18,781	144,615	1,878	165,274	157,721
Revenues of auxiliary enterprises	1,209,636	-	-	1,209,636	969,773
Other sources	60,021	25,654	(121,566)	(35,891)	(7,764)
	4,806,022	418,237	(66,248)	5,158,011	4,657,846
<b>Net assets released from restrictions</b>	269,277	(269,277)	-	-	-
<b>Total revenues</b>	5,075,299	148,960	(66,248)	5,158,011	4,657,846
<b>Expenditures:</b>					
<b>Educational and general:</b>					
Instruction	1,371,089	-	-	1,371,089	1,266,364
Academic support	409,805	-	-	409,805	357,554
Student services	514,682	-	-	514,682	597,395
Institutional support	1,877,698	-	-	1,877,698	1,670,307
Total educational and general expenditures	4,173,274	-	-	4,173,274	3,891,620
<b>Auxiliary enterprises:</b>					
Dormitories	448,594	-	-	448,594	444,906
Dining hall	478,287	-	-	478,287	406,228
Bookstore	23,823	-	-	23,823	24,141
Snack shop	31,604	-	-	31,604	24,204
Total auxiliary enterprises expenditures	982,308	-	-	982,308	899,479
<b>Total expenditures</b>	5,155,582	-	-	5,155,582	4,791,099
<b>Results from operations</b>	(80,283)	148,960	(66,248)	2,429	(133,253)
<b>Other revenue and deductions:</b>					
Gain from disposition of real estate	-	-	-	-	1,034,254
Loss related to pension liability change	-	-	-	-	(906,998)
<b>Increase (decrease) in net assets</b>	(80,283)	148,960	(66,248)	2,429	(5,997)
<b>Net assets:</b>					
<b>Beginning of year</b>	4,669,021	664,905	1,783,880	7,117,806	7,123,803
<b>End of the year</b>	\$ 4,588,738	813,865	1,717,632	7,120,235	7,117,806

See accompanying notes to financial statements.

# WELCH COLLEGE

## Statements of Cash Flows

For the years ended May 31, 2014 and 2013

	2014				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2014	Total 2013
<b>Cash flows from operating activities</b>					
Cash collected from students	\$ 3,535,033	-	-	3,535,033	3,025,182
Federal grants	-	35,821	-	35,821	26,089
Federal grant funds considered to be agency fund transactions	575,384	-	-	575,384	486,804
Private gifts and grants	1,172,970	150,382	-	1,323,352	1,712,050
Investment income	5,738	-	-	5,738	11,092
Other revenues	78,995	25,654	-	104,649	12,735
Cash paid for scholarships, to vendors and for payroll	(4,574,961)	(269,277)	-	(4,844,238)	(4,612,961)
Cash paid to students for federal grant funds considered agency transactions	(575,384)	-	-	(575,384)	(486,804)
Net operating activities cash flows	217,775	(57,420)	-	160,355	174,187
<b>Cash flows from investing activities</b>					
Proceeds from sale of real property	-	-	-	-	1,261,100
Expended for plant assets	(267,992)	-	-	(267,992)	(24,751)
Student notes receivable, net change	-	-	2,846	2,846	14,369
Net investing activities cash flows	(267,992)	-	2,846	(265,146)	1,250,718
<b>Cash flows from capital activities</b>					
Campaign pledges receivable collected	-	93,463	-	93,463	163,929
Gifts received for:					
Endowments and student loans	-	-	53,440	53,440	32,244
Proposed new campus	-	30,918	-	30,918	26,066
Other student loan transactions:					
Interest income on student loans and investment income	-	-	5,018	5,018	6,243
Collection costs and other transactions	-	-	(1,458)	(1,458)	(18,144)
Net capital activities cash flows	-	124,381	57,000	181,381	210,338
<b>Cash flows from financing activities</b>					
Line of credit transactions, net	-	-	-	-	(500,000)
Repayment of debt, net	(107,151)	-	-	(107,151)	(1,037,480)
Interfund activities	63,692	(66,961)	3,269	-	-
Notes payable for student loans, net	-	-	(17,067)	(17,067)	2,455
Net financing activities cash flows	(43,459)	(66,961)	(13,798)	(124,218)	(1,535,025)
<b>Cash and cash equivalents</b>					
Net increase (decrease)	(93,676)	-	46,048	(47,628)	100,218
Beginning of year	908,847	-	362,798	1,271,645	1,171,427
End of year	\$ 815,171	-	408,846	1,224,017	1,271,645
<b>Supplemental disclosures:</b>					
Interest paid				\$ 219,583	147,748

**WELCH COLLEGE**  
**Statements of Cash Flows, continued**  
For the years ended May 31, 2014 and 2013

	2014				
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total 2014	Total 2013
<b>Cash and cash equivalents</b>					
<b>consist of the following:</b>					
<b>Current assets</b>	\$ 815,171	-	-	815,171	908,847
<b>Non current assets:</b>					
<b>Cash restricted for endowments</b>	-	-	166,185	166,185	115,803
<b>Cash restricted for student loans</b>	-	-	242,661	242,661	246,995
<b>Total cash and cash equivalents</b>	<u>\$ 815,171</u>	<u>-</u>	<u>408,846</u>	<u>1,224,017</u>	<u>1,271,645</u>
<b>Reconciliation of change in net assets to net operating activities cash flows</b>					
Change in net assets	\$ (80,283)	148,960	(66,248)	2,429	(5,997)
Gain from disposition of real estate	-	-	-	-	(1,034,254)
Loss related to pension liability change	-	-	-	-	906,998
Transactions considered to be capital additions:					
Gifts for endowments and student loans	-	-	(53,440)	(53,440)	(32,244)
Proposed new campus	-	(30,918)	-	(30,918)	(65,325)
Net other transactions from student loan funds	-	-	119,688	119,688	14,356
Depreciation and amortization	196,251	-	-	196,251	205,205
Accretion of asset retirement obligation	18,834	-	-	18,834	17,643
Net unrealized gains on investments	(13,199)	(144,287)	-	(157,486)	(140,487)
(Increase) decrease in current assets:					
Accounts receivable:					
Student accounts	(30,898)	-	-	(30,898)	57,189
Employee and other	(10,265)	-	-	(10,265)	912
Bequest	-	-	-	-	248,965
Federal student financial aid funds	-	10,593	-	10,593	861
Accrued interest	4,059	(328)	-	3,731	-
Unrestricted pledges receivable	1,476	(41,440)	-	(39,964)	8,484
Less allowance for doubtful accounts	(10,500)	-	-	(10,500)	5,500
Prepaid expenses	7,235	-	-	7,235	(9,552)
Increase (decrease) in current liabilities:					
Accounts payable / accrued expenses	106,421	-	-	106,421	(30,211)
Student deposits and agency funds	14,098	-	-	14,098	(2,499)
Accrued salaries	3,368	-	-	3,368	(11,358)
Deferred revenues	11,178	-	-	11,178	40,001
<b>Net operating activities cash flows</b>	<u>\$ 217,775</u>	<u>(57,420)</u>	<u>-</u>	<u>160,355</u>	<u>174,187</u>

See accompanying notes to financial statements.

**WELCH COLLEGE**  
**Notes to Financial Statements**  
**May 31, 2014 and 2013**

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 2014 and 2013.

**Unconditional Promises to Give - Pledges Receivable**

Unconditional promises to give are recognized as revenues or gains in the period received in the appropriate class of net assets in compliance with donor restrictions or based on the timing the pledge is collected. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collect 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**

### **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, 2014 and 2013, 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 \$500 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.

##### **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.

# WELCH 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 2014 and 2013. 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.

#### Fund Raising Costs

For fiscal years ended May 31, 2014 and 2013, expenses totaling \$388,082 and \$367,808, 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, 2013, from which the summarized information was derived.

#### Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through July 11, 2014, the date these financial statements were available to be issued.

### (2) 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.

Accounts receivable included in current assets is as follows:

	2014	2013
Student accounts	\$ 132,347	101,449
Employee and other	15,362	5,097
Federal student financial aid funds	-	10,593
Accrued interest	10,800	14,000
Pledges receivable for operations	137,164	97,200
	<hr/> 295,673	<hr/> 228,339
Allowance for doubtful accounts	70,000	80,500
	<hr/> \$ 225,673	<hr/> 147,839

# WELCH COLLEGE

## Notes to Financial Statements, continued

### (3) Investments - Marketable Securities

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

	Cost or Basis	Market Value	Excess of Market Over (Under) Cost	Unrealized Cumulative Gains	Unrealized Cumulative Losses
Balance May 31, 2013	\$ 1,289,993	1,501,759	212,666	212,666	-
May 31, 2014 Investment Summary					
Common stock	\$ 5,020	5,234	214	214	-
Mutual funds	180,040	242,804	62,764	62,764	-
FWB Foundation invested	1,114,358	1,410,896	296,538	296,538	-
Balance May 31, 2014	\$ 1,299,418	1,658,934	359,516	359,516	-
			<b>2014</b>	<b>2013</b>	
Current assets			\$ 467,646	310,471	
Non current assets:					
Restricted for endowments			1,191,288	1,191,288	
			<u>\$ 1,658,934</u>	<u>1,501,759</u>	
Reconciliation of income from investment activities:					
Earnings and endowment income			\$ 18,424	17,335	
Unrealized gain due to change in the cumulative change in market value pools			146,850	140,386	
			<u>\$ 165,274</u>	<u>157,721</u>	
The Free Will Baptist Foundation holds funds for the benefit of the College as follows:					
Endowments from which the College receives income			<u>\$ 1,210,585</u>	972,000	
Gifts to pass to the College at some future date			<u>\$ 518,771</u>	440,000	

### (4) 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 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.

# WELCH COLLEGE

## Notes to Financial Statements, continued

### (4) Endowments, continued

#### Endowment net asset composition:

	2014	2013
Permanently restricted net assets		
Donor-restricted endowment funds	\$ 1,401,855	1,349,994
Temporarily restricted net assets:		
Funds available scholarships	168,665	99,310
Funds available for future unrestricted endowment income	29,065	18,866
Total temporarily restricted net assets	197,730	118,176
	\$ 1,599,585	1,468,170

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

	\$ 1,401,855	1,349,994
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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in endowment net assets:</b>				
<b>Endowment net assets - May 31, 2012</b>	\$ 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)
<b>Endowment net assets - May 31, 2013</b>	\$ 18,866	99,310	1,349,994	1,468,170
Investment return:				
Income from endowment assets including earnings and gain or loss transactions	23,438	121,178	-	144,616
Donor contributions	-	-	51,861	51,861
Appropriation of net assets	(13,239)	(51,823)	-	(65,062)
<b>Endowment net assets - May 31, 2014</b>	\$ 29,065	168,665	1,401,855	1,599,585

#### **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.

**WELCH COLLEGE**  
**Notes to Financial Statements, continued**

**(5) 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.

	<b>2014</b>	<b>2013</b>
<b>The following summarizes pledges receivable:</b>		
Post dated check books and bank draft agreements	\$ 74,928	73,764
Proposed future campus relocation	368,706	477,569
Pledges for operations	79,436	36,836
Total pledges receivable	523,070	588,169
Less allowance for potential uncollectible pledges	(123,900)	(127,400)
Less discount to present value of future cash flows	(31,300)	(39,400)
Net pledges receivable	\$ 367,870	421,369

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

Pledges for unrestricted operations	\$ 137,164	97,200
Campaign pledges for future campus relocation	230,706	324,169
	\$ 367,870	421,369

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

2015	\$ 277,519
2016	96,117
2017	81,441
2018	32,120
2019	27,823
years thereafter	8,050
	\$ 523,070

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

Components of property, plant and equipment are as follows:

	<b>2014</b>		<b>2013</b>
Land	\$ 3,026,510	*	3,026,510
Land for proposed campus	3,160,000	*	3,160,000
Proposed campus architectural and other costs	637,833	*	435,223
Buildings	4,561,154		4,561,154
Equipment	2,223,043		2,174,345
Library books	837,617		827,375
	14,446,157		14,184,607
Accumulated depreciation and amortization	5,078,050		4,888,552
Net investment in plant	\$ 9,368,107		9,296,055
Depreciation and amortization charged to expenditures	\$ 196,251		205,205

\* During 2013, 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.

# **WELCH COLLEGE**

## **Notes to Financial Statements, continued**

(7) <b>Notes Payable and Long-Term Debt</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Notes payable:</b>		
<b>Permanently Restricted Funds - Student Loan Funds</b>		
5% unsecured demand notes payable to individuals	\$ 75,319	90,516
<b>Unrestricted Funds - Currently Due:</b>		
5% unsecured demand notes payable to individual	50,000	50,000
<b>Notes Payable</b>	<u>\$ 125,319</u>	<u>140,516</u>
<b>Long Term Debt:</b>		
<b>Loans held by Free Will Baptist Foundation:</b>		
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.	\$ 426,277	375,000
4.5% term loan, which requires monthly payments of \$28,333, 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 purchased for potential relocation and the amount required to buyout participants in the terminated pension plan as discussed in note 9.	4,285,287	4,443,715
	4,711,564	4,818,715
<b>Less current portion of long-term debt</b>	150,231	149,520
<b>Long-term debt</b>	<u>\$ 4,561,333</u>	<u>4,669,195</u>

Principal maturities of unrestricted fund long-term debt are as follows: 2015 - \$150,231; 2016 - \$583,410; 2017 - \$164,351; 2018 and thereafter \$3,813,572.

## **(8) 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 \$297,852 at May 31, 2014 and \$279,018 at May 31, 2013 relates to the future removal of asbestos from existing buildings.

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

	<u><b>Charge to Expenditures</b></u>	<u><b>Liability Balance</b></u>
As of and for the year ended May 31:		
2015 \$	20,105	317,957
2016	21,462	339,419
2017	22,911	362,330
2018	24,457	386,787
2019	-	386,787

## WELCH COLLEGE

### Notes to Financial Statements, continued

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

The College had a defined benefit pension plan which covered all regular employees. 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.

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 under funded status of the pension plan. These deposits amounted to \$142,500 in 2013. No deposits were required for 2014 since the plan was terminated.

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 payments to participants amounting to \$5,592,475 and due to the shortfall of available assets in the pension plan, additional borrowings from Free Will Baptist Foundation of \$2,334,025 were required.

Accounting principles generally accepted in the United States of America require the College to recognize the cumulative effect of the under funded 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:

	<b>Charge To Net Assets</b>	
	<b>Annual</b>	<b>Cumulative</b>
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

**(10) Concentration of Credit Risk**

The College is the institution of higher education of the National Association of Free Will Baptists, Inc. and offers Bible based educational services to members of the denomination. The College extends credit in certain instances to students for educational costs and makes loans to students from 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	\$ 796,000
Funds invested with Free Will Baptist Foundation	1,589,000
Marketable securities	248,234



# WELCH COLLEGE

## Notes to Financial Statements, continued

### (11) Net Assets

Net assets of the College consist of the following as of May 31, 2014 and 2013.

		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
					2014
					2013
Operations	\$	7,437,256	-	-	7,437,256
Excess pension liabilities		(2,848,519)	-	-	(2,848,519)
Unexpended funds restricted for:					
Operating purposes					
Donor gifts		-	68,575	-	68,575
Available for distributions from endowment returns			29,065		29,065
Scholarships:					
Donor gifts		-	316,854	-	316,854
Available for distributions from endowment returns		-	168,665	-	168,665
Potential relocation		-	230,706	-	230,706
Student loan funds		-	-	315,777	315,777
True endowment funds		-	-	264,778	264,778
Scholarship endowment funds		-	-	1,137,077	1,137,077
Total net assets	\$	4,588,737	813,865	1,717,632	7,120,234
					7,117,806

### (12) Net Assets Released From Restrictions

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

Expenditures made for donor imposed restrictions:	
Private scholarships	\$ 99,952
Federal Supplemental Educational Opportunity Grant	15,611
Federal Work Study Program	9,617
Other instructional and institutional	14,698
Potential relocation	116,160
Total expenditures made for donee imposed restrictions	256,038
Unrestricted endowment income allocated	13,239
Net assets released from restrictions	\$ 269,277

Certain federal grants to students amounting to \$575,384 and \$486,804 for 2014 and 2013, 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.

### (13) Related Party Transactions Concentrations

The College has funds invested with the Free Will Baptist Foundation approximating \$1,589,000 or 55% at May 2014; and \$1,448,000 or 54% at May 2013, as compared to its total cash and cash equivalents, and investments at those dates. Further, the College is indebted to the Foundation amounting to \$4,711,564 or 83% at May 2014; and \$4,818,715 or 85%, at May 2013, as compared to 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 \$46,526 in 2014 and \$47,388 in 2013 as their share of the funding requirement. Of these expenditures, Free Will Baptist Foundation funded \$10,349 and \$8,616 in 2014 and 2013, respectively.



## WELCH COLLEGE

### Notes to Financial Statements, continued

#### (14) 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.

##### Marketing Partnership to Attract Online Students

The College has partnered with another entity to offer an online four-year bachelor's degree in ministry. This degree began in the fall of 2013 and will enable the College to re-tap the market of mid-career married students. The partner among other services will; 1> market and promote the program, 2> recruit prospective students for the program, 3> provide training services to College personnel, 4> develop and provide online courseware and 5> provide and maintain the platform to deliver the course. For these services, the partner receives 75% of the gross program receipts through July 2015; and 80% of the gross program receipts through the termination of the partnership in July 2018. During the year ended May 2014 the College paid \$105,190 for these services.

#### (15) 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. In February 2014, Welch leadership learned the potential buyer would not pursue purchasing the Nashville campus.

Due to this development, the College is aggressively marketing the Nashville campus to a few residential developers who can develop the three different types of properties which are offered for sale: (1) condominium-zoned property, (2) educational building lots which will be marketed as new home lots, and (3) older homes what will be sold for renovation.

Plans for the new campus have progressed through the programming and schematic design stage and were halted in design development because of the exit of the potential buyer.

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. Expenditures to support this property including interest expense, legal costs, consulting and other amounted to \$136,279 in 2014 and \$74,747 in 2013.

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

### Notes to Financial Statements, continued

**(16) Operational Deficits and Management's Plan and Disposition of Certain Items**

The College continues to experience losses from unrestricted operations. At May 31, 2013, we reported that adverse conditions have been caused by the decline in world economics, negative trending in campus based enrollment and excess costs the defined benefit pension plan, which was terminated.

We reported in 2013, to sustain operations of the College management had developed a plan for financial recovery. The effect of management's plan has had a positive impact on the operations of the College, which is summarized as follows.

In order to increase enrollment and revenues from students (during 2014 tuition and fees, and auxiliary enterprises increased to \$3,559,940 from \$2,930,491) the College rebranded itself with name change to Welch College, engaged a student recruiting firm, added a dual enrollment program at three Nashville area Christian academies, partnered with another firm (see note 14) to expand its online degree programs, among other things. Further, the termination of the Colleges defined benefit pension plan removed the necessity of funding the plan by an estimated \$200,000 per year see (note 9). The operating budget for 2014 - 15 forecasts no worse than a break even for the first time in 5 years.

Although operational losses are not as significant as in prior years, management will continue to focus on maintaining or increasing student enrollment and is prepared to downsize as necessary in order to return to a positive outcome from operations.

**(THIS INFORMATION IS NOT PART OF THE AUDIT REPORT)**

An unqualified (clean) audit opinion of Welch College's financial statements as of May 31, 2014 has been issued by the audit firm of Hill, Harper, & Associates.

**Statements of Financial Position (Balance Sheet)**

We experienced slight growth in total assets to end the year at \$12,789,946. No college properties were sold during the year ending May 31, 2014.

Investments held for operational purposes increased from \$310,471 to \$467,646 with the increase relating to unrealized gains. Likewise, investments held for endowments experienced little change and ended at \$1,191,288. Of the total college cash and investments \$1,589,000, 55% of the total, is held and managed by the Free Will Baptist Foundation.

Total liabilities have increased slightly to \$5,669,711, from \$5,638,160 due to increases in accounts payable and accrued expenses.

Included in total liabilities are four internal classifications of debt payable, three of which relate to debt held by the Free Will Baptist Foundation. The first funded the relocation land acquisition in 2008 and amounts to \$2,054,922. Second, additional debt was incurred equaling \$2,230,365 to terminate the defined benefit pension plan in 2013. Finally, Welch College has an operational line of credit totaling \$426,277. Total debt owed to the Free Will Baptist Foundation is \$4,711,564, which is down by \$107,151 from the previous fiscal year. The fourth type relates to demand notes to individuals for student loans and unrestricted funds totaling \$125,319. Details and the accounting of these obligations are disclosed in Note 7 of the audited financial statements.

Net assets remain virtually unchanged.

**Statements of Activities and Changes in Net Assets (Profit and Loss Statement)**

Revenues total \$5,075,299 for the unrestricted fund (i.e. operations), which is an increase of \$509,675 for the year. While we did experience a decrease in annual fund donations, this was more than offset by the unprecedented 24% increase the College experienced in dorm students with the fall, 2013 enrollment when compared to the previous fall semester. Thankfully, we maintained this increase into the spring, 2014 semester as well. This gain in dorm students positively impacted student tuition and fees, as well as revenues derived from auxiliary enterprises (i.e. student housing, dining, and snack shop).

Expenses for the year increased by \$364,483 and ended the year at \$5,155,582. For the year ended, the financials reflect an operational deficit of \$(80,283), compared to \$(225,475) for the previous fiscal year, \$(318,214) for fiscal year 2012, and \$(154,809) for fiscal year 2011. Across all funds (i.e. unrestricted, temporarily restricted, and permanently restricted), Welch College ended the year with an increase in net assets of \$2,429.

### ***Unrestricted Giving***

Gifts to the unrestricted fund amounted to \$1,167,280. Of that amount, \$1,087,280 was annual fund unrestricted gifts; \$30,000 was received from the Free Will Baptist Foundation; finally, Welch received \$50,000 from estates. The previous fiscal year's unrestricted gifts totaled \$1,390,815.

### ***Annual Fund Giving Subsidizes Average Full-Time Student \$4,530***

Students enrolled in 2013-14 were subsidized \$151 per semester hour because of annual fund donations. Welch College students would have paid \$645 per hour had no gift income been received by generous supporters. Annual fund gifts lowered tuition by \$151 per credit hour to \$494 per credit hour. Full-time students on average enroll for 30 semester hours per year, which means those students were spared paying \$4,530.

### ***Institutional Scholarships***

The college awarded \$1,184,219 in Institutional Scholarships. On average, the institutional scholarships provided a \$165 per semester hour discount against the \$494 list price, thus making the average net cost \$329 per semester hour per student.

### **Statements of Cash Flows**

The college has experienced a \$217,775 (page 4 – 5, Statements of Cash Flows) increase in net operating activities cash flows in unrestricted funds, with the primary driver being the cash collected from students due to the increase in on-campus enrollment. This is the second year in which the college has experienced positive net operating activity cash flows after a number of years of negative operational cash flows.

### **Management's Plan**

Please review the disclosure of management's plan for addressing operating deficits and liquidity, Notes to Financials, Note 16. The college has made tremendous progress in addressing continued losses; this year our net loss from operations was \$(80,283) compared to \$(225,475) for the previous fiscal year, \$(318,214) for fiscal year 2012, and \$(154,809) for fiscal year 2011. Going forward, the Administration will continue to manage our financial situation diligently to complete the turn-around of college finances.

### **Potential Sale of West End Avenue Campus**

The potential purchase of all remaining West End Avenue properties reported in 2013 did not materialize. Because of this the college continues to market the campus property. Both individuals and developers have shown interest in many campus properties.

### **Employee Retirement Plan**

The College terminated the defined benefit pension plan during 2013 by incurring additional debt from the Free Will Baptist Foundation, thus eliminating the uncertainty of market fluctuations and future governmental regulations. The termination of the plan saved the college approximately \$200,000 during this year. In order to promote retirement savings for college employees, a defined contribution plan has been established by partnering with the Free Will Baptist Board of Retirement. The college currently matches, up to a maximum amount, full-time employee contributions to their Board of Retirement account.

### **Institutional Loan Program for Students**

For many years the college has offered short-term institutional loans for students who need additional time in finalizing payment of their student tuition and fees. During our year-end closing, we extensively reviewed current loan balances and found a large number of loans were considered uncollectible; therefore approximately \$93,000 in loans were written off as bad debt and the allowance for doubtful loan collections was increased to \$60,000. To aid in the collection of this bad debt and other non-current loans, the Administration has begun the process to work with an external accounts receivable management firm who is highly recommended by other Christian institutions.

### **Business Office Improvements**

During this fiscal year, the Administration engaged an outside consultant to assist in a review process with the goal of introducing best practice improvements in the college Business Office. This resulted in the implementation of a number of changes that will aid college leadership in being the best stewards of our limited resources. We believe it is important to continue making progress in this area in order to support the effort to complete the turn-around of college finances.

### **New Block Tuition Pricing**

In order to simplify our student billing for Welch College students and their families, the Administration has introduced a block tuition pricing concept for 2014 – 2015 as seen at most other colleges and universities. Instead of charging per credit hour for tuition, plus a number of additional fees, and room and board, students will be charged one price for taking 12 – 18 credit hours, plus room and board. This approach to student billing will help our students more easily determine the cost of a Welch College education. Finally, we believe this will encourage students to take more credit hours, thus completing their college education sooner and with less expense and/or debt.

### **2014 – 2015 Budget**

Our proposed balanced budget for the upcoming year totals \$5,264,984.

WELCH COLLEGE				
Budgets for the years ending May 2014 - 2016				
	Budget May 31, 2014	Audit May 31, 2014	Proposed Budget May 31, 2015	Strategic Budget May 31, 2016
Revenues:				
Tuition & fees	2,303,638	2,350,304	2,368,764	2,416,139
Private Gifts:				
Together Way/Unrestricted (Annual Fund)	1,355,000	1,087,280	1,300,000	1,375,000
Estate, grant, stock, & miscellaneous	140,000	140,021	183,216	186,881
Gifts-in-kind	-	-	-	
Investment and endowment	90,000	18,781	45,000	45,900
Sales & services of auxiliary enterprises	960,561	1,209,636	1,205,004	1,229,104
Other:				
Net assets released from restrictions	339,789	269,277	163,000	166,260
Total Revenues	5,188,988	5,075,299	5,264,984	5,419,284
Expenses:				
Educational & General:				
Instructional	1,314,302	1,371,089	1,464,316	1,507,221
Academic Support	396,855	409,805	412,523	424,610
Student Services	646,566	514,682	607,957	625,770
Institutional Support	2,012,554	1,877,698	1,794,478	1,847,092
Total educational & general	4,370,277	4,173,274	4,279,274	4,404,692
Auxiliary enterprises	818,711	982,308	985,710	1,014,592
Total Expenses	5,188,988	5,155,582	5,264,984	5,419,284
Operational Increase (Decrease) in net assets		(80,283)		

# FREE WILL BAPTIST FOUNDATION

## In The Fast Lane

By the end of 2013, the Foundation was truly in the fast lane. Mario Andretti is reported to have said that when you are driving in the Indianapolis 500 and you feel like you are in control, it means you are going way too slow. We have felt “out of control” a few times over the last year as many aspects of our ministry have picked up speed. We are making attempts to stay in control while we see rapid growth on many fronts. Consider these highlights.

### Financial

- Total assets up almost \$5 million
- 5<sup>th</sup> best growth in dollar amount
- Our assets up over \$20 million since the end of 2008
- 57% growth since 2008
- Net income for 2013: \$50,993
- Operations income \$4,167 and income from realized capital gains for grant pool \$46,826
- Operating fund balance at \$472,295 and grant pool at \$261,440
- Unrealized gains in dividend strategy investments now over \$3 million
- Expense up \$75,000, mostly related to startup of estate planning program
- Good growth through first quarter of 2014; assets over \$55 million; growth of \$1.7 million
- Could have around a \$6 million year if growth continues at this pace

### Estate Planning

- Over 400 families enrolled since we started
- Have had over 60 presentations in 10 states
- Committed to going to any church who invites us in
- Growth in estate plans 219 in 2013; projecting 500 in 2014
- Proposing two field agents by the end of 2014
- Field agents will be both presenters and delivery agents
- Hired June McVay at half time with no benefits to assist with follow-up calls
- Believe even with added cost, it is good for the denomination as a whole
- Believe Foundation will eventually see significant growth from this program

The board is working to finalize grant guidelines. We hope to finish this at our December meeting and will hopefully launch pilot grants. These will be small grants but will give the board experience in how to make and monitor grants so that when the larger grants come in a few years we will be prepared.

#### Budget

- Significant increases in 2015 budget
- Projecting 2 field men full time and 1 for half year in 2015
- June McVay will be full time by July 1
- Salary line will increase to \$413,000 and benefits up to \$114,000
- Travel budget to increase, field men will add \$63,000 to this line
- Expecting \$275,000 in reimbursements from Cornerstone for field men
- Together Way income to go down due to giving up \$15,000 of income for WNAC
- Expenses will go down some due to phase out of One Magazine grants
- Projecting small income of \$16,000 in 2015

#### Economy

- Economy improving but unemployment stuck at 6.5-7%
- Projecting 8-10% growth in stocks following stellar year in 2013
- Likely to be volatile with 10-20% correction mid-year, but rising by end of year.
- Dividend stock still in favor because of good yield that is hard to find

Truly we do feel that we are in a race car going over 200 MPH and are not sure that we know precisely what we are doing. The estate planning ministry is exploding before our eyes. We hope we can control the explosion. We need wisdom. I need wisdom. We know where to go to ask for it and pray that you will help us pray that God gives us wisdom as we manage this fast moving process.

A handwritten signature in black ink, appearing to read "David L. Brown". The signature is fluid and cursive, with the first name "David" being more prominent.

David L Brown

Director



**Free Will Baptist Foundation**  
**SYNOPSIS OF BOARD MEETINGS 2013**

**April 22, 2013**

All board members were present except Ron Hunter and Brian Hurst.

Audit, Financial, Proposed Budget and Director's reports were presented and approved. The Director Evaluation Committee report was presented and approved. The Field Representative's report was presented and approved. Manning and Napier, one of our investment managers, made a presentation that was accepted as information. The Investment Committee report was presented and approved. The Guidelines for Grants report was introduced; but, since additional study is needed, no action was taken. Board officers were elected.

**December 9, 2013**

All board members were present except Phil Whiteaker (inclement weather), Len Blanchard and Kenneth Akers.

The Director's report, Financial Review and Field Representative reports were presented and approved. The Welch College proposal for a bridge loan of between \$4.3 - \$4.4 million was presented and approved. The board changed the Cornerstone Estate Planning agreement to be an automatic annual renewal with 90 performance clause that can be executed by either side. The board approved a privacy policy (pending legal review) that detailed information will be made available in our office only and no specific information may be taken from our office.



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees 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, 2013 and 2012, 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, 2013 and 2012, 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, 2014

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**FREE WILL BAPTIST FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 and 2012**

	<u><b>ASSETS</b></u>	
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,353,926	\$ 3,223,416
Accrued earnings receivable	74,843	166,337
Other receivables	242,493	46,103
Office equipment and automobiles, net of accumulated depreciation	60,095	34,043
	<u>2,731,357</u>	<u>3,469,899</u>
Investments, at fair market value		
Certificates of deposit	200,418	206,132
U.S. Government instruments	5,023,370	9,742,424
Common stocks	19,754,276	14,218,413
Master limited partnerships	2,766,543	1,017,601
Real estate investments	3,692,053	2,986,586
Mutual funds	6,043,755	5,380,169
Corporate bonds	614,381	1,067,313
Municipal bonds	6,697,493	6,190,162
Trusts	240,403	240,403
Total investments	<u>45,032,692</u>	<u>41,049,203</u>
Notes receivable		
Notes receivable Welch College	4,713,143	3,084,458
Notes receivable other	851,136	801,310
	<u>5,564,279</u>	<u>3,885,768</u>
Total notes receivable		
	<u>5,564,279</u>	<u>3,885,768</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 53,328,328</b></u>	<u><b>\$ 48,404,870</b></u>
	<u><b>LIABILITIES AND NET ASSETS</b></u>	
<b>LIABILITIES</b>		
Operating liabilities:		
Accrued expense	\$ 32,692	\$ 16,973
Liabilities to beneficial owners		
Interest bearing revocable trusts	41,872,896	37,915,313
Future gifts interest payable	2,577,788	2,315,358
Funds held in trust	8,111,217	7,474,484
Total liabilities	<u>52,594,593</u>	<u>47,722,128</u>
<b>NET ASSETS</b>		
Unrestricted		
Operating	472,295	468,128
Board designated	261,440	214,614
Total net assets	<u>733,735</u>	<u>682,742</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 53,328,328</b></u>	<u><b>\$ 48,404,870</b></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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUE AND SUPPORT</b>		
Investment income:		
Interest and dividends, net of investment fees	\$ 1,501,680	\$ 1,668,742
Realized gains (losses) on sale of investments	664,346	355,829
Unrealized gains (losses) from investments	<u>2,333,057</u>	<u>1,129,897</u>
Total investment income	4,499,083	3,154,468
 Support through "The Together Way" Plan and other contributions	 32,079	 32,068
Gain on sale of property and equipment	17,000	7,000
Interest income - note receivable	<u>236,971</u>	<u>179,106</u>
Total revenue and support	4,785,133	3,372,642
 Allocation of earnings to revocable trusts, beneficiaries and annuitants	 <u>(4,057,758)</u>	 <u>(2,552,466)</u>
Revenue and support after allocations	<u>727,375</u>	<u>820,176</u>
 <b>EXPENSES</b>		
Salaries and benefits	289,267	223,942
Equipment expense	19,616	23,035
Travel	74,324	81,164
Promotion	48,065	42,330
Board expense	21,502	18,878
Office expense	35,925	43,655
Rent expense	42,476	42,476
Printing and publications	5,016	8,960
One magazine	49,001	50,220
Training and education	14,092	30,604
Legal and accounting	16,508	13,921
Estate planning expense	20,346	-
Depreciation	9,742	2,647
Grants	28,909	17,876
Miscellaneous	<u>1,593</u>	<u>1,346</u>
Total expenses	676,382	601,054
 Increase (decrease) in operating net assets	 50,993	 219,122
 Net assets - beginning of year	 <u>682,742</u>	 <u>463,620</u>
 Net assets - end of year	 <u>\$ 733,735</u>	 <u>\$ 682,742</u>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for:		
Contributions	\$ 32,079	\$ 30,087
Interest and dividends	1,396,784	1,685,870
Other income	236,971	179,106
Cash paid to suppliers and employees	(650,921)	(587,022)
Allocation of earnings to revocable trusts, beneficiaries and annuitants	(4,057,758)	(2,552,480)
Net Cash Provided (Used) By Operating Activities	<u>(3,042,845)</u>	<u>(1,244,439)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of office equipment and automobiles	(35,794)	(36,690)
Proceeds from the sale of office equipment and automobiles	17,000	7,000
New loans made	(2,809,129)	(672,766)
Principal payments received on notes receivable	1,130,618	1,819,816
Proceeds from sale or call of investment securities	9,012,062	12,212,827
Purchase of investment securities	(9,998,148)	(17,124,068)
Net Cash Provided (Used) By Investing Activities	<u>(2,683,391)</u>	<u>(3,793,881)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from additions, net of withdrawals, to future gift interest and revocable trusts	(3,064,696)	(4,642,637)
Contributions to funds held in trust	7,921,442	12,585,736
Repayments of line of credit	-	(1,417,050)
Net Cash Provided (Used) by Financing Activities	<u>4,856,746</u>	<u>6,526,049</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(869,490)	1,487,729
Cash and cash equivalents at beginning of years	<u>3,223,416</u>	<u>1,735,687</u>
Cash and cash equivalents at end of years	<u><u>\$ 2,353,926</u></u>	<u><u>\$ 3,223,416</u></u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 50,993	\$ 219,122
Depreciation	9,742	2,647
Gain on sale of property and equipment	(17,000)	(7,000)
Realized and unrealized (gains) losses on investment transactions	(2,997,403)	(1,485,726)
Decrease (increase) in accrued investment income	91,494	61,236
Decrease (increase) in other accounts receivable	(196,390)	(46,103)
Increase (decrease) in operating liabilities	15,719	11,385
Net Cash Provided (Used) By Operating Activities	<u><u>\$(3,042,845)</u></u>	<u><u>\$ (1,244,439)</u></u>

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

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**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, 2013 and 2012.

**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 2013 and 2012.

**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, 2013 and 2012**

**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:

	2013		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
Certificates of deposit	\$ 200,418	\$ 200,000	\$ 418
U.S. Government instruments	5,023,370	5,086,972	(63,602)
Common stocks	19,754,276	15,915,019	3,839,257
Master limited partnerships	2,766,543	2,601,803	164,740
Mutual Funds	6,043,755	5,416,634	627,121
Corporate bonds	614,381	621,371	(6,990)
Municipal bonds	6,697,493	6,644,442	53,051
Trusts	240,403	240,403	-
Real estate held for resale	205,930	205,930	-
Real estate investment trust	3,486,123	3,626,779	(140,656)
Total Investments	<u>\$ 45,032,692</u>	<u>\$ 40,559,353</u>	<u>\$ 4,473,339</u>

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**2. INVESTMENTS - CONTINUED**

	2012		
	Market		(Depreciation)
	Value	Cost	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	<u>\$ 41,049,203</u>	<u>\$ 38,879,408</u>	<u>\$ 2,169,795</u>

Total investment income (loss) amounted to \$4,499,083 for 2013, consisting of investment gains of \$2,997,403 and interest and dividends of \$1,501,680 (net of investment fees of \$76,743). This investment income (loss) represents yields of 10.45% and 11.33% based on the average market value and average cost of such investments for 2013.

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.

**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, 2013 no amounts were past due on any of the loans.

**4. INTEREST BEARING REVOCABLE TRUSTS**

The Foundation maintains revocable trusts which totaled \$41,872,896 and \$37,915,313 at December 31, 2013 and 2012, 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, 2013 and 2012**

**5. FUTURE GIFTS PAYABLE**

The Foundation maintains charitable trusts amounting to \$1,723,338 and \$1,563,802 and gift annuities amounting to \$854,450 and \$751,556 as of December 31, 2013 and 2012, 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, 2013 and 2012, the permanently restricted endowment funds totaled \$8,111,217 and \$7,474,484, 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, 2013 and 2012:

	2013		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 442,464	\$ 250,000	\$ 192,464
Short term liquid investments	1,911,462	925,588	985,874
Certificates of deposit	200,418	200,000	418
U.S. Government instruments	5,023,370	5,023,370	-
Common Stocks	19,754,276	-	19,754,276
Master limited partnerships	2,766,543	-	2,766,543
Mutual funds	6,043,755	-	6,043,755
Corporate bonds	614,381	-	614,381
Municipal bonds	6,697,493	-	6,697,493
Real estate held for resale	205,930	205,930	-
Real estate investment trust	3,486,123	-	3,486,123
Trusts	240,403	-	240,403
Investment in Welch College loan	4,713,143	4,713,143	-
Receivables	851,136	851,136	-
Total Investments	<u>\$ 52,950,897</u>	<u>\$ 12,169,167</u>	<u>\$ 40,781,730</u>

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**7. INFORMATION REGARDING FINANCIAL STATEMENTS - CONTINUED**

	2012		
	Account	Amount	Amount of
	Balance	Insured/ Secured	Accounting Risk of Loss
Cash and cash equivalents	\$ 1,099,398	\$ 258,710	\$ 840,688
Short term liquid investments	2,124,018	1,250,191	873,827
Certificates of deposit	206,132	200,000	6,132
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
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	205,930	205,930	-
Real estate investment trust	2,780,656	-	2,780,656
Trusts	240,403	-	240,403
Investment in Welch College loan	3,084,458	3,084,458	-
Receivables	801,310	801,310	-
Total Investments	<u>\$ 48,158,387</u>	<u>\$ 15,543,023</u>	<u>\$ 32,615,364</u>

**8. OFFICE EQUIPMENT AND AUTOMOBILES**

A summary of office equipment and automobiles is as follows:

	2013	2012
Automobiles	\$ 72,484	\$ 73,487
Furnishings	19,463	19,463
Software	29,581	29,581
	121,528	122,531
Accumulated Depreciation	(61,433)	(88,488)
	<u>\$ 60,095</u>	<u>\$ 34,043</u>

**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 \$42,476 for the years ended December 31, 2013 and 2012, respectively.

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**10. COMMITMENTS**

The Foundation obtained a \$10,000,000 line of credit with a local institution during the year ended December 31, 2013. The line is secured by the investments of the Foundation and carries an interest rate of one month LIBOR plus 2.25%. This line of credit is open ended and the advances payable were \$-0- at December 31, 2013.

**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 \$9,742 (\$9,205 in 2012). 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, 2013 Using				
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Certificates of deposit	\$ 200,418	\$ -	\$ 200,418	\$ -
U.S. Government instruments	5,023,370	5,023,370	-	-
Common stocks	19,754,276	19,754,276	-	-
Master limited partnerships	2,766,543	-	2,766,543	-
Real estate investments	3,692,053	1,022,992	-	2,669,061
Mutual funds	6,043,755	6,043,755	-	-
Corporate bonds	614,381	-	614,381	-
Municipal bonds	6,697,493	-	6,697,493	-
Trusts	240,403	-	240,403	-
	<u>\$45,032,692</u>	<u>\$31,844,393</u>	<u>\$10,519,238</u>	<u>\$ 2,669,061</u>

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**12. FAIR VALUE MEASUREMENTS - CONTINUED**

	Fair Value Measurements at December 31, 2012 Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
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>

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, 2013 and 2012**

**12. FAIR VALUE MEASUREMENTS - CONTINUED**

Level 3 Reconciliation:

	<u>2013</u>	<u>2012</u>
Real estate investments:		
Beginning balance	\$ 2,986,586	\$ 3,182,473
Purchases	513,150	5,213
Transfer to Level 1	(390,675)	-
Gains (losses) on value	-	-
Sales	(440,000)	(201,100)
Ending balance	<u>\$ 2,669,061</u>	<u>\$ 2,986,586</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.

\$	-	\$	-
	<u>          </u>		<u>          </u>

**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, 2013 and 2012 was \$-0- and \$-0-.

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, 2013 and 2012 was \$4,346,866 and \$2,153,925.

**FREE WILL BAPTIST FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**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, 2013 and 2012 was \$366,277 and \$930,534.

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, 2013 and 2012 no amounts were past due on any of the notes.

The interest earned by the Foundation on these notes in 2013 amounted to \$184,532 (\$135,688 for 2012) net of interest paid on its line of credit of \$21,363 (\$26,903 for 2012).

**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, 2013, 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 2013 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, 2013 the balance in the board designated account was \$261,440 (\$214,614 for 2013).

**16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by Management through April 19, 2014 which is the date the financial statements were available to be issued.

**FREE WILL BAPTIST FOUNDATION BUDGET**

	<b>Proposed 2015 Budget</b>	<b>Approved 2014 Budget</b>	<b>Approved 2013 Budget</b>	<b>2013 Actual</b>	<b>2012 Actual</b>
<b>INCOME</b>					
Together Way	\$ 15,000	\$ 30,000	\$ 30,000	\$ 29,516	\$ 29,793
Rest of the Family Offering	2,400	2,300	2,300	2,127	2,275
Miscellaneous	200	200	200	425	7,000
Capital Gains	15,000	-	-	128,323	214,058
Management Fees	705,000	725,000	655,000	566,985	567,050
Estate Planning Income	275,000	-	-	-	-
<b>Total Income</b>	<b>\$ 1,012,600</b>	<b>\$ 757,500</b>	<b>\$ 687,500</b>	<b>\$ 727,376</b>	<b>\$ 820,176</b>
<b>EXPENSES</b>					
Salaries	\$ 413,232	\$ 238,587	\$ 201,224	\$ 239,514	\$ 166,867
Employee Benefits	114,000	75,000	61,800	49,753	55,891
Travel	173,000	102,000	96,000	76,693	85,403
Promotion	40,000	50,000	55,000	78,482	48,113
Equipment	4,000	4,000	4,000	2,450	6,475
Equipment Maintenance	9,000	9,000	9,000	7,595	9,012
ONE Magazine	51,618	51,000	51,000	49,001	50,220
ONE Magazine Grants	8,382	29,000	29,000	28,909	17,876
Office Expense	12,000	8,200	8,200	9,124	10,168
Postage	8,000	5,000	5,000	3,266	9,655
Printing	7,000	7,000	7,000	2,151	8,712
Rent	42,475	42,475	42,475	42,475	42,476
Software	8,800	8,800	8,700	11,614	10,698
Subscriptions & Publications	5,000	5,000	5,000	5,694	4,692
Telephone	8,700	7,500	7,500	6,226	7,442
Training & Education	30,500	32,000	32,000	14,092	30,603
Auditing	12,000	11,000	10,750	10,750	10,250
Bank Fees	500	750	750	534	392
Board Expense	20,000	20,000	19,000	21,502	18,878
Depreciation	25,000	5,447	5,447	9,742	2,647
Legal Fees	2,000	2,000	2,000	5,758	3,671
Miscellaneous	1,000	1,000	1,000	1,058	913
<b>Total Expense</b>	<b>\$ 996,207</b>	<b>\$ 714,759</b>	<b>\$ 661,846</b>	<b>\$ 676,383</b>	<b>\$ 601,054</b>
<b>Income Surplus/(Deficit)</b>	<b>\$ 16,393</b>	<b>\$ 42,741</b>	<b>\$ 25,654</b>	<b>\$ 50,993</b>	<b>\$ 219,122</b>

**FREE WILL BAPTIST FOUNDATION  
SALARIES AND BENEFITS**

APPROVED			APPROVED			PROPOSED			PROPOSED		
2013			2014			2015			2015 (continued)		
% Incr			% Incr			% Incr					
<b>David Brown</b>			<b>David Brown</b>			<b>David Brown</b>			<b>June McVay</b>		
Salary	\$ 78,634.61	2%	Salary	\$ 80,993.65	3%	Salary	\$ 83,423.46	3%	Salary	\$ 76,215.41	
FICA/Medicare	\$ 6,804.04		FICA/Medicare	\$ 6,804.04		FICA/Medicare	\$ 7,218.41		FICA/Medicare	\$ 2,055.48	
Retirement	\$ 4,447.09		Retirement	\$ 4,580.50		Retirement	\$ 4,717.91		Retirement	\$ 873.85	
Insurance Replacement	\$ 10,307.11		Insurance Replacement	\$ 10,616.32		Insurance Replacement	\$ 10,934.81		Health Insurance	\$ 3,308.50	
Life Insurance	\$ 154.20		Life Insurance	\$ 154.20		Life Insurance	\$ 158.83		Dental Insurance	\$ 200.00	
Disability	\$ 524.76		Disability	\$ 534.76		Disability	\$ 550.80		Life Insurance	\$ 55.31	
Total	\$ 100,871.81		Total	\$ 103,683.47		Total	\$ 107,004.22		Disability	\$ 102.17	
									Total	\$ 30,452.72	
<b>Richard Davis</b>			<b>Richard Davis</b>			<b>Richard Davis</b>			<b>Field Man 1</b>		
Salary	\$ 57,346.85	2%	Salary	\$ 59,067.26	3%	Salary	\$ 60,839.27	3%	Salary	\$ 55,000.00	
FICA/Medicare	\$ 4,965.82		FICA/Medicare	\$ 4,965.82		FICA/Medicare	\$ 5,283.99		FICA/Medicare	\$ 4,590.00	
Retirement	\$ 3,533.82		Retirement	\$ 3,538.73		Retirement	\$ 3,453.59		Fica	\$ 2,750.00	
Health Insurance	\$ 14,502.39		Health Insurance	\$ 15,662.58		Health Insurance	\$ 14,849.94		Retirement	\$ 2,750.00	
Dental Insurance	\$ 1,275.60		Dental Insurance	\$ 1,275.60		Dental Insurance	\$ 1,275.60		Insurance	\$ 5,000.00	
Life Insurance	\$ 154.20		Life Insurance	\$ 154.20		Life Insurance	\$ 154.20		Insurance	\$ 158.83	
Disability	\$ 338.35		Disability	\$ 348.90		Disability	\$ 348.90		Life Insurance	\$ 310.75	
Total	\$ 82,117.03		Total	\$ 85,073.09		Total	\$ 86,205.50		Disability	\$ 310.75	
									Total	\$ 67,809.58	
<b>Dotty Moore</b>			<b>Dotty Moore</b>			<b>Dotty Moore</b>			<b>Field Man 2</b>		
Salary	\$ 32,947.38	2%	Salary	\$ 33,935.80	3%	Salary	\$ 34,953.88	3%	Salary	\$ 55,000.00	
FICA/Medicare	\$ 2,520.48		FICA/Medicare	\$ 2,520.48		FICA/Medicare	\$ 2,673.97		Fica	\$ 4,590.00	
Retirement	\$ 1,647.37		Retirement	\$ 1,696.79		Retirement	\$ 1,747.69		Retirement	\$ 2,750.00	
Health Insurance	\$ 6,936.60		Health Insurance	\$ 7,491.53		Health Insurance	\$ 2,032.68		Insurance	\$ 5,000.00	
Dental Insurance	\$ 313.68		Dental Insurance	\$ 313.68		Dental Insurance	\$ 313.68		Life Insurance	\$ 158.83	
Life Insurance	\$ 107.40		Life Insurance	\$ 107.40		Life Insurance	\$ 107.40		Disability	\$ 310.75	
Disability	\$ 194.39		Disability	\$ 198.39		Disability	\$ 198.39		Disability	\$ 310.75	
Total	\$ 44,667.30		Total	\$ 46,264.07		Total	\$ 42,027.69		Total	\$ 67,809.58	
<b>Doug Little (Part-time)</b>			<b>Doug Little (Full-time)</b>			<b>Doug Little</b>			<b>Field Man 3 (Part-time)</b>		
Salary	\$ 10,000.00		Salary	\$ 40,000.00	0%	Salary	\$ 41,200.00	3%	Salary	\$ 27,500.00	
Housing	\$ 20,000.00		Housing	\$ 20,000.00		Housing	\$ 20,600.00		Fica	\$ 2,295.00	
FICA/Medicare	\$ 2,295.00		FICA/Medicare	\$ 4,590.00		FICA/Medicare	\$ 4,727.70		Retirement	\$ 1,375.00	
Retirement	\$ -		Retirement	\$ 3,229.50		Retirement	\$ 3,326.39		Insurance	\$ 2,500.00	
Health Insurance	\$ -		Health Insurance	\$ 7,491.53		Health Insurance	\$ 6,617.00		Life Insurance	\$ 79.42	
Dental Insurance	\$ -		Dental Insurance	\$ 313.68		Dental Insurance	\$ 313.68		Life Insurance	\$ 155.38	
Life Insurance	\$ -		Life Insurance	\$ 154.20		Life Insurance	\$ 154.20		Disability	\$ 33,904.79	
Disability	\$ -		Disability	\$ 381.08		Disability	\$ 381.08		Total	\$ 33,904.79	
Total	\$ 32,295.00		Total	\$ 76,159.99		Total	\$ 77,320.05		Total Salaries & Benefits	\$ 551,534.12	
<b>Total Salaries &amp; Benefits</b>			<b>Total Salaries &amp; Benefits</b>			<b>Total Salaries &amp; Benefits</b>			<b>Total Salaries &amp; Benefits</b>		
\$ 259,951.14			\$ 311,180.62								





## **Randall House Report**

### **Personal Reflection of 2013**

Sometimes having a “tough go of it” means not hitting the traffic lights at the right time, being involved in a law suit, getting un-sweet tea instead of sweet, or losing one’s job. One should measure “toughness” on a scale to determine the difficulty level. Difficulty may be similar to measuring the severity of bee stings as it has many variables and often viewed from various perspectives and pain tolerances. While I am not sure where 2013 ranks on a spectrum with other people, for me the year was one of the toughest years ever - both personally and overflowing into the professional side. My “tough” year may truly pale in comparison to others but it was the path God allowed me to walk this year and thankfully He provided strength for each step.

What ranks so high this year on my toughness scale? The personal side trumps all others. Unexpectedly hearing the doctors diagnose my wife with cancer and the two weeks that followed will always be etched in my memory. From her diagnosis on April 10, 2013, her surgery, her six months of chemo and those sought after words, “your cancer is in remission” heard on October 29, those days consumed my thoughts.

I found little room to multitask, a trait that for years had served me well. I delayed some agenda items just because I lacked the bandwidth to handle everything. I built in some checks and balances to insure I made no major decision from hyped emotions. I am most thankful for the leadership team at Randall House who made this time much easier and shouldered the burden with and for me. This was a time when I was thankful not to have built followers but to have built leaders. They lead well and together they probably comprise the most talented team Randall House has ever had leading.

Many of you were part of the hundreds who sent cards, emails, texts, placed phone calls, and earnestly prayed. We are ever grateful! We took comfort in God’s providence and foreknowledge, knowing He would give us confidence to trust Him to move day to day. We would never volunteer for another year like 2013, but we are stronger as a result of having been through it.

## **Executive Summary**

Parts of the difficulty described above in the personal reflection section certainly spilled over into other people at Randall House. Many people whose offices were affected by the remodel, had to office in some other place for various lengths of time. Not having access to your files, books, staplers, office supplies, and sometimes your phone extension certainly created its own set of challenges. The entire events department pulled off three major events while officing out of the cafeteria and a storage closet. This year was marked by most of the Randall House team living with expectancy and sacrifice. They sacrificed the immediate to arrive at the goal a bit further down the road. Even among the vast challenges of the year, the Randall House team accomplished some pretty substantial tasks. This year we...

- Navigated the translation issue with the goal of serving all our FWB churches,
- Started an Events Department,
- Launched a second D6 Conference,
- Held two D6 Conferences,
- Granted the license to have a D6 Conference in Norway in September of 2013,
- Planned for a D6 Conference with strategic partners in France in May of 2015,
- Remodeled the public area of the main (middle) floor at Randall House,
- Worked toward improving the health of our leadership team,
- Used 2013 as a reinvesting cycle year for product and people,
- Significantly improved the production time line for curriculum,
- And began a partnership to serve all the Missouri Bookstore accounts

This year was a reinvesting year. We invested in our own infrastructure in order to increase efficiencies and quality of image. We invested in more products that over the next two years will bring two to three times the investment in profits. While the building remodel does not go against our bottom line, it does reduce our cash. Likewise, increasing book inventory decreases our cash. You will note our cash position has shifted sizably. The goal is to see these investments pay off in the next two years.

## **Cycles of Financial Swings and Reinvestments**

As a non-profit, we do not disperse proceeds to shareholders or stakeholders. Instead, we reinvest proceeds back into the organization through increased services or products. That means reaching back to previous years' profits to reinvest, at times, in a single year. This investment in inventory provides yields of return on dollars invested when sold in future years but until then remains in temporarily tied up non-cash assets. Non-profits spend time developing products that create resources for churches. Non-profits often go through cycles where the organization can invest heavily and have a down year, have a marginal next year, and then a solidly profitable year afterward only to repeat the cycle over again.

This year, we did just that. We reinvested in growing the brand, adding more book inventory, strengthening our personnel capability, and in our infrastructure. By doing two

D6 Conferences, we had twice the expense in certain categories but we are growing more brand awareness, pride among Free Will Baptists, and developing new curriculum accounts. We reprinted the *Rejoice Hymnal* and added ten more skids of inventory to our warehouse. We also printed the largest press run on any single book with Tim Kimmel's *Connecting Church and Home*. We now have more dollars being allocated toward Vertical Three. While we now have a dedicated events department and a marketing department – we did so without significantly increasing the overall salaries. This has to do with realigning people within the organization along with strategic salary positioning. All of these items reduce our cash position for the time being – and 2014 will be about rebuilding our reserves.

I did warn the voting body in Tampa at last year's National that 2013 would be a financial loss. **We do not try to sugar coat a loss. We will predict it, call it what it is, and own it.** The good news will reveal our operating side of our core business is very healthy and doing well. We are simply taking the proceeds and building the business for the future.

As we share the final numbers of 2013, the bottom line turned out better than expected. While we show black ink for 2013, the overall numbers lack the health we possessed in 2012. We pretty much hit our expected numbers of negative cash flow but the accounting system allows for swings due to inventory, building improvements, and other factors. Our positive position can be directly linked to the building improvements and larger inventory more than any other item.

There are several contributing factors, but the bottom line is we finished with a healthy bottom number while many of top line indicators are weaker this year. We will work toward improving the health of our assets this year. The good news is there are no alarming negative trends. We have hit almost every predicted outcome we forecasted to our board.

## Leadership Team Development

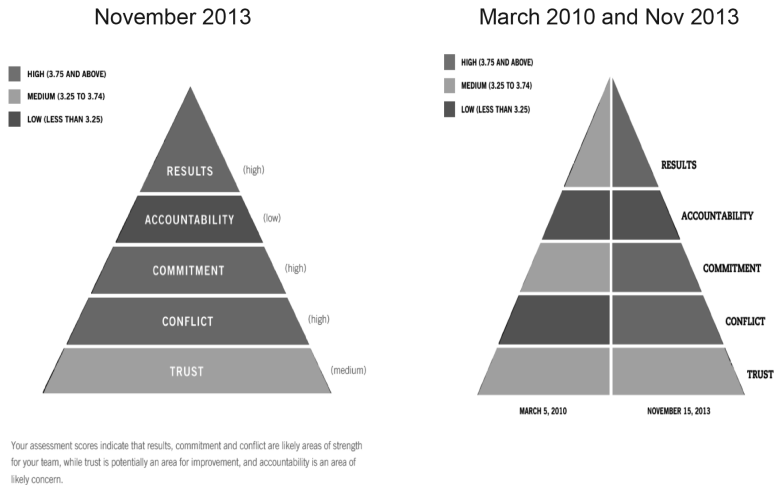
I am amazed at the number of people who contact us with the desire to work at Randall House. People are looking to work in an organization that is making a significant difference. Others want to work in an environment where leadership is both taught and modeled. I firmly believe that good leaders do not try to build followers - they build leaders. We have many great leaders at Randall House.

We have worked hard to develop an environment of healthy conflict, where **we seek right and not argue to be right**. We represent the organization and not our departments. We give the benefit of the doubt and do not assume ill motives. We allow people to lead without micromanaging. We expect leadership from people regardless of titles.

In 2010, I realigned our leadership team and brought in a consultant who worked for Patrick Lencioni, who started The Table Group and wrote *The Five Dysfunctions of a Team*. In an off-site retreat, we walked through some results of team assessments. We were fairly healthy as group but had some areas to really work on in the future.

Lencioni’s model walks a team through five key areas that when built one upon the other, creates health and productivity.

Anytime new members enter the team, trust has to be built. Then one can layer other areas of chemistry and team dynamics leading toward high production and functioning team members. Below is our 2013 assessment and beside it appears a side-by-side comparison from 2010 to current day.



You will notice major improvements in three areas – conflict, commitment, and results. Trust remained the same, as did accountability. Peer members holding other peer members accountable based upon trust established determines the measures of these two traits. With newer members, the trust is being built and accountability will follow. I think the tune up by recently revisiting these areas again with our consultant proved to be very helpful. We will continue to develop a climate of leadership and health among the leadership team.

Book Division

Spending last year getting most of our backlist converted to eBook files has been a tremendous success. We have averaged well over a hundred eBooks sold each month for our backlist and that number continues to grow. We continue to be selective about what titles get to be part of the Randall House imprint of 12-14 titles per year.

We should see our author acquisition status continue to rise as the brand awareness of both Randall House and D6 climbs within the Body of Christ. As our success in the book

division grows, our denomination becomes the beneficiary. We desire to be able to produce a book to give to our churches each year. Some years lend to this more than others based upon available content and time.

## **Looking Ahead to the Future**

There are three major new initiatives for 2014-15. The biggest one is the re-search and release of the second generation of the D6 Curriculum. The board approved the launch of a Randall House Academic imprint. The third initiative will create a network called Engage: the purpose of the network will be to provide interaction, mentoring, and training for ministry leaders.

### **D6 Curriculum – 2<sup>nd</sup> Generation**

A little context and reminder of the last decade of history will help provide rationale for why a Randall House should provide a new curriculum. Back in 2002, Randall House began to look through God's lens of Deuteronomy 6 as the leading methodology God intended for growing spiritually, which required both church and home working together. As a leading publisher of discipleship materials, it became apparent that the traditional small group, Sunday School, and Life Group curriculum was lacking. The launch of what is now D6 Curriculum in 2004 was designed to connect parents to kids and allow the older generation to speak into the lives of the one coming after them.

We saw parents relying heavily on the church to do all the work of discipling the family, and recognized the way to help teens grow stronger in their faith is to begin when they are children and have a life-long discipleship strategy. We dismantled the routine practice of one-hour-a-week teaching and replaced it with a combined church and home partnership. D6 is synonymous with Deuteronomy 6, family ministry, student ministry, children's ministry, and others. D6 represents God's original plan for how to nurture a Christ-follower from birth through the cycle of life.

**Since the release of D6 Curriculum in 2004, other publishers modeled their products similar to ours.** Many started the home initiatives and family ministry emphasis. Churches now empathize family ministry more than the traditional siloed teen, children and preschool ministries. A movement has truly begun and Free Will Baptists have led the Body of Christ down this path.

While D6 Curriculum was revolutionary in its day, the day has come to take D6 Curriculum to a new level. Randall House strives for excellence. We will improve the content by providing more apologetics, stronger stances on social and cultural shifts found in our postmodern society.

**Combining a stronger apologetic approach built in the D6 Curriculum will enhance the way teens and middle school age kids can stand for Christ.** When mom and dad can have the same conversations with their kids – the kids will hear, championed at home, what their pastor preaches at church. D6 is a winning biblical practice.

### Randall House Academic Imprint

More of our pastors are seeking and attaining graduate degrees. A byproduct of more education is the desire to write. Many of these pastors were trained in higher education institutions that place weight on research and research writing. The goal would be to help develop younger theologians with a masters or doctoral degree to continue on the shoulders of the giants passing off the seen. While some of these theologians have a few more years, the need exists now to cultivate current and future scholars.

The academic imprint would focus on producing theological, reference oriented, and historical books written primarily by Free Will Baptists. This would take a more acquisition approach and seek out writers for selected topics. The primary method of academic publishing would be looking for writers who can contribute to the types of books needed.

Our denomination needs a true academic imprint committed to thoughtful writings that cause people to grapple with their faith, morals, beliefs and identity. Randall House has traditionally published a "Nashville centric Free Will Baptist doctrine" along with the one eschatological position. **Randall House is every Free Will Baptists' publisher.** We will publish within the acceptable range of topics and positions that represent who we are as a collective body of Free Will Baptist churches in good standing with their local conferences.

We have begun amassing a list of Free Will Baptist pastors and staff members who have masters and doctoral level degrees. This list will grow and will include what institution and degree received to help determine expertise. If the college or university submits to ProQuest the official digital dissertations archive for the Library of Congress and the database of record for graduate research, then we can download and evaluate their work.

The academic label is the next exciting step for continuing to regularly champion our distinct doctrines through volumes that preserve thoughts for longer periods. Curriculum doctrinally trains people in the pew while books primarily provide foundational insight for pastors and staff members. The academic label will help cultivate new scholarly writers of theology, history, and reference material to provide diverse views within the boundary of our treatise, and create over time a respected academic imprint for conservative values.

### Engage Network

The Engage Network will provide community and connecting for all types of ministry leaders. The goal is to help connect people for mentoring, training, and ministry helps. This service is still in the early stages of development. Our events department will handle this initiative, and will feature online connections as well as in person experiences at the national and other conferences.

## Closing

We have a lot of work ahead, and we have set some stretch goals for sales as we roll out new initiatives. It is a pleasure to champion family ministry and generational discipleship. While publishing is a challenging field, God has chosen us to lead in the D6 movement and we want to properly steward the future. Thank you for supporting your publisher as our goal is to serve you.

Thank you for allowing me to lead by serving,

A handwritten signature in black ink, appearing to read "Ron Hunter Jr." with a stylized, cursive script.

Ron Hunter Jr.  
Executive Director and CEO

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

**Financial Statements**

**December 31, 2013 and 2012  
(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.**

**Report on the Financial Statements**

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, 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.

**Managements'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.

**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, 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.

*Ernest R. Harper*

March 17, 2014

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

**Statements of Financial Position**

**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents:		
Cash and interest bearing deposits	\$ 132,411	162,130
Cash invested with the Free Will Baptist Foundation	102,856	207,315
<b>Total cash and cash equivalents</b>	<u>235,267</u>	<u>369,445</u>
Accounts receivable:		
Trade, net of allowance for doubtful accounts and returns	217,989	278,078
Employees and other	-	1,213
<b>Total receivables</b>	<u>217,989</u>	<u>279,291</u>
Inventory	540,529	459,317
Prepaid expenses	96,988	104,135
<b>Total current assets</b>	<u>1,090,773</u>	<u>1,212,188</u>
<b>Property, plant and equipment, at cost:</b>		
Land	110,341	110,341
Building	669,353	992,199
Printing service equipment	1,192,828	1,241,187
Office and administrative equipment	125,636	327,907
Automobiles and trucks	51,664	108,008
	<u>2,149,822</u>	<u>2,779,642</u>
Less accumulated depreciation and amortization	1,336,615	2,185,228
<b>Net property, plant and equipment</b>	<u>813,207</u>	<u>594,414</u>
<b>Other assets:</b>		
Digital assets	32,000	38,400
	<u>\$ 1,935,980</u>	<u>1,845,002</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 171,379	82,880
Line of credit	79,025	-
Current portion of long term debt	-	84,706
Deferred revenues	163,266	242,046
Accrued expenses	114,373	92,260
<b>Total current liabilities</b>	<u>528,043</u>	<u>501,892</u>
<b>Unrestricted net assets</b>	<u>1,407,937</u>	<u>1,343,110</u>
	<u>\$ 1,935,980</u>	<u>1,845,002</u>
<b>Commitments</b>		

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, 2013 and 2012**

	2013			
Revenues:		Cost of		
Gross profit:	Sales	Sales	Net	2012
RHP product lines (including curriculum)	\$ 3,147,647	1,690,711	1,456,936	1,515,980
RHP books	234,694	76,491	158,203	79,515
D6 Conference	543,262	560,523	(17,261)	12,945
National Convention	14,101	4,438	9,663	13,909
Printing sales	271,527	213,149	58,378	63,668
Third party sales	76,881	41,596	35,285	29,377
Gross profit	\$ 4,288,112	2,586,908	1,701,204	1,715,394
Other operating revenues:				
Freight and handling			179,521	175,547
Commissions			48,235	53,901
Interest income			5,541	5,789
Gifts in kind - contributed labor in building renovation			105,000	-
Gain (loss) on disposition of plant assets			(16,503)	1,081
Other			2,062	3,334
Total revenues			2,025,060	1,955,046
Expenses:				
Selling, general and administrative:				
Administrative / Accounting			392,757	403,468
Sales / Marketing / Events			707,749	634,771
Distribution center			372,474	353,468
IT division			56,178	50,945
Plant maintenance			142,671	132,216
General			116,097	127,437
One Magazine			46,575	46,575
Depreciation			47,221	47,617
Interest expense, including finance charges			4,945	10,642
Total selling, general and administrative expenses			1,886,667	1,807,139
Increase in net assets from operations			138,393	147,907
Other income (expense):				
Vertical 3			(58,566)	8,636
Denominational ministries, net			(1,000)	(1,250)
Printing contributed to the denomination			(14,000)	(13,000)
Net other income (expense)			(73,566)	(5,614)
Increase in net assets			64,827	142,293
Net assets, beginning of year			1,343,110	1,200,817
Net assets, end of year			\$ 1,407,937	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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Increase in net assets	\$ 64,827	142,293
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	142,197	137,884
Gifts in kind - related to building renovation process	(105,000)	-
Write off of plant assets in renovation process	19,676	-
(Increase) decrease in:		
Receivables	61,302	(98,886)
Inventories	(81,212)	(9,409)
Prepaid expenses	7,147	(17,456)
Digital assets	6,400	6,400
Increase (decrease) in:		
Accounts payable	88,499	(19,187)
Line of credit	79,025	-
Deferred revenues	(78,780)	51,163
Accrued expenses	22,112	3,246
<b>Net operating activities</b>	<u>226,193</u>	<u>196,048</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property, plant and equipment	(275,665)	(32,191)
<b>Net investing activities</b>	<u>(275,665)</u>	<u>(32,191)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Repayments of long term debt	(84,706)	(106,193)
<b>Net financing activities</b>	<u>(84,706)</u>	<u>(106,193)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(134,178)	57,664
<b>Cash and cash equivalents:</b>		
Beginning of year	369,445	311,781
End of year	<u>\$ 235,267</u>	<u>369,445</u>
<b>Cash and cash equivalents, as reported on statement of financial position, as follows:</b>		
Cash and interest bearing deposits	\$ 132,411	162,130
Cash invested with the Free Will Baptist Foundation	102,856	207,315
	<u>\$ 235,267</u>	<u>369,445</u>
<b>Supplemental disclosures:</b>		
Interest paid	<u>\$ 4,945</u>	<u>10,642</u>

See accompanying notes to financial statements.

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

## Notes to Financial Statements

December 31, 2013 and 2012

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 (including merchandise returned subsequent to end of the year) as of December 31, 2013 and 2012, amounted to \$18,000 and \$15,000, 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:

	<u>2013</u>	<u>2012</u>
Cost to develop and launch products	\$ 51,308	51,308
Accumulated amortization	<u>19,308</u>	<u>12,908</u>
Carrying value of digital assets	<u>\$ 32,000</u>	<u>38,400</u>

# 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.

During 2013, the main floor of the building housing the administrative, sales, marketing and events divisions was completely renovated at a capitalized cost of \$251,984, which includes donated labor amounting to \$105,000. This donated labor was from Randall House employees and a group of retired persons who normally donate their time to construct churches. The amount capitalized was determined by the architect/engineer who was involved in the renovation project. Further, during this process the plant asset records were reviewed and assets no longer in use were retired, which resulted in a loss of \$19,676. This loss is reported on the statement of activities and netted to "gain (loss) disposition of plant assets".

**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:

	<b><u>2013</u></b>	<b><u>2012</u></b>
D6 Conference registrations	\$ 36,276	61,396
Truth and Peace leadership training registrations	<u>126,990</u>	<u>180,650</u>
	<u>\$ 163,266</u>	<u>242,046</u>

**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 2013 and 2012. 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 \$80,380 in 2013 and \$45,916 in 2012.

**Subsequent Events**

Subsequent events were evaluated through March 17, 2014 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.



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

**Notes to Financial Statements, continued**

**(2) Concentration of Credit Risk**

Randall House is a distributor of Bible based Sunday school and Church training curriculum, and other denominational publications. Randall House extends credit to its customers which consist primarily of Free Will Baptist churches and religious bookstores. These accounts are not collateralized and are subject to risk of loss amounting to the outstanding balance at any point in time. Further, funds invested with the Free Will Baptist Foundation in the amount of \$102,856 in 2013 and \$207,315 in 2012 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.

**(3) Inventory**

Inventory consists of the following:

	<u>2013</u>	<u>2012</u>
<b>Current assets:</b>		
<b>Print inventory:</b>		
Finished curriculum	\$ 118,963	\$ 106,891
Work in progress	194,476	146,107
Printing raw materials	56,662	51,772
Hymnals	49,529	48,042
Warehoused other books and merchandise	\$ 180,899	168,505
Less allowance for loss	60,000	62,000
	<u>120,899</u>	<u>106,505</u>
	540,529	459,317
<b>Other assets:</b>		
<b>Digital assets - see note 1</b>	<u>32,000</u>	<u>38,400</u>
	<u>\$ 572,529</u>	<u>\$ 497,717</u>

**(4) Long - Term Debt**

	<u>2013</u>	<u>2012</u>
4.5% monthly installment obligation payable to Free Will Baptist Foundation with monthly payments of \$9,384 including interest and principal, which was repaid during 2013. Note was secured by production equipment.	\$ -	84,706
Current portion of long-term debt	<u>-</u>	<u>84,706</u>
Long - term debt	<u>\$ -</u>	<u>-</u>

Randall House has a line of credit with a local bank in the amount \$100,000. The balance outstanding on this line of credit as of December 31, 2013 and 2012 amounted to \$79,025 and \$-0-, respectively.

**(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:

	<u>2013</u>	<u>2012</u>
Revenue from conferences and related services	\$ 318,495	286,424
Expenditures:		
Conferences and related services	291,865	227,922
Expenses for facility use and other services	16,000	16,000
General and administrative expenses	69,196	33,866
	<u>377,061</u>	<u>277,788</u>
Excess of revenues over (under) expenses	<u>\$ (58,566)</u>	<u>8,636</u>

# **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 \$58,498 in 2013 and \$55,692 in 2012. 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 \$13,463 in 2013 and \$9,090 in 2012. Randall House had a liability relating to these payments of \$5,819 and \$463 at December 31, 2013 and 2012, respectively.

#### **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 2013 and 2012, respectively. Further, Randall House prints and provides mailing services for One Magazine, and reported revenues of \$202,599 and \$212,529 for these services during 2013 and 2012, respectively.

#### **Free Will Baptist Foundation**

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

	<b><u>2013</u></b>	<b><u>2012</u></b>
Interest bearing accounts	\$ 102,856	207,315
Indebtedness	\$ -	84,706

### **(7) Commitments and Contingencies**

#### **Merchandise Held on Consignment**

Randall House holds inventory on consignment with a sales value of approximately \$200,000 in 2013 and 2012; and share 33% of the proceeds from sale of the merchandise which amounted to \$3,696 in 2013 and \$2,179 in 2012.

#### **Leased Equipment**

Randall House has entered into noncancelable lease arrangements relating to mailing and copy equipment. Total rent expense amounted to \$33,498 in 2013 and \$28,274 in 2012. The minimum payments required are \$21,502 for 2014 - 2016; \$17,911 for 2017 and \$4,163 for 2018..

#### **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 2015	Budget 2014	Budget 2013	Jan - Dec 13
<b>Income</b>				
300 · RHP Product Lines	\$3,307,500	\$3,288,500	\$3,302,500	3,147,646.73
303 · RHP Books	\$248,500	\$236,000	\$224,000	234,694.23
305 · Event/ Off Site Sales	\$726,000	\$878,500	\$1,033,500	557,363.02
307 · Third Party Sales (Non RHP)	\$76,500	\$83,500	\$96,000	76,880.51
308 · Other Revenue	\$489,250	\$484,000	\$510,000	547,150.31
309 · Commission Income	\$51,000	\$46,000	\$51,000	48,236.91
<b>TOTAL REVENUE</b>	<b>\$4,898,750</b>	<b>\$5,016,500</b>	<b>\$5,217,000</b>	<b>4,611,971.71</b>
<b>Cost of Goods Sold</b>				
310 · COS - RHP Product Lines	\$53,000	\$57,500	\$62,000	48,241.83
313 · COS - RHP Books	\$71,750	\$106,000	\$97,500	36,283.59
315 · COS - Events/ Off Site	\$695,000	\$806,000	\$929,500	564,960.90
317 · COS - 3rd Party Sales (Non RHP)	\$38,500	\$41,750	\$55,930	44,226.45
318 · COS - Other	-\$8,000	-\$9,000	-\$8,000	-89,167.72
<b>Total COGS</b>	<b>\$850,250</b>	<b>\$1,002,250</b>	<b>\$1,136,930</b>	<b>604,545.05</b>
350 · Printing Production	\$995,600	\$992,100	\$1,053,100	996,547.05
355 · Depreciation Printing Equipment	\$95,000	\$90,000	\$90,000	94,976.00
360 · Editorial	\$540,750	\$538,000	\$512,500	538,340.40
400 · Administrative/Accounting	\$388,250	\$396,500	\$412,400	392,756.95
410 · Sales	\$339,000	\$360,500	\$560,120	326,244.89
420 · Design	\$307,500	\$310,000	\$328,000	298,792.99
425 · RHP Book Division	\$94,000	\$93,500	\$90,000	53,707.35
430 · Distribution Center	\$375,750	\$376,000	\$374,750	372,474.37
435 · IT Division	\$59,500	\$58,000	\$55,000	56,178.13
440 · Plant Maintenance	\$135,500	\$138,050	\$136,800	142,671.08
460 · Marketing	\$350,250	\$250,500	\$160,000	269,643.67
490 · General	\$171,750	\$195,500	\$199,000	\$168,262
495 · Events	\$117,750	\$103,500	\$36,000	\$111,860
<b>Total Departmental Expense</b>	<b>\$3,970,600</b>	<b>\$3,902,150</b>	<b>\$4,007,670</b>	<b>3,822,455.66</b>
<b>Youth Department</b>				
9100 · Youth Revenues	\$314,500	\$302,500	\$294,500	\$318,495
450 · Youth Department Expenses	-\$350,750	-\$328,500	-\$303,900	-377,061.21
	-\$36,250	-\$26,000	-\$9,400	-58,565.92
<b>Denominational Ministries</b>				
9200 · Revenues Denom. Ministries	\$0	\$0	\$0	0.00
445 · Denominational Ministries Expenses	-\$63,500	-\$66,500	-\$63,000	-61,575.12
	-\$63,500	-\$66,500	-\$63,000	-61,575.12
<b>TOTAL EXPENSE</b>	<b>\$4,920,600</b>	<b>\$4,996,900</b>	<b>\$5,217,000</b>	<b>\$4,547,142</b>
<b>Annual Profit/Loss</b>	<b>-\$21,850</b>	<b>\$19,600</b>	<b>\$0</b>	<b>64,829.96</b>
<b>Income</b>				
300 · RHP Product Lines				
300.03 · Dated Studies/ SS-Curriculum	\$3,220,000	\$3,200,000	\$3,200,000	3,075,186.57
300.09 · Mid Week Teens	\$0	\$0	\$0	39.61
300.12 · 607	\$2,500	\$2,500	\$10,000	2,301.00
300.15 · Children's Church Sales	\$60,000	\$55,000	\$55,000	49,536.15
300.18 · Online Non Dated Studies-(A)	\$3,000	\$3,500	\$10,000	2,217.78
300.24 · Church Supplies	\$3,500	\$5,000	\$5,000	3,065.30
300.27 · RHP/D6 T-Shirts/Merchandise	\$3,500	\$7,500	\$7,500	2,788.81
300.30 · Competition Materials	\$15,000	\$15,000	\$15,000	12,511.51
<b>Total 300 · RHP Product Lines</b>	<b>\$3,307,500</b>	<b>\$3,288,500</b>	<b>\$3,302,500</b>	<b>3,147,646.73</b>
303 · RHP Books				
303.03 · Pastoral/Church Leadership	\$15,000	\$20,000	\$27,500	14,458.98
303.06 · Family/Parenting	\$80,000	\$80,000	\$80,000	78,512.35
303.09 · Drama/Plays	\$1,000	\$1,000	\$1,000	926.58
303.12 · Missions	\$1,000	\$1,000	\$1,000	562.68

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
303.15 · Small Group Studies	\$10,000	\$10,000	\$15,000	7,705.42
303.18 · Biblical Studies	\$5,000	\$5,000	\$10,000	4,664.30
303.21 · Theology/Doctrine	\$35,000	\$35,000	\$30,000	30,284.23
303.27 · Christian Living	\$30,000	\$10,000	\$10,000	26,502.03
303.30 · Fiction	\$0	\$0	\$0	611.61
303.33 · Children	\$0	\$0	\$0	0.00
303.36 · International Languages	\$500	\$500	\$1,000	307.84
303.39 · Rejoice FWB Hymnal Sales	\$50,000	\$50,000	\$50,000	50,477.43
303.42 · Rejoice Worship Hymnal Sales	\$35,000	\$40,000	\$10,000	32,216.23
303.45 · Lightning Source	\$0	\$0	\$5,000	0.00
303.48 · Tracts	\$0	\$2,000	\$2,000	1,488.51
303.48 · (Off Site RH Book Sales)	-\$20,000	-\$25,000	-\$25,000	-19,422.28
303.54 · RHP Titles in Software	\$2,000	\$2,500	\$2,500	951.21
303.60 · Miscellaneous	\$4,000	\$4,000	\$4,000	4,447.11
Total 303 · RHP Books	\$248,500	\$236,000	\$224,000	234,694.23
305 · Event/ Off Site Sales				
305.03 · D6 Conference Registration	\$470,000	\$600,000	\$725,000	329,085.44
305.06 · D6 Conference Sponsorship	\$150,000	\$130,000	\$150,000	140,950.00
305.09 · D6 Conference Sales	\$90,000	\$130,000	\$140,000	73,226.91
305.15 · National Sales	\$15,000	\$17,500	\$17,500	14,100.67
305.21 · Misc. Event Sales	\$1,000	\$1,000	\$1,000	0.00
Total 305 · Event/ Off Site Sales	\$726,000	\$878,500	\$1,033,500	557,363.02
307 · Third Party Sales (Non RHP)				
307.03 · Curriculum (Dated)	\$50,000	\$50,000	\$55,000	48,240.09
307.06 · VBS	\$2,500	\$10,000	\$12,500	2,248.36
307.12 · Church Supplies	\$6,000	\$5,000	\$5,000	6,641.19
307.15 · Bibles (Non RHP Imprint)	\$1,500	\$1,000	\$1,000	1,500.43
307.18 · Books (Non RHP Imprint)	\$12,500	\$15,000	\$20,000	10,595.77
307.21 · Music	\$0	\$0	\$0	193.94
307.24 · Miscellaneous	\$4,000	\$2,500	\$2,500	7,460.73
Total 307 · Third Party Sales (Non RHP)	\$76,500	\$83,500	\$96,000	76,880.51
308 · Other Revenue				
308.03 · Printing/Design Services	\$300,000	\$300,000	\$325,000	271,527.42
308.06 · Freight and Handling Income	\$180,000	\$175,000	\$175,000	179,520.78
308.09 · Interest Income	\$5,000	\$5,000	\$5,000	5,541.13
308.12 · Service Charges	\$2,000	\$3,000	\$5,000	1,521.11
308.15 · Sale/Disposal of Assets	\$1,500	\$0	\$0	-16,503.13
308.18 · In House Functions	\$750	\$1,000	\$0	543.00
308.21 · Consturction - Gifts in kind	\$0	\$0	\$0	105,000.00
308 · Other Revenue - Other	\$0	\$0	\$0	0.00
Total 308 · Other Revenue	\$489,250	\$484,000	\$510,000	547,150.31
309 · Commission Income				
309.03 · Bulletins	\$25,000	\$25,000	\$30,000	24,790.09
309.06 · Signs	\$500	\$500	\$500	0.00
309.09 · Furniture/Steeple/etc.	\$500	\$500	\$500	796.82
309.12 · Advertising/Other	\$25,000	\$20,000	\$20,000	22,650.00
Total 309 · Commission Income	\$51,000	\$46,000	\$51,000	48,236.91
Total Income	\$4,898,750	\$5,016,500	\$5,217,000	4,611,971.71
Cost of Goods Sold				
50000 · Cost of Goods Sold				
310 · COS - RHP Product Lines				
310.03 · COS - Dated Studies/ SS-Cur	\$27,500	\$27,500	\$27,500	26,600.87
310.09 · COS - Mid Week Teens	\$0	\$0	\$0	7.41
310.12 · COS - 607	\$2,000	\$2,000	\$500	1,899.96

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
310.15 · COS - Children's Church Sales	\$12,500	\$15,000	\$20,000	11,464.48
310.18 · COS - Online Non Dated Studies	\$4,500	\$5,000	\$1,000	5,728.60
310.24 · COS - Church Supplies	\$1,000	\$1,500	\$2,500	724.48
310.27 · COS - RHP/D6 T-shirt Merch.	\$500	\$1,500	\$4,000	380.77
310.30 · COS - Competition Materials	\$5,000	\$5,000	\$6,500	3,609.93
310 · COS - RHP Product Lines - Other	\$0	\$0	\$0	-2,174.67
<b>Total 310 · COS - RHP Product Lines</b>	<b>\$53,000</b>	<b>\$57,500</b>	<b>\$62,000</b>	<b>48,241.83</b>
<b>313 · COS - RHP Books</b>				
313.03 · COS - Pastoral/Ch. Leadership	\$5,000	\$7,500	\$10,000	4,941.79
313.06 · COS - Family/Parenting	\$23,000	\$30,000	\$30,000	15,664.98
313.09 · COS - Drama/Plays	\$500	\$500	\$500	370.48
313.12 · COS - Missions	\$500	\$500	\$500	480.38
313.15 · COS - Small Group Studies	\$3,000	\$4,000	\$6,000	2,306.87
313.18 · COS - Biblical Studies	\$2,500	\$2,000	\$5,000	2,837.21
313.21 · COS - Theology/Doctrine	\$15,000	\$15,000	\$11,000	12,810.99
313.27 · COS - Christian Living	\$10,000	\$3,500	\$3,500	9,404.05
313.30 · COS - Fiction	\$0	\$0	\$0	494.26
313.33 · COS - Children	\$0	\$0	\$500	0.00
313.36 · COS - International Language	\$250	\$250	\$500	861.47
313.39 · COS - Rejoice FWB Hymnals	\$25,000	\$22,500	\$22,500	27,459.83
313.42 · COS - Rejoice Workshop Hymnals	\$15,000	\$17,500	\$4,000	14,274.20
313.48 · COS - Tracts	\$0	\$750	\$1,000	561.59
313.60 · COS - Miscellaneous	\$2,000	\$2,000	\$2,500	1,603.98
313 · COS - RHP Books - Other	-\$30,000	\$0	\$0	-57,788.49
<b>Total 313 · COS - RHP Books</b>	<b>\$71,750</b>	<b>\$106,000</b>	<b>\$97,500</b>	<b>36,283.59</b>
<b>315 · COS - Events/ Off Site</b>				
315.03 · COS - D6 Conf Registration	\$640,000	\$735,000	\$845,000	520,290.43
315.09 · COS - D6 Conf Sales	\$50,000	\$62,500	\$75,000	40,232.25
315.15 · COS - National Sales	\$4,500	\$8,000	\$9,000	4,438.22
315.21 · COS - Misc. Event Sales	\$500	\$500	\$500	0.00
<b>Total 315 · COS - Events/ Off Site</b>	<b>\$695,000</b>	<b>\$806,000</b>	<b>\$929,500</b>	<b>564,960.90</b>
<b>317 · COS - 3rd Party Sales (Non RHP)</b>				
317.03 · COS - Curriculum (Dated)	\$25,000	\$25,000	\$30,000	29,678.52
317.06 · COS - VBS	\$1,500	\$5,000	\$8,500	1,447.64
317.12 · COS - Church Supplies	\$3,500	\$2,500	\$3,000	3,735.05
317.15 · COS - Bibles (Non RHP)	\$1,000	\$500	\$680	1,205.11
317.18 · COS - Books (Non RHP)	\$6,500	\$7,500	\$12,250	6,918.39
317.21 · COS - Music	\$0	\$0	\$0	165.56
317.24 · COS - Miscellaneous	\$1,000	\$1,250	\$1,500	54.10
317 · COS - 3rd Party Sales (Non RHP) - Other	\$0	\$0	\$0	1,022.08
<b>Total 317 · COS - 3rd Party Sales (Non RHP)</b>	<b>\$38,500</b>	<b>\$41,750</b>	<b>\$55,930</b>	<b>44,226.45</b>
<b>318 · COS - Other</b>				
318.03 · Freight in RHP	\$6,000	\$5,000	\$5,000	6,044.07
318.09 · COS - Yearbook	-\$14,000	-\$14,000	-\$13,000	-14,000.00
318.15 · COS - Change In Inventory	\$0	\$0	\$0	-81,211.79
318 · COS - Other - Other	\$0	\$0	\$0	0.00
<b>Total 318 · COS - Other</b>	<b>-\$8,000</b>	<b>-\$9,000</b>	<b>-\$8,000</b>	<b>-89,167.72</b>
<b>Total COGS</b>	<b>\$850,250</b>	<b>\$1,002,250</b>	<b>\$1,136,930</b>	<b>604,545.05</b>
<b>Gross Profit</b>	<b>\$4,048,500</b>	<b>\$4,014,250</b>	<b>\$4,080,070</b>	<b>4,007,426.66</b>
<b>Expense</b>				
<b>350 · Printing Production</b>				
350.02 · PP - Salaries	\$300,000	\$285,000	\$278,000	285,541.58
350.06 · PP - Supplies	\$3,500	\$2,500	\$2,500	6,241.58
350.07 · PP - Equipment Maint.	\$0	\$500	\$1,500	0.00
350.12 · PP - Dues & Subscriptions	\$500	\$1,000	\$1,000	153.00
350.16 · PP - Entertainment	\$100	\$100	\$100	0.00

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
350.18 · Outside Printing	\$230,000	\$235,000	\$272,500	241,641.31
350.19 · Outside Bindery	\$37,500	\$40,000	\$45,000	36,876.48
350.26 · PP - FICA	\$20,500	\$19,000	\$18,500	19,117.43
350.29 · PP - Retirement	\$10,500	\$9,500	\$9,000	10,297.62
350.32 · PP - Insurance	\$23,000	\$25,000	\$25,000	20,129.94
350.34 · Pressroom Supplies	\$7,500	\$7,500	\$11,000	14,347.05
350.36 · Pressroom Maintenance	\$10,000	\$15,000	\$15,000	1,317.22
350.38 · Pressroom Parts	\$7,500	\$7,500	\$7,500	6,142.61
350.40 · Pressroom Stock	\$192,500	\$187,500	\$200,000	195,755.09
350.42 · Pressroom Ink	\$9,000	\$12,000	\$13,000	7,625.39
350.44 · Bindery Supplies	\$500	\$500	\$500	459.18
350.46 · Bindery Maintenance	\$1,000	\$1,000	\$1,000	0.00
350.48 · Bindery Parts	\$500	\$500	\$500	0.00
350.50 · Pre-Press Supplies	\$4,000	\$6,000	\$6,000	3,008.70
350.52 · Proofing Supplies	\$3,500	\$3,500	\$3,500	3,113.65
350.54 · CTP Maintenance	\$1,000	\$500	\$1,000	1,800.00
350.56 · Digital Press Supplies	\$0	\$0	\$500	229.28
350.62 · Plates	\$21,000	\$22,500	\$35,000	22,837.05
350.88 · Outside Purchases-Ess. Pkts	\$44,000	\$45,000	\$45,000	42,801.96
350.89 · Digital Press Maintenance	\$67,500	\$65,000	\$60,000	77,110.93
350.90 · PP - Miscellaneous	\$500	\$500	\$500	0.00
Total 350 · Printing Production	\$995,600	\$992,100	\$1,053,100	996,547.05
355.00 · Depreciation Printing Equipment	\$95,000	\$90,000	\$90,000	94,976.00
360 · Editorial				
360.02 · Edit - Salaries	\$300,000	\$295,000	\$275,000	292,124.42
360.03 · Edit - Housing Allowance	\$49,000	\$47,500	\$41,000	47,400.00
360.04 · Edit - Travel	\$2,000	\$2,000	\$2,000	2,167.71
360.06 · Edit - Supplies	\$2,500	\$1,500	\$1,500	3,629.45
360.07 · Edit - Equipment Maintenance	\$0	\$500	\$500	67.79
360.08 · Edit - Equipment Rental	\$0	\$0	\$0	0.00
360.09 · Product Development	\$500	\$500	\$1,000	0.00
360.10 · Edit - Conventions & Seminars	\$1,500	\$1,750	\$1,000	674.56
360.11 · Software Supply	\$250	\$250	\$500	10.91
360.12 · Edit - Dues & Subscriptions	\$3,500	\$2,750	\$2,500	6,359.85
360.15 · National Expense	\$0	\$500	\$1,000	0.00
360.16 · Edit - Entertainment	\$1,500	\$1,500	\$1,500	1,387.40
360.23 · Edit - Telephone	\$500	\$750	\$1,000	450.01
360.26 · Edit - FICA	\$19,000	\$19,500	\$19,000	18,318.14
360.29 · Edit - Retirement	\$12,000	\$12,000	\$12,000	11,581.89
360.32 · Edit - Insurance	\$30,000	\$30,000	\$30,000	27,674.32
360.34 · Curriculum Development	\$3,000	\$2,500	\$5,000	435.08
360.35 · Product Improvement	\$500	\$2,500	\$2,500	0.00
360.36 · Writer's Fees	\$100,000	\$100,000	\$100,000	104,556.56
360.37 · Register of Copyrights	\$2,500	\$2,500	\$2,500	1,995.00
360.88 · Outside Editing/Proofing	\$10,000	\$12,500	\$12,500	12,283.91
360.90 · Edit - Miscellaneous	\$2,500	\$2,000	\$500	7,223.40
Total 360 · Editorial	\$540,750	\$538,000	\$512,500	538,340.40
400 · Administrative/Accounting				
400.02 · AD/AC - Salaries	\$228,500	\$225,000	\$237,000	221,877.15
400.03 · AD/AC - Housing Allowance	\$33,000	\$32,000	\$29,400	32,100.00
400.04 · AD/AC - Travel Expense	\$25,000	\$35,000	\$35,000	21,266.50
400.06 · AD/AC - Supplies	\$10,000	\$10,000	\$8,500	11,144.03
400.07 · AD/AC - Equipment Maintenance	\$0	\$1,000	\$1,500	0.00
400.08 · AD/AC - Equipment Rental	\$0	\$0	\$0	0.00
400.10 · AD/AC - Conventions & Seminars	\$5,000	\$2,500	\$5,000	7,652.49
400.12 · AD/AC - Dues & Subscriptions	\$5,000	\$5,000	\$3,500	4,691.83
400.16 · AD/AC - Entertainment	\$6,500	\$6,500	\$7,000	6,916.62

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
400.20 · AD/AC - Postage	\$500	\$1,000	\$0	4.37
400.23 · AD/AC - Telephone	\$2,000	\$3,500	\$3,500	1,844.40
400.26 · AD/AC - FICA	\$14,750	\$16,000	\$15,500	14,383.38
400.29 · AD/AC - Retirement	\$10,500	\$11,000	\$14,000	9,911.22
400.32 · AD/AC - Insurance	\$35,000	\$35,500	\$35,500	31,895.61
400.70 · AD/AC - Automobile Expense	\$5,000	\$5,000	\$5,000	8,602.45
400.90 · AD/AC - Miscellaneous	\$7,500	\$7,500	\$12,000	20,466.90
Total 400 · Administrative/Accounting	\$388,250	\$396,500	\$412,400	392,756.95
410 · Sales				
410.02 · Sales - Salaries	\$225,000	\$225,000	\$350,000	214,255.63
410.03 · Sales - Housing Allowance	\$18,000	\$17,500	\$37,620	17,280.00
410.04 · Sales - Travel Expense	\$25,000	\$25,000	\$40,000	23,485.54
410.06 · Sales - Supplies	\$5,000	\$4,000	\$7,500	6,267.21
410.07 · Sales - Equipment Maint.	\$500	\$500	\$1,000	760.95
410.11 · Sales - Conventions & Seminars	\$5,000	\$3,000	\$3,000	6,982.81
410.12 · Sales - Dues & Subscriptions	\$2,000	\$2,000	\$12,000	1,459.56
410.20 · Sales - Postage	\$500	\$0	\$0	658.17
410.23 · Sales - Telephone	\$13,000	\$13,500	\$15,000	12,684.19
410.26 · Sales - FICA	\$14,000	\$14,000	\$25,000	13,779.63
410.29 · Sales - Retirement	\$5,500	\$7,500	\$12,000	5,263.96
410.32 · Sales - Insurance	\$22,000	\$45,000	\$50,000	19,986.33
410.88 · Sales - Entertainment	\$3,000	\$3,000	\$6,000	3,181.91
410.90 · Sales - Miscellaneous	\$500	\$500	\$1,000	199.00
Total 410 · Sales	\$339,000	\$360,500	\$560,120	326,244.89
420 · Design				
420.02 · Design - Salaries	\$214,000	\$215,000	\$220,500	207,750.64
420.04 · Design - Travel Expense	\$500	\$500	\$500	441.15
420.06 · Design - Supplies	\$1,500	\$2,000	\$2,000	1,022.27
420.07 · Design - Equipment Maintenance	\$0	\$500	\$500	0.00
420.10 · Design - Conventions & Seminars	\$500	\$500	\$500	465.00
420.12 · Design - Dues & Subscriptions	\$500	\$500	\$500	297.00
420.14 · Art Services	\$35,000	\$35,000	\$47,500	37,669.56
420.16 · Design - Entertainment	\$2,000	\$1,500	\$1,500	2,139.18
420.26 · Design - FICA	\$14,000	\$14,000	\$14,500	13,464.02
420.29 · Design - Retirement	\$7,000	\$7,500	\$6,000	6,117.68
420.32 · Design - Insurance	\$32,000	\$32,500	\$33,500	29,173.71
420.90 · Design - Miscellaneous	\$500	\$500	\$500	252.78
Total 420 · Design	\$307,500	\$310,000	\$328,000	298,792.99
425 · RHP Book Division				
425.02 · RB - Salaries	\$60,000	\$60,000	\$52,500	23,558.62
425.04 · RB - Travel Expense	\$500	\$500	\$500	0.00
425.06 · RB - Supplies	\$500	\$500	\$500	120.58
425.07 · RB - Equipment Maintenance	\$0	\$500	\$500	0.00
425.10 · RB - Conventions & Seminars	\$500	\$500	\$500	0.00
425.11 · Royalty Payments	\$15,000	\$15,000	\$17,500	16,784.97
425.12 · RB - Dues & Subscriptions	\$750	\$1,000	\$1,000	341.00
425.20 · RB - Postage	\$0	\$0	\$0	154.46
425.23 · RB - Telephone	\$750	\$1,000	\$1,000	675.00
425.26 · RB - FICA	\$4,000	\$3,500	\$4,000	1,526.65
425.29 · RB - Retirement	\$3,000	\$2,500	\$2,500	2,829.84
425.32 · RB - Insurance	\$4,500	\$4,500	\$6,500	3,918.11
425.66 · Workshops Expense	\$500	\$500	\$500	0.00
425.88 · RB - Entertainment	\$500	\$500	\$500	89.00
425.89 · Product Development	\$3,500	\$2,500	\$1,500	3,709.12
425.90 · RB - Miscellaneous	\$0	\$500	\$500	0.00
Total 425 · RHP Book Division	\$94,000	\$93,500	\$90,000	53,707.35

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
<b>430 · Distribution Center</b>				
430.02 · DC - Salaries	\$143,000	\$147,500	\$145,000	144,861.96
430.06 · DC - Supplies	\$22,500	\$22,500	\$25,000	21,851.44
430.07 · DC - Equipment Maintenance	\$250	\$500	\$500	196.01
430.08 · DC - Equipment Rental	\$8,500	\$8,500	\$10,000	8,458.65
430.09 · DC - Software Fees and Services	\$0	\$500	\$500	0.00
430.12 · DC - Dues & Subscriptions	\$1,000	\$500	\$500	1,369.00
430.16 · DC - Entertainment	\$500	\$500	\$500	581.84
430.20 · DC - Postage	\$19,000	\$25,000	\$27,500	18,191.71
430.26 · DC - FICA	\$9,250	\$10,000	\$10,000	9,385.49
430.29 · DC - Retirement	\$5,750	\$5,500	\$5,500	5,487.04
430.32 · DC - Insurance	\$23,000	\$22,500	\$22,000	22,113.85
430.40 · DC - Freight Expense	\$143,000	\$132,500	\$127,500	139,977.38
430.90 · DC - Miscellaneous	\$0	\$0	\$250	0.00
<b>Total 430 · Distribution Center</b>	<b>\$375,750</b>	<b>\$376,000</b>	<b>\$374,750</b>	<b>372,474.37</b>
<b>435 · IT Division</b>				
435.02 · IT - Salaries	\$41,000	\$41,000	\$39,000	40,136.69
435.04 · IT - Travel	\$500	\$500	\$500	0.00
435.06 · IT - Supplies	\$1,000	\$1,000	\$1,000	1,421.36
435.07 · IT - Equipment Maintenance	\$0	\$500	\$1,500	0.00
435.08 · IT - Software Services	\$500	\$500	\$1,000	0.00
435.10 · IT - Conventions/Seminars	\$500	\$500	\$500	0.00
435.12 · IT - Dues & Subscriptions	\$6,000	\$4,500	\$2,500	6,153.13
435.23 · IT - Telephone	\$500	\$500	\$500	194.99
435.26 · IT - FICA	\$3,000	\$3,500	\$3,000	2,601.15
435.29 · IT - Retirement	\$2,000	\$1,000	\$1,000	1,715.04
435.32 · IT - Insurance	\$4,500	\$4,500	\$4,500	3,955.77
<b>Total 435 · IT Division</b>	<b>\$59,500</b>	<b>\$58,000</b>	<b>\$55,000</b>	<b>56,178.13</b>
<b>440 · Plant Maintenance</b>				
440.02 · PM - Salaries	\$24,000	\$15,000	\$20,000	34,950.71
440.04 · PM - Travel Expense	\$0	\$0	\$0	38.85
440.06 · PM - Supplies	\$8,500	\$8,500	\$7,500	9,384.45
440.07 · PM - Equipment Maintenance	\$2,500	\$5,000	\$5,000	379.40
440.08 · PM - Overhead (Youth Department)	-\$16,000	-\$10,000	-\$16,000	-16,000.00
440.23 · PM - Telephone	\$0	\$500	\$1,000	0.00
440.26 · PM - FICA	\$1,500	\$1,250	\$1,500	2,005.76
440.34 · PM - Building Maintenance	\$35,000	\$40,000	\$40,000	28,579.25
440.40 · Utilities	\$47,500	\$47,500	\$50,000	50,021.66
440.45 · Building Insurance	\$32,500	\$30,000	\$27,500	33,311.00
440.90 · PM - Miscellaneous	\$0	\$300	\$300	0.00
<b>Total 440 · Plant Maintenance</b>	<b>\$135,500</b>	<b>\$138,050</b>	<b>\$136,800</b>	<b>142,671.08</b>
<b>460 · Marketing</b>				
460.02 · Mkt - Salaries	\$130,000	\$60,000	\$0	87,541.07
460.04 · Mkt - Travel Expense	\$2,500	\$2,000	\$0	0.00
410.05 · Mkt - Conventions & Seminars	\$1,000	\$1,500	\$0	198.00
460.06 · Mkt - Supplies	\$3,500	\$1,000	\$0	4,618.13
460.07 · Mkt - Equipment Maintenance	\$0	\$500	\$0	0.00
460.08 · Mkt - Equipment Rental	\$0	\$500	\$0	0.00
460.12 · Mkt - Dues & Subscriptions	\$4,000	\$7,500	\$0	3,006.14
460.20 · Mkt - Postage	\$1,000	\$500	\$0	2,743.74
460.23 · Mkt - Telephone	\$750	\$500	\$0	469.08
460.26 · Mkt - FICA	\$10,000	\$5,500	\$0	5,689.14
460.29 · Mkt - Retirement	\$2,500	\$3,500	\$0	484.56
460.32 · Mkt - Insurance	\$9,000	\$6,500	\$0	7,959.52
410.34 · Mkt - Advertising	\$100,000	\$70,000	\$70,000	76,789.98
410.35 · Mkt - Wholesale Mkt	\$10,000	\$20,000	\$20,000	3,590.40
410.36 · Mkt - Promotion	\$75,000	\$70,000	\$70,000	76,173.20

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
460.40 · Mkt - Entertainment	\$1,000	\$1,000	\$0	380.71
<b>Total 460 · Marketing</b>	<b>\$350,250</b>	<b>\$250,500</b>	<b>\$160,000</b>	<b>269,643.67</b>
<b>490 · General</b>				
490.06 · GE - Supplies	\$3,000	\$3,500	\$1,000	2,316.77
490.07 · GE - Equipment Maintenance	\$0	\$500	\$500	0.00
490.08 · GE - Equipment Rental	\$18,000	\$20,000	\$20,000	17,985.01
490.10 · GE - Honorariums	\$0	\$0	\$0	1,000.00
490.14 · Depreciation	\$50,000	\$60,000	\$60,000	47,221.00
490.15 · Interest Expense	\$5,000	\$10,000	\$17,000	4,944.88
490.18 · Bank Service Charges	\$32,000	\$32,500	\$35,000	31,869.73
490.20 · Insurance	\$250	\$500	\$500	120.00
490.25 · RHP - Board Expense	\$20,000	\$20,000	\$20,000	18,866.44
490.30 · Legal & Audit	\$16,000	\$16,000	\$17,500	15,899.25
490.35 · GE - Automobile Expense	\$2,500	\$2,000	\$2,000	3,402.42
490.40 · Bad Debts	\$4,000	\$4,000	\$2,000	3,579.80
490.45 · In House Functions	\$10,000	\$12,500	\$10,000	9,773.41
490.50 · Taxes	\$4,000	\$7,000	\$6,000	3,393.24
490.55 · Payroll Services	\$6,000	\$6,000	\$6,500	5,801.30
490.90 · GE - Miscellaneous	\$1,000	\$1,000	\$1,000	2,089.06
<b>Total 490 · General</b>	<b>\$171,750</b>	<b>\$195,500</b>	<b>\$199,000</b>	<b>168,262.31</b>
<b>495 · Events</b>				
495.02 · Events - Salaries	\$51,000	\$47,500	\$0	49,334.64
495.04 · Events - Travel Expense	\$5,000	\$2,000	\$0	4,999.12
410.06 · Events - Supplies	\$5,000	\$1,000	\$0	5,644.15
495.07 · Events - Equipment Maint.	\$0	\$0	\$0	102.00
495.11 · Events - Conventions & Seminars	\$1,000	\$1,000	\$0	0.00
495.12 · Events - Dues & Subscriptions	\$1,500	\$1,500	\$0	1,430.89
495.15 · National Expense	\$35,000	\$35,000	\$36,000	33,775.62
495.20 · Events - Postage	\$250	\$500	\$0	-9.85
495.23 · Events - Telephone	\$1,000	\$500	\$0	892.69
495.26 · Events - FICA	\$4,000	\$3,500	\$0	3,204.92
495.29 · Events - Retirement	\$4,000	\$2,000	\$0	3,916.60
495.32 · Events - Insurance	\$9,000	\$7,000	\$0	8,105.93
495.70 · Events - Miscellaneous	\$250	\$500	\$0	81.15
495.88 · Events - Entertainment	\$750	\$1,500	\$0	382.61
495.89 · D6 Conference Expense	\$0	\$0	\$0	0.00
495.91 · D6 Conference Honorariums	\$0	\$0	\$0	0.00
<b>Total 495 · Events</b>	<b>\$117,750</b>	<b>\$103,500</b>	<b>\$36,000</b>	<b>111,860.47</b>
<b>9000 · Verticle 3</b>				
<b>9100 · V3 Revenues</b>				
300.62 · NYC Income	\$130,000	\$130,000	\$125,000	124,771.01
300.64 · Truth & Peace Fees	\$155,000	\$145,000	\$145,000	158,001.88
300.66 · NYET Fees	\$27,500	\$25,000	\$20,000	34,100.00
300.70 · Youth Collections	\$1,500	\$2,000	\$2,500	1,354.94
300.73 · Buck-A-Week Revenues	\$500	\$500	\$2,000	267.46
<b>Total 9000 · Verticle 3 Revenues</b>	<b>\$314,500</b>	<b>\$302,500</b>	<b>\$294,500</b>	<b>318,495.29</b>
<b>450 · Verticle 3 Expenses</b>				
450.02 · YD - Salaries	\$46,000	\$46,500	\$18,000	44,698.51
450.03 · YD - Housing Allowance	\$0	\$0	\$5,400	0.00
450.04 · YD - Travel Expense	\$6,000	\$3,000	\$3,000	6,076.64
450.06 · YD - Supplies	\$1,500	\$1,500	\$1,500	1,614.59
450.07 · YD - Equipment Maint.	\$250	\$500	\$0	28.60
450.08 · YD - Overhead	\$16,000	\$6,000	\$16,000	16,000.00
450.10 · YD - Conventions & Seminars	\$250	\$250	\$500	0.00
450.12 · YD - Dues & Subscriptions	\$500	\$250	\$500	396.84
450.16 · YD - Entertainment	\$750	\$1,500	\$1,500	427.80

	Budget 2015	Budget 2014	Budget 2013	Jan - Dec 13
450.23 · YD - Telephone	\$500	\$500	\$500	225.02
450.26 · YD - FICA	\$3,500	\$3,500	\$1,000	3,155.76
450.29 · YD - Retirement	\$1,000	\$2,000	\$1,000	892.24
450.32 · YD - Insurance	\$12,000	\$7,000	\$3,500	11,679.82
450.34 · NYC Expense	\$110,000	\$110,000	\$110,000	112,079.95
450.36 · Truth & Peace Expense	\$130,000	\$120,000	\$120,000	149,889.55
450.38 · NYET Expense	\$22,500	\$25,000	\$20,000	29,865.69
450.88 · Buck-A-Week Expenses	\$0	\$500	\$1,500	0.00
450.90 · YD - Miscellaneous	\$0	\$500	\$0	30.20
<b>Total 450 · Verticle 3 Expenses</b>	<b>\$350,750</b>	<b>\$328,500</b>	<b>\$303,900</b>	<b>377,061.21</b>
<b>9200 · Revenues Denom. Ministries</b>				
9200 · Revenues Denom. Ministries - Other	\$0	\$0	\$0	0.00
<b>Total 9200 · Revenues Denom. Ministries</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>
<b>445 · Denominational Ministries Expenses</b>				
445.45 · Team Church Travel	\$0	\$0	\$0	0.00
445.65 · Yearbook Printing	\$14,000	\$14,000	\$13,000	14,000.00
445.66 · ONE Magazine	\$48,000	\$50,000	\$50,000	46,575.12
445.93 · Scholarships	\$1,500	\$2,500	\$0	1,000.00
<b>Total 445 · Denominational Ministries</b>	<b>\$63,500</b>	<b>\$66,500</b>	<b>\$63,000</b>	<b>61,575.12</b>
EXECUTIVE DIRECTOR & CEO				
RONALD HUNTER, JR				
	2014 PACKAGE	2015 PROJECTED PACKAGE		
SALARY***	\$58,151.34	\$59,896		
HOUSING ALLOWANCE	\$33,300	\$34,299		
CHRISTMAS BONUS	<u>\$1,802</u>	<u>\$1,813</u>		
<b>COMPENSATION TOTAL</b>	<b>\$93,253.34</b>	<b>\$96,008</b>		
SOCIAL SECURITY	\$0	\$0		
RETIREMENT	\$4,573	\$4,710		
<b>BENEFITS TOTAL</b>	<b><u>\$4,573</u></b>	<b><u>\$4,710</u></b>		
<b>TOTAL PAY PACKAGE</b>	<b>\$97,826.34</b>	<b>\$100,718</b>		

Medical, Dental, Life and long-term disability in 2014 is 13,134.00. A slight increase is projected for 2015

\*\*\*Salary is subject to change dependent on the performance of the company for that year.



**Summary of the Minutes  
For the Randall House Board**

2013-2014

The Randall House Board had three regular meetings. The first meeting was held at the National Association July 24, 2013 in Tampa, Florida. At the meeting, we elected officers and determined committees. A financial update for 2013 was received as information.

The second meeting was held at Randall House on December 11, 2013 after the Leadership Conference. We heard reports from the Executive Director and the various departments. Each committee presented their reports. We approved the speakers for NYC 2014 and discussed the Spring Board meeting to be held in Cramerton, NC. The board toured the newly remodeled portion of Randall House.

The third meeting was held in Cramerton NC on April 27 and 28, 2014. The board accepted the audit for 2013 and the financials for 2013 along with approving the budget for 2015. The first quarter 2014 financials were reviewed and accepted. We heard reports from the Executive Director and the various departments. The executive director introduced three initiatives for the upcoming year: the research and release of D6 Curriculum the 2<sup>nd</sup> Generation, the launch of an academic imprint, and the implementation of the Engage Network to provide interaction, mentoring and training for leaders. Each committee presented their reports. The Board wishes to honor Danny Dwyer for his distinguished service to Randal House, expresses gratitude for Danny and Carolyn Dwyer's hosting of the meeting in Cramerton, North Carolina and the privilege of board members ministering in six area churches.



## **General Director's Report**

2014

### **Recap**

Last year was a good year for our ministry. Assets increased from \$45,288,356 on December 31, 2012 to \$53,151,945 on December 31, 2013. This was an increase of \$7,863,589 or 17.36% for the year. That is \$21,544.07 per day!

New deposits continue to be strong. Last year was a record year for contributions to the Plan. We received \$3,880,721 in total contributions.

We had distributions of \$2,313,602 in 2013. During the past 45 years we have disbursed \$34,572,302.61 to participants or their heirs to assist in retirement.

We added ten new annuitants last year. We now have 118 annuity contracts totaling \$64,252.45 per month. We also have 63 retirees who chose a self-directed settlement for a specified number of months. The total monthly payments for these contracts is \$56,171.91.

### **Goals**

#### **Serve all of the eligible participants in our denomination**

We added 57 new participants in 2013. This was a four year high. Almost two-thirds of them were in their 20's and 30's. That is encouraging because there are three things necessary for adequate preparation for retirement – money contributed, earnings rate and time. We must consider all three as we make our retirement plans, remembering that the more we have of one, the less we need of the others. Since Christian workers seldom receive large salaries and earnings rates are very difficult to predict, the time factor is generally easiest to control. Starting early, therefore, is very important.

Our aging participant base is a concern. We have 388 (29%) participants that are in what is called *the retirement red zone* -- age 60 and above. Their accounts make up 45% of the total funds.

We are thankful for every church, school, agency or employer who contributes to their pastor's (employee's) retirement account. However, only about one-third of our pastors are enrolled in the Plan. We need to do better than that, not to make us look good, but for their own future benefit.

Many of our churches do not see the need for assisting pastors in retirement planning. We honor the Word and the men who preach the Word yet we fail to care for him at the time of retirement. We can not change the past, but with some effort we can change the present and future.

Every church/employer should be contributing something to the retirement account of their employees, even if it is at the introductory level.

Our plan is open to anyone, men and women, who are employed by a Free Will Baptist Church or agency. That includes ordained or licensed ministers, missionaries, and lay employees. They may be full-time or part-time but they must receive a salary.

I encourage you pastors to enroll in the plan. Layman, challenge your church to take this added step of care for your pastor, associates, secretaries and teachers.

### Experience the highest returns from the safest investments available

Participants now have four investment options available to them, ranging from conservatively invested to aggressive. They are:

- ✓ **Conservative Fund** - This Fund is designed for those between 0-5 years of retirement. Investment in the stock market can range from 5%-35% with a target of 20%.
- ✓ **Moderate Fund** - This Fund is designed for participants who are between 3-10 years of retirement. Investment in the stock market can range from 20%-60% in the market with a target point of 40%.
- ✓ **Default Fund** - This is the option we've had since 1986. It is designed for participants who are between 7-20 years of retirement. Investment in the stock market can range from 40%-70% with a target of 55%.
- ✓ **Maximum Fund** - This Fund is the most aggressive in its investments. It is designed for participants who have 15 or more years before retirement. Investment in the stock market can range from 70%-95% with a target of 85%.

All four funds did well for our participants last year. The chart shows the rates for each fund.

Period	Conservative	Moderate	Default	Maximum
1 Year	2.51%	5.60%	16.52%	23.57%
3 Year	3.08%	5.60%	8.017%	14.95%
5 Year	4.9%		12.14%	
10 Year			6.84%	

The lifetime average of the Default Fund is 8.01%.

Our Plan began as a fixed income investment plan in 1969. All of our funds were invested in church bonds and first mortgage loans to churches and other denominational agencies. In 1986 we began to slowly enter the equity market.

This shift was brought about by the growth of our assets under management and the need to improve returns. We have always used professional managers for the purchase, management and sale of equities. We have three investment managers. Our present investment mix places our plan in a balanced fund class.

Our investment managers follow the guidelines laid out in our Investment Policy Statement. Our screens are the same ones we have utilized since 1986, the same ones we have always been open and honest with you about. We do not invest in any company whose main source of revenue is derived from the sale of alcohol, tobacco, gambling, pornography or Disney.

### **Operate the most efficient program possible**

Our expense ratio for 2013 was .87%. This is the lowest this figure has been in the history of our Plan. In my first Director's Report I set a goal of seeing this figure down to 3/4% before I retire. If our assets continue to grow as they did this year, this could become a reality.

### **Charter Change**

Last year at our convention I submitted a proposed charter change for our ministry. The proposed change will allow the Board of Retirement to offer our Plan to other Free Will Baptists, not associated with the National. It was discussed last year and to be voted on this year.

I sent a copy of our Charter to Robert Pautienus, our local attorney for the National Association whose firm drew up all the charters a few years ago.

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, beginning after the words "amendments thereof." It will now read: ***"for the benefit of ministers and employees of Free Will Baptist churches, as well as any other Free Will Baptist agency."***

### **Health Insurance**

Last year we announced our partnership with Guidestone to offer health insurance to our pastors and lay employees. We received a notice from Guidestone that they were temporarily suspending their personal plan service. They are temporarily not offering personal plans, even to their own Southern Baptist employees. Anyone who already has personal coverage is not affected. They hope everything will be ironed out by the end of the year so they can resume offering this benefit. They still offer group coverage with groups of 10 or more.

### **Conclusion**

Thank you for allowing me to serve you another year. I invite you to visit us at our booth and let us help you get started on your road to preparing for financial security in retirement.

The Board of Retirement  
Synopsis of Board Meetings

**March 25-26, 2013**

Present: Ray Lewis, John Brummitt, Jack Daniel, Craig Cook, Rick Cason, Jack Ward, Danny Baer, Tim Hall, James Beasley & Rick Dement.

Mark Ousley was absent.

Mr. Joel Collum, C.P.A., reviewed the 2012 annual audit and noted that the opinion rendered was unqualified.

Chris Long from Manning & Napier, made a presentation concerning economic conditions, future outlook and the current positioning of each of the portfolios.

The Board participated in a teleconference with Greg Figaro from Sage Advisor Services. He summarized Sage's performance and outlook.

The Board voted to partner with Guidestone Financial Services in offering individual Medical Insurance to our pastors and lay employees.

The proposed budget for the 2014 fiscal year was approved.

**December 10, 2013**

Present: Present: Ray Lewis, John Brummitt, Jack Daniel, Mike Gladson, Rick Cason, Larry Clyatt, Danny Baer, Tim Hall, James Beasley, Randy Wilson & Rick Dement.

The Financial Reports through October 31, 2013, 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.

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

**DECEMBER 31, 2013 and 2012**

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Joel D. Collum, Jr.  
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees 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 June 30, 2013 and 2012, 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 audits. I conducted my audits 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 from 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 Board of Retirement and Insurance of the National Association of Free Will Baptists, Inc. as of June 30, 2013 and 2012, 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 27, 2014

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**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 and 2012**

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
<b>OPERATING ASSETS</b>		
Cash and cash equivalents	\$ 21,269	\$ 13,614
Funds invested with Free Will Baptist Foundation	82,514	60,224
Total Operating Assets	<u>103,783</u>	<u>73,838</u>
<b>RETIREMENT ASSETS</b>		
Cash and cash equivalents	2,271,336	1,705,498
Investment in marketable securities and instruments, at fair market value	50,878,272	43,580,124
Prepaid annuitant benefits	950	1,300
Notes receivable, net of allowance for doubtful accounts	1,387	1,434
Total Retirement Assets	<u>53,151,945</u>	<u>45,288,356</u>
<b>OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES</b>		
at cost, net of accumulated depreciation	<u>42,019</u>	<u>56,589</u>
<b>TOTAL ASSETS</b>	<u>\$ 53,297,747</u>	<u>\$ 45,418,783</u>
	<u><b>LIABILITIES AND NET ASSETS</b></u>	
<b>LIABILITIES</b>		
Accounts payable	\$ 9,323,146	\$ 8,507,064
Accounts payable, accrued expenses and other liabilities	14,162	15,500
Capital lease payable	16,530	5,107
Total liabilities	<u>9,353,838</u>	<u>8,527,671</u>
<b>NET ASSETS</b>		
Unrestricted		
Operations:		
Operating funds (deficit)	(6,875)	(3,521)
Designated for future assets purchases	82,514	60,224
Net invested in equipment	42,019	56,589
Total Operating Net Assets	<u>117,658</u>	<u>113,292</u>
Retirement Accounts:		
Net assets available for participants	43,339,786	36,573,288
Designated as reserve funds	486,465	204,532
Total Retirement Net Assets	<u>43,826,251</u>	<u>36,777,820</u>
Total net assets	<u>43,943,909</u>	<u>36,891,112</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 53,297,747</u>	<u>\$ 45,418,783</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  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	2013			2012		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
<b>SUPPORT, REVENUE AND OTHER ADDITIONS</b>						
Contributions from participants						
Contributions to participant accounts	\$ 3,880,721	\$ -	\$ 3,880,721	\$ 2,355,732	\$ -	\$ 2,355,732
Repayment of participant loans	430,858	-	430,858	413,247	-	413,247
	<u>4,311,579</u>	<u>-</u>	<u>4,311,579</u>	<u>2,768,979</u>	<u>-</u>	<u>2,768,979</u>
Investment income:						
Gains of investment portfolio:						
Net realized gains (losses)	1,920,214	-	1,920,214	3,511,552	-	3,511,552
Net unrealized gains (losses)	4,057,235	-	4,057,235	388,514	-	388,514
	<u>5,977,449</u>	<u>-</u>	<u>5,977,449</u>	<u>3,900,066</u>	<u>-</u>	<u>3,900,066</u>
Interest and dividends from investments (net investment fees)	1,008,875	-	1,008,875	860,439	-	860,439
Total investment income	<u>6,986,324</u>	<u>-</u>	<u>6,986,324</u>	<u>4,760,505</u>	<u>-</u>	<u>4,760,505</u>
Income earned from interest bearing notes:						
Interest income	23,607	1,956	25,563	23,483	1,343	24,826
Gain (loss) on sale of property and equipment	-	(1,996)	(1,996)	-	-	-
Total income earned from interest and sale of property	<u>23,607</u>	<u>(40)</u>	<u>23,567</u>	<u>23,483</u>	<u>1,343</u>	<u>24,826</u>
Gifts						
Miscellaneous income	-	74,498	74,498	-	73,901	73,901
Total other income	<u>-</u>	<u>75,644</u>	<u>75,644</u>	<u>-</u>	<u>73,901</u>	<u>73,901</u>
Total additions	11,321,510	75,604	11,397,114	7,552,967	75,244	7,628,211
Allocation for Operations	(393,609)	393,609	-	(352,737)	352,737	-
Net additions after allocation for operations	<u>\$10,927,901</u>	<u>\$ 469,213</u>	<u>\$11,397,114</u>	<u>\$ 7,200,230</u>	<u>\$ 427,981</u>	<u>\$ 7,628,211</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, 2013 and 2012**

	2013			2012		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Net additions after allocation for operations	\$ 10,927,901	\$ 469,213	\$ 11,397,114	\$ 7,200,230	\$ 427,981	\$ 7,628,211
<b>EXPENSES AND OTHER DEDUCTIONS</b>						
Withdrawals from participants	1,964,882	-	1,964,882	1,722,333	-	1,722,333
Participant loans	348,720	-	348,720	457,745	-	457,745
Transfers to annuities by participants	876,032	-	876,032	331,556	-	331,556
Insurance deductions from participants accounts	26,330	-	26,330	27,047	-	27,047
Income allocated to annuitant obligations	660,811	-	660,811	541,617	-	541,617
Salaries	-	137,443	137,443	-	131,209	131,209
Housing	-	31,200	31,200	-	31,200	31,200
Fringe Benefits	-	70,867	70,867	-	65,455	65,455
Travel and promotional	-	47,352	47,352	-	35,764	35,764
Auto maintenance and expense	-	4,445	4,445	-	3,324	3,324
Office supplies and expense	2,695	77,841	80,536	2,651	69,554	72,205
Occupancy	-	32,800	32,800	-	31,938	31,938
Board members expense	-	14,965	14,965	-	8,637	8,637
Legal and accounting	-	20,075	20,075	-	19,597	19,597
Depreciation	-	27,814	27,814	-	34,245	34,245
Miscellaneous	-	45	45	-	796	796
Total deductions	3,879,470	464,847	4,344,317	3,082,949	431,719	3,514,668
Increase (decrease) in net assets	7,048,431	4,366	7,052,797	4,117,281	(3,738)	4,113,543
NET ASSETS - beginning of year	36,777,820	113,292	36,891,112	32,660,539	117,030	32,777,569
NET ASSETS - end of year	\$ 43,826,251	\$ 117,658	\$ 43,943,909	\$ 36,777,820	\$ 113,292	\$ 36,891,112

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, 2013 and 2012**

	2013			2012		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from:						
Contributions from participants and employers	\$ 4,311,579	\$ -	\$ 4,311,579	\$ 2,768,979	\$ -	\$ 2,768,979
Gifts	-	74,498	74,498	-	73,901	73,901
Income earned from interest and sale of loan property	23,607	-	23,607	23,483	-	23,483
Investment income	1,008,875	1,956	1,010,831	860,439	1,343	861,782
Miscellaneous income	-	1,146	1,146	-	-	-
Cash paid for:						
Supplies and employees	(29,599)	(437,447)	(467,046)	(29,819)	(397,791)	(427,610)
Withdrawal of funds by participants	(3,189,634)	-	(3,189,634)	(2,511,634)	-	(2,511,634)
Income allocated to annuitant obligations	(660,811)	-	(660,811)	(541,617)	-	(541,617)
Net Cash Provided (Used)						
By Operating Activities	1,464,017	(359,847)	1,104,170	569,831	(322,547)	247,284
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchases of office furniture, equipment and automobiles	-	-	-	-	(5,040)	(5,040)
Investments:						
Purchases of investment securities	(32,651,259)	-	(32,651,259)	(29,793,484)	-	(29,793,484)
Funds invested with Free Will Baptist Foundation	-	(22,290)	(22,290)	-	(17,187)	(17,187)
Proceeds from sale of investment securities	31,330,560	-	31,330,560	28,995,462	-	28,995,462
Notes receivable:						
New loans made	(348,720)	-	(348,720)	(457,856)	-	(457,856)
Collection of notes receivable	348,767	-	348,767	457,904	-	457,904
Net Cash Provided (Used)						
By Investing Activities	(1,320,652)	(22,290)	(1,342,942)	(797,974)	(22,227)	(820,201)

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, 2013 and 2012**

	2013			2012		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Allocation for operations	\$ (393,609)	\$ 393,609	\$ -	\$ (352,737)	\$ 352,737	\$ -
Net to additions to (withdrawals from) annuities payable	816,082	-	816,082	192,392	-	192,392
Repayments on capital lease	-	(3,817)	(3,817)	-	(3,238)	(3,238)
Net Cash Provided (Used) By Financing Activities	422,473	389,792	812,265	(160,345)	349,499	189,154
<b>INCREASE (DECREASE) IN CASH</b>	565,838	7,655	573,493	(388,488)	4,725	(383,763)
Cash and cash equivalents at beginning of years	1,705,498	13,614	1,719,112	2,093,986	8,889	2,102,875
Cash and cash equivalents at end of years	\$ 2,271,336	\$ 21,269	\$ 2,292,605	\$ 1,705,498	\$ 13,614	\$ 1,719,112
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Increase (decrease) in net assets	\$ 7,048,431	\$ 4,366	\$ 7,052,797	\$ 4,117,281	\$ (3,738)	\$ 4,113,543
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization	-	27,814	27,814	-	34,245	34,245
Allocation for operations	393,609	(393,609)	-	352,737	(352,737)	-
Loss (gains) on investment transactions	(5,977,449)	-	(5,977,449)	(3,900,066)	-	(3,900,066)
Loss (gain) on sale of property and equipment	-	1,996	1,996	-	-	-
Decrease (increase) in prepaid expenses	350	-	350	-	-	-
Increase (decrease) in accounts payable, accrued expenses and other	(924)	(414)	(1,338)	(121)	(317)	(438)
Total adjustments	(5,584,414)	(364,213)	(5,948,627)	(3,547,450)	(318,809)	(3,866,259)
Net Cash Provided (Used) By Operating Activities	\$ 1,464,017	\$ (359,847)	\$ 1,104,170	\$ 569,831	\$ (322,547)	\$ 247,284
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>						
Purchase of property and equipment with a capital lease	\$ -	\$ 16,826	\$ 16,826	\$ -	\$ -	\$ -

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, 2013 and 2012**

**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, 2013 and 2012**

**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

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, 2013 and 2012.

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, 2013 and 2012**

**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 2013 amounted to \$11,805 (\$11,369 for 2012).

**2. OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES**

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

	<b>2013</b>	<b>2012</b>
Office furniture and fixtures	\$ 50,607	\$ 47,216
Computer hardware and software	143,823	143,823
Automobiles	56,627	56,627
	<u>251,057</u>	<u>247,666</u>
Less: Accumulated depreciation	(209,038)	(191,077)
	<u><u>\$ 42,019</u></u>	<u><u>\$ 56,589</u></u>

**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**3. NOTES RECEIVABLE**

Following is a summary of notes receivable:

	<b>2013</b>	<b>2012</b>
Participant notes (net) secured by retirement account balances	\$ 1,387	\$ 1,434

The notes bear interest at 3.0% and mature at various dates from 2014 through 2018.

**4. INVESTMENTS IN MARKETABLE SECURITIES AND INSTRUMENTS**

	2013		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Mutual Funds	\$ 9,531,820	\$ 9,023,968	\$ 507,852
Common Stocks	24,993,107	18,358,326	6,634,781
U.S. Government Issues	10,225,531	10,389,425	(163,894)
Corporate Bonds	5,872,560	5,901,222	(28,662)
Real Estate Investment Trusts	255,254	250,751	4,503
Total Investments	\$ 50,878,272	\$ 43,923,692	\$ 6,954,580

For 2013, total investment gain (loss) relating to marketable securities and instruments amounted to \$6,986,324 and consisted of investment gains (losses) of \$5,977,449 and interest and dividends of \$1,008,875 (net of investment fees of \$350,986). Investment income (loss) represented yields of 14.79% and 16.55% based on the average market value and average cost of such investments.

	2012		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Mutual Funds	\$ 11,307,929	\$ 11,193,958	\$ 113,971
Common Stocks	18,383,912	15,644,378	2,739,534
U.S. Government Issues	9,994,575	9,923,974	70,601
Corporate Bonds	3,559,381	3,415,960	143,421
Real Estate Investment Trusts	334,327	315,098	19,229
Total Investments	\$ 43,580,124	\$ 40,493,368	\$ 3,086,756

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.



**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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 2012) per square foot per month. The Board shares a portion of the space with the Free Will Baptist Foundation. Total lease payments were \$32,800 and \$31,938 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, the recorded liability amounted to \$9,323,146 and \$8,507,064 respectively. The actuary has determined that the reserve account exceeded the current periodic benefit at December 31, 2013 by \$939,165 (by \$487,286 at December 31, 2012). Management has requested a 3% 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, 2013 and 2012:

	2013		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 1,387	\$ 1,387	\$ -
Cash and cash equivalents	330,208	250,000	80,208
Funds invested with the Free Will Baptist Foundation	82,514	82,514	-
Short-term liquid investments	1,962,397	1,470,640	491,757
Corporate bonds	5,872,560	-	5,872,560
Mutual funds	9,531,820	-	9,531,820
Common stocks	24,993,107	-	24,993,107
U.S. Treasury notes and bills	10,225,531	10,225,531	-
Real Estate Investment Trusts	255,254	-	255,254
	<u>\$ 53,254,778</u>	<u>\$ 12,030,072</u>	<u>\$ 41,224,706</u>

**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**7. INFORMATION REGARDING FINANCIAL INSTRUMENTS - CONTINUED**

	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	-
Other investments	334,327	-	334,327
	<u>\$45,360,894</u>	<u>\$11,539,779</u>	<u>\$33,821,115</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, 2013 Using				
	Quoted Prices			
	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds	\$ 9,531,820	\$ 4,708,270	\$ 4,823,550	\$ -
Common Stocks	24,993,107	24,993,107	-	-
U.S. Government Issues	10,225,531	-	10,225,531	-
Corporate Bonds	5,872,560	-	5,872,560	-
Real Estate Investment Trusts	255,254	255,254	-	-
	<u>\$50,878,272</u>	<u>\$29,956,631</u>	<u>\$20,921,641</u>	<u>\$ -</u>

**BOARD OF RETIREMENT AND INSURANCE OF  
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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, 2012 Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Mutual Funds	\$11,307,929	\$ 6,650,931	\$ 4,656,998	\$ -
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>\$25,369,170</u>	<u>\$18,210,954</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, 2013 and 2012**

**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 \$4,976.

Future minimum payments under the lease are as follows:

2014	\$ 4,976
2015	4,976
2016	4,975
2017	<u>4,561</u>
	19,488
Less amount representing interest	<u>(2,958)</u>
Present value of net minimum lease payments	<u>\$ 16,530</u>

The depreciation expense related to this office equipment amounted to \$2,800.

The imputed interest included in the payments for this equipment amounted to \$734.

**10. RELATED PARTY TRANSACTIONS**

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 27, 2014 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, 2013, 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 2015**

	2013 Budget	2013 Actual	2014 Budget	2015 Proposed
<b>INCOME</b>				
Service Fees	\$396,200	\$393,609.42	\$397,100	\$471,000
Insurance Administrative Fees	600	1,817.10	600	1,800
The Together Way	72,000	70,174.93	72,000	72,000
Other State Gifts	700	444.26	800	500
Rest of the Family Offering	2,000	2,061.71	2,000	2,000
Interest Income	2,500	1,955.76	1,500	2,000
Miscellaneous Income	1,000	1,146.32	1,000	1,000
<b>TOTAL</b>	<b>\$475,000</b>	<b>\$471,209.50</b>	<b>\$475,000</b>	<b>\$550,300</b>
<b>EXPENSES</b>				
Salaries	\$137,446	\$137,443.34	\$142,432	\$170,621
Employee Benefits	75,250	70,867.22	77,791	82,911
Housing	31,200	31,200.00	31,200	44,200
Travel/Promotion	40,000	47,351.81	40,000	55,000
Auto Maintenance	5,000	4,444.84	5,000	6,000
Future Purchases/Auto	12,000	12,000.00	12,000	12,000
Hardware/Software Future Purchases	12,000	12,000.00	12,000	12,000
Plant Fund	35,000	32,799.94	35,000	36,000
Office Expense	40,000	36,493.05	35,000	36,000
Equipment Lease	4,000	965.41	4,000	2,000
Equipment	3,000		3,000	5,000
Education/Training	6,000	8,874.83	6,000	10,000
Publications	27,000	24,787.56	27,000	27,000
Board Expense	14,000	14,964.77	12,000	15,000
Legal	10,000	4,615.43	7,500	7,500
Auditing	16,000	15,460.00	16,000	16,000
Offsite Backup Storage	1,000		1,000	1,000
Website Hosting/Maintenance	1,000	575.00	2,500	2,500
Software Maintenance	4,000	6,145.00	4,500	7,500
Depreciation Expense		27,813.89		
Miscellaneous	1,104	44.94	1,077	1,768
<b>TOTAL</b>	<b>\$475,000</b>	<b>\$488,847.03</b>	<b>\$475,000</b>	<b>\$550,000</b>

Board of Retirement and Insurance  
Salary and Benefits Breakdown

	2013	2014	2015
General Director: Ray Lewis			
Salary	47,366.61	48,937.94	50,540.70
Housing/Utilities	31,200.00	31,200.00	31,200.00
Social Security/Medicare	14,192.08	14,475.92	14,765.44
Christmas Check	1,783.82	1,819.50	1,855.89
Retirement	5,624.53	5,737.02	5,851.76
Insurance	12,164.71	13,381.18	9,800.00
Note: Office Car Furnished			
Total	112,331.75	115,551.56	114,013.79

CFO: John Brummitt			
Salary	52,768.05	56,989.49	61,548.65
Social Security/Medicare	4,114.39	4,443.54	4,799.02
Christmas Check	1,014.77	1,095.95	1,183.63
Retirement	3,764.80	4,065.98	4,391.26
Insurance	13,920.41	15,312.45	16,843.70
Note: Office Car Furnished			
Total	75,582.42	81,907.41	88,766.26

Incoming General Director: (Six Months)			
Salary			20,000.00
Housing/Utilities			13,000.00
Social Security/Medicare			2,524.50
Christmas Check			1,317.77
Retirement			2,402.24
Insurance			8,421.85
Note: Office Car Furnished			
Total			47,666.36

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



### North American Ministries 2013

Dear Friends of Home Missions,

During the 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 2013 were over 4.4 million. Thank you for your faithful support. Listed below are the top ten states that have excelled.

North Carolina	\$671,524.98
Alabama	534,132.40
Tennessee	363,264.43
Colorado	273,905.68
Florida	223,130.71
Oklahoma	167,962.99
Arkansas	160,000.86
Missouri	148,189.24
Mississippi	148,137.67
Illinois	147,398.34

### **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 Trogon, 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  
Retiring General Director  
Home Missions North America

Dr. H. David Crowe  
Executive Director  
December 2013



**April 30, 2013**

A motion was made to announce on the floor of the National Association of Free Will Baptists meeting in Tampa Bay, Florida the new executive director, Dr. H. David Crowe of National Home Missions. M/S/C

A motion was made to give special commendation to Board members who have faithfully served Home Missions North America. M/S/C

A motion was made to give commendation to all church planters who have brought their mission churches to self-supporting status. M/S/C

**July 24, 2013**

Brad Ransom has been hired by National Home Missions to be Director of Church Planting. Brad gave greetings to the Board and shared his heart.

A motion was made and seconded and carried to reduce both the CELF investment rate and loan rate by one half percent beginning September 1, 2013.

**December 11, 2013**

Motion was made, seconded and carried to choose Tim Stout as board clerk.

Larry Powell welcomed new board members: Frank Webster, Frank Wiley and Jeff Jones.

Larry Powell shared thoughts of appreciation for the privilege to serve as a home missionary and for the past 12 years as director and then he passed the baton to David Crowe. Very touching!

Welcome to the new director, David Crowe!



**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, 2013 and 2012, 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, 2013 and 2012, 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.

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

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.  
Page 2

***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.

Handwritten signature of Joel D. Callum, Jr., CPA in cursive script.

Nashville, Tennessee  
April 25, 2014

**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, 2013 and 2012**

**ASSETS**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>ASSETS</b>		
Cash	\$ 157,427	\$ 338,297
Investments	7,412	5,169
Investments in Church Extension Fund	886,608	1,229,561
Accounts receivable - related party	117,399	155,949
Inventory	36,341	46,558
Property & equipment, at cost less accumulated less accumulated depreciation of \$97,714 (\$142,458 in 2012)	<u>189,659</u>	<u>146,765</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,394,846</u></b>	<b><u>\$ 1,922,299</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 20,811	\$ 9,124
Capital lease payable	<u>5,934</u>	<u>9,589</u>
<b>Total liabilities</b>	<b><u>26,745</u></b>	<b><u>18,713</u></b>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted		
Operating	924,904	1,310,444
Board designated	<u>343,255</u>	<u>343,255</u>
Total Unrestricted	1,268,159	1,653,699
Temporarily Restricted	<u>99,942</u>	<u>249,887</u>
<b>Total net assets</b>	<b><u>1,368,101</u></b>	<b><u>1,903,586</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,394,846</u></b>	<b><u>\$ 1,922,299</u></b>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED</b>		
<b>REVENUES</b>		
Cooperative program	\$ 138,868	\$ 164,810
Designated contributions	527,730	1,018,403
Management fees - Note 4	418,000	240,000
Interest income	50,585	54,610
Gain (loss) on sale of property & equipment	4,518	2,000
Unrealized gain (loss) on value of investment	2,243	1,365
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>3,541,976</u>	<u>3,571,592</u>
Total revenue	<u>4,683,920</u>	<u>5,052,780</u>
<b>EXPENSES</b>		
Administrative expenses	1,527,484	1,295,676
Missionary expenses	3,186,095	3,353,751
Missionary land & building	<u>355,881</u>	<u>217,841</u>
Total expenses	<u>5,069,460</u>	<u>4,867,268</u>
Increase (decrease) in unrestricted net assets	<u>(385,540)</u>	<u>185,512</u>
<b>TEMPORARILY RESTRICTED</b>		
<b>REVENUES</b>		
Cooperative program	483,638	638,362
Designated contributions	2,908,393	2,898,673
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	(3,186,095)	(3,353,751)
Missionary land & building	<u>(355,881)</u>	<u>(217,841)</u>
Increase (decrease) in temporarily restricted net assets	<u>(149,945)</u>	<u>(34,557)</u>
Total increase (decrease) in net assets	(535,485)	150,955
Net assets - beginning of year	<u>1,903,586</u>	<u>1,752,631</u>
Net assets - end of year	<u><u>\$ 1,368,101</u></u>	<u><u>\$ 1,903,586</u></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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (535,485)	\$ 150,955
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Deprecation	23,579	19,632
(Gain) loss on sale of property & equipment	(4,518)	(2,000)
(Gain) loss on value of investment	(2,243)	(1,365)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	38,550	135,520
(Increase) decrease in inventories	10,217	(3,273)
Increase (decrease) in accounts payable and accrued expenses	11,687	3,340
Net Cash Provided (Used) By Operating Activities	<u>(458,213)</u>	<u>302,809</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Redemption of investments	393,538	8,000
Acquisition of investments	(50,585)	(522,359)
Proceeds from the sale of property and equipment	11,000	2,000
Purchases of property and equipment	<u>(72,955)</u>	<u>(12,334)</u>
Net Cash Provided (Used) By Investing Activities	<u>280,998</u>	<u>(524,693)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital lease payments made	<u>(3,655)</u>	<u>(3,633)</u>
Net Cash Provided (Used) by Financing Activities	<u>(3,655)</u>	<u>(3,633)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(180,870)	(225,517)
Cash and cash equivalents at beginning of years	<u>338,297</u>	<u>563,814</u>
Cash and cash equivalents at end of years	<u><u>\$ 157,427</u></u>	<u><u>\$ 338,297</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u><u>\$ 712</u></u>	<u><u>\$ 1,131</u></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, 2013 and 2012**

**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 2013 or 2012.

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, 2013 and 2012.

**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, 2013 and 2012**

**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, 2013 and 2012**

**2. PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows:

	<b>2013</b>	<b>2012</b>
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	70,498	66,699
Office furniture & equipment	111,875	128,894
	<u>287,373</u>	<u>300,593</u>
Less: Accumulated depreciation	(97,714)	(146,530)
	<u>\$ 189,659</u>	<u>\$ 154,063</u>
Depreciation for the year	<u>\$ 23,579</u>	<u>\$ 19,632</u>

**3. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<b>2013</b>	<b>2012</b>
Missionaries	<u>\$ 99,942</u>	<u>\$ 249,887</u>

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 \$418,000 (\$240,000 at December 31, 2012) 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 \$886,608 (\$1,229,561 at December 31, 2012). 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 \$117,399 (\$155,949 at December 31, 2012).

**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, 2013 and 2012**

**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, 2012).

**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, 2013, the excess amount over the federally insured limit was \$-0- (\$88,297 in 2012). 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 \$886,608 (\$1,229,561 in 2012) 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 \$67,671 (\$65,604 in 2012). 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, 2013 and 2012**

**9. INVESTMENTS**

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

	December 31, 2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 144,684</u>	<u>\$ 7,412</u>	<u>\$ (137,272)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 2,243</u>
---	-----------------

	December 31, 2012		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 144,684</u>	<u>\$ 5,169</u>	<u>\$ (139,515)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 1,365</u>
---	-----------------

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, 2013, 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, 2013 and 2012**

**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:

2014	\$ 4,764
2015	1,190
	<u>5,954</u>
Less amount representing interest	<u>(418)</u>
Present value of net minimum lease payments	<u>\$ 5,536</u>

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.

	<u>2013</u>	<u>2012</u>
Total assets	<u>\$ 53,747,063</u>	<u>\$ 50,703,392</u>
Total liabilities	<u>\$ 51,460,883</u>	<u>\$ 48,673,908</u>
Net assets	<u>\$ 2,286,180</u>	<u>\$ 2,029,484</u>
Revenue	<u>\$ 3,563,324</u>	<u>\$ 3,247,016</u>
Expenses	<u>\$ 3,306,628</u>	<u>\$ 3,247,016</u>

**13. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by Management through April 25, 2014 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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b><i>ADMINISTRATIVE EXPENSES</i></b>		
Salaries and wages	\$ 368,776	\$ 349,997
Payroll taxes	13,664	13,385
Housing allowance and employee benefits	75,345	72,550
Retirement	9,163	10,120
Cost of literature	103	8,592
Promotion expense	199,539	223,412
Utilities	16,122	15,350
Office expense	36,331	31,363
Printing and postage	53,259	45,524
Rent expense	57,264	57,264
Professional fees	7,200	6,600
Auto and travel expense	282,302	272,551
Board meeting expense	16,121	11,281
Insurance expense	82,851	76,914
Telephone	4,157	4,440
Scholarships	500	1,500
Flowers and gifts	20,844	2,173
Miscellaneous	880	875
One magazine	71,022	71,022
Interest expense	712	1,131
Transfer to CELF	187,750	-
Depreciation	23,579	19,632
Total administrative expenses	<u>1,527,484</u>	<u>1,295,676</u>
<b><i>MISSIONARY EXPENSES</i></b>		
Salary and wages	2,612,368	2,731,751
Retirement	58,508	55,484
Promotion expense	3,147	1,000
Printing and postage	93,740	94,734
Literature	86,576	99,148
Auto and travel expense	124,549	160,840
Insurance expense	62,812	58,386
Miscellaneous other expense	144,395	152,408
Total missionary expenses	<u>3,186,095</u>	<u>3,353,751</u>
<b><i>MISSIONARY LAND &amp; BUILDINGS</i></b>	<u>355,881</u>	<u>217,841</u>
Total Expenses	<u><u>\$ 5,069,460</u></u>	<u><u>\$ 4,867,268</u></u>

	2013	2014	2015
Executive Director: David Crowe			
Salary	\$58,000.00	\$66,755.00	\$68,450.00
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$4,700.00	\$5,000.00	\$5,500.00
Retirement	\$3,800.00	\$4,235.00	\$4,325.00
Insurance*	\$17,300.00	\$15,925.00	\$17,000.00
TOTALS	\$101,800.00	\$109,915.00	\$113,275.00
Office car furnished			
Executive Director 12/1/13			
Director of Church Planting: Brad Ransom			
Salary	\$29,838.00	\$52,385.00	\$53,792.00
Housing	\$8,250.00	\$18,000.00	\$18,000.00
Utilities	\$415.00	\$4,500.00	\$5,500.00
Retirement	\$575.00	\$1,407.00	\$1,435.00
Insurance*	\$4,885.00	\$15,925.00	\$17,000.00
TOTALS	\$43,963.00	\$92,217.00	\$95,727.00
Office car furnished			
Hired 8/19/13			
Director of Church Revitalization: Jim McComas			
Salary	\$0.00	\$40,654.00	\$50,192.00
Housing	\$0.00	\$18,000.00	\$21,600.00
Utilities	\$0.00	\$4,500.00	\$5,500.00
Retirement	\$0.00	\$1,173.00	\$1,435.00
Insurance*	\$0.00	\$6,675.00	\$8,500.00
TOTALS	\$0.00	\$71,002.00	\$87,227.00
Office car furnished			
Hired 3/1/14			
Insurance: Travel, Life, Health, Dental			

Year 2013:	Adm. Budget	Actual Expenses	Missionary Budget	Actual Expenses	Total Budget	Total Expenses
Salaries/Housing	\$400,000.00	\$444,121.12	\$3,000,000.00	\$2,612,367.73	\$3,400,000.00	\$3,056,488.85
Retirement	\$10,000.00	\$9,162.76	\$50,000.00	\$58,508.17	\$60,000.00	\$67,670.93
Insurance	\$75,000.00	\$82,850.85	\$60,000.00	\$62,811.69	\$135,000.00	\$145,662.54
Auto and Travel	\$300,000.00	\$282,301.77	\$200,000.00	\$124,549.29	\$500,000.00	\$406,851.06
Postage	\$25,000.00	\$20,666.52	\$30,000.00	\$28,653.27	\$55,000.00	\$49,319.79
Printing	\$50,000.00	\$32,592.74	\$65,000.00	\$65,086.58	\$115,000.00	\$97,679.32
Promotion/Advertising	\$125,000.00	\$199,539.21	\$10,000.00	\$3,147.06	\$135,000.00	\$202,686.27
Office Supplies/Maintenance	\$25,000.00	\$37,043.09			\$25,000.00	\$37,043.09
ONE Magazine	\$70,000.00	\$71,022.24			\$70,000.00	\$71,022.24
Utilities	\$15,000.00	\$16,122.24			\$15,000.00	\$16,122.24
Board Expense	\$10,000.00	\$16,121.36			\$10,000.00	\$16,121.36
Literature	\$10,000.00	\$102.78	\$70,000.00	\$86,576.29	\$80,000.00	\$86,679.07
Rent	\$58,000.00	\$57,264.00			\$58,000.00	\$57,264.00
Phone and FAX	\$3,000.00	\$4,156.99			\$3,000.00	\$4,156.99
Depreciation	\$20,000.00	\$23,579.16			\$20,000.00	\$23,579.16
Payroll Taxes	\$10,000.00	\$11,073.73			\$10,000.00	\$11,073.73
Medicare Taxes	\$2,500.00	\$2,589.83			\$2,500.00	\$2,589.83
Legal and Audit	\$8,000.00	\$7,200.00			\$8,000.00	\$7,200.00
Misc.	\$2,500.00	\$880.00	\$75,000.00	\$111,117.12	\$77,500.00	\$111,997.12
Scholarships	\$3,000.00	\$500.00			\$3,000.00	\$500.00
Flowers/Gifts	\$3,000.00	\$20,843.79			\$3,000.00	\$20,843.79
Misc. Receipts			\$ 10,000.00	\$16,980.73	\$10,000.00	\$16,980.73
Land/Building			\$ 200,000.00	\$355,880.82	\$200,000.00	\$355,880.82
Foreign Missions Exchange			\$5,000.00	\$16,297.46	\$5,000.00	\$16,297.46
TOTALS	\$1,225,000.00	\$1,339,734.18	\$3,775,000.00	\$3,541,976.21	\$5,000,000.00	\$4,881,710.39

# 2015 State Quotas

Alabama	\$550,000.00
Arizona	\$65,000.00
Arkansas	\$175,000.00
California	\$125,000.00
Canada	\$5,000.00
Colorado	\$35,000.00
Florida	\$250,000.00
FWB Foundation	\$10,500.00
Georgia	\$155,000.00
Hawaii	\$3,000.00
Idaho	\$2,000.00
Illinois	\$150,000.00
Indiana	\$55,000.00
Iowa	\$2,500.00
Kansas	\$5,000.00
Kentucky	\$120,000.00
Louisiana	\$20,000.00
Maine	\$2,500.00
Michigan	\$100,000.00
Mid-Atlantic	\$20,000.00
Minnesota	\$3,000.00
Mississippi	\$175,000.00
Missouri	\$225,000.00
Montana	\$1,000.00
New Hampshire	\$6,000.00
New Mexico	\$2,500.00
New York	\$6,000.00
North Carolina	\$650,000.00
Ohio	\$200,000.00
Oklahoma	\$250,000.00
Oregon	\$5,000.00
Other Income	\$300,000.00
Other States	\$30,000.00
Pennsylvania	\$35,000.00
Rhode Island	\$5,000.00
South Carolina	\$150,000.00
Tennessee	\$600,000.00
Texas	\$110,000.00
Utah	\$8,000.00
Virgin Islands	\$55,000.00
Virginia	\$175,000.00
Washington	\$5,000.00
West Virginia	\$120,000.00
Wisconsin	\$10,000.00
WNAC	\$20,000.00
Wyoming	\$3,000.00
TOTAL	\$5,000,000.00



# 2015 Budget

	Administrative	Missionary	Total
Salaries/Housing	\$435,000.00	\$2,775,000.00	\$3,210,000.00
Retirement	\$5,000.00	\$50,000.00	\$55,000.00
Insurance	\$80,000.00	\$60,000.00	\$140,000.00
Auto and Travel	\$280,000.00	\$200,000.00	\$480,000.00
Postage	\$25,000.00	\$35,000.00	\$60,000.00
Printing	\$25,000.00	\$65,000.00	\$90,000.00
Promotion/Adv.	\$200,000.00	\$2,000.00	\$202,000.00
Off. Supplies/Maint.	\$30,000.00		\$30,000.00
ONE Magazine	\$75,000.00		\$75,000.00
Utilities	\$15,000.00		\$15,000.00
Board Expense	\$15,000.00		\$15,000.00
Literature	\$5,000.00	\$165,000.00	\$170,000.00
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.	\$5,000.00	\$80,000.00	\$85,000.00
Scholarships	\$3,000.00		\$3,000.00
Flowers/Gifts	\$5,000.00		\$5,000.00
Misc. Receipts		\$5,000.00	\$5,000.00
Land/Building		\$250,000.00	\$250,000.00
FM Exchange		\$5,000.00	\$5,000.00
TOTALS	\$1,308,000.00	\$3,692,000.00	\$5,000,000.00



## **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, 2013 and 2012, 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, 2013 and 2012, 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.

Nashville, Tennessee  
April 25, 2014

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

**CHURCH EXTENSION LOAN FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 and 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 4,173,206	\$ 2,799,208
Certificates of deposit	251,257	250,000
Investment in the Free Will Baptist Foundation	2,095,993	2,034,500
Notes receivable, net of allowance for doubtful accounts of \$316,733 (\$67,780 in 2012)	46,921,979	45,286,516
Accrued interest receivable	269,206	280,735
Property & equipment, at cost less accumulated depreciation of \$55,462 (\$38,451 in 2012)	35,422	52,433
<b>TOTAL ASSETS</b>	<u><u>\$ 53,747,063</u></u>	<u><u>\$ 50,703,392</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable - related party	\$ 117,399	\$ 155,949
Accrued interest	472	458
Revocable and irrevocable trusts	1,334,354	1,337,635
Notes payable	50,002,973	47,179,180
Other accrued liabilities	5,685	686
<b>Total liabilities</b>	<u>51,460,883</u>	<u>48,673,908</u>
<b>NET ASSETS</b>		
Unrestricted	2,217,234	2,029,484
Board designated	68,946	-
<b>Total net assets</b>	<u>2,286,180</u>	<u>2,029,484</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 53,747,063</u></u>	<u><u>\$ 50,703,392</u></u>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING</b>		
<b>REVENUES</b>		
Investment income	\$ 63,132	\$ 36,151
Interest income on notes receivable	3,303,496	3,207,113
Contributions	196,696	-
Gain on disposition of property & equipment	<u>-</u>	<u>3,752</u>
Total revenue	<u>3,563,324</u>	<u>3,247,016</u>
<b>EXPENSES</b>		
Interest expense	2,327,172	2,230,286
Office expense	49,032	4,699
Management fee - Note 4	418,000	240,000
Promotion	69,906	55,387
Professional fees	9,155	8,230
Depreciation	17,011	16,779
Build My Church Project expense	50,000	50,000
Transfer to Free Will Baptists Home Missions	117,399	155,949
Bad debt expense	<u>248,953</u>	<u>485,686</u>
Total expenses	<u>3,306,628</u>	<u>3,247,016</u>
Increase (decrease) in operating net assets	<u>256,696</u>	<u>-</u>
<b>BUILD MY CHURCH - NOTE 5</b>		
<b>REVENUES</b>		
Designated Contributions	-	-
<b>EXPENSES</b>		
Transfer to Free Will Baptists Home Missions	<u>-</u>	<u>-</u>
Increase (decrease) in Build My Church net assets	<u>-</u>	<u>-</u>
Total increase (decrease) in net assets	256,696	-
Net assets - beginning of year	<u>2,029,484</u>	<u>2,029,484</u>
Net assets - end of year	<u><u>\$ 2,286,180</u></u>	<u><u>\$ 2,029,484</u></u>

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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 256,696	\$ -
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,011	16,779
Gain on disposition of property & equipment	-	(3,752)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	11,529	(36,598)
Increase (decrease) in accounts payable	(38,550)	(135,520)
Increase (decrease) in accrued expenses	4,999	-
Increase (decrease) in accrued interest payable	14	23
Net Cash Provided (Used) By Operating Activities	<u>251,699</u>	<u>(159,068)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to notes and bonds receivable	(7,613,861)	(8,820,463)
Collection on notes receivable	5,729,445	3,320,600
Purchase of certificates of deposit	(1,257)	(250,000)
Redemption of certificates of deposit	-	254,780
Purchase of Free Will Baptist Foundation investment	(61,493)	(2,034,500)
Increase in allowance for doubtful accounts	248,953	(312,221)
Purchases of new equipment	-	(27,999)
Net Cash Provided (Used) By Investing Activities	<u>(1,698,213)</u>	<u>(7,869,803)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to trust	80,613	84,682
Terminations of trust	(83,894)	(269,425)
Additions to notes payable	6,334,385	11,392,932
Repayment of notes payable	(3,510,592)	(2,329,883)
Net Cash Provided (Used) by Financing Activities	<u>2,820,512</u>	<u>8,878,306</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,373,998</u>	<u>849,435</u>
Cash and cash equivalents at beginning of years	<u>2,799,208</u>	<u>1,949,773</u>
Cash and cash equivalents at end of years	<u>\$ 4,173,206</u>	<u>\$ 2,799,208</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest received	<u>\$ 3,315,025</u>	<u>\$ 3,170,515</u>
Interest paid	<u>\$ 2,327,158</u>	<u>\$ 2,230,263</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Loans written off	<u>\$ -</u>	<u>\$ 797,906</u>
Value recorded on trade-in of equipment exchanged for new equipment	<u>\$ -</u>	<u>\$ 4,003</u>

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

**CHURCH EXTENSION LOAN FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**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 2013 (\$0- for 2012).

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, 2013 and 2012**

**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:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Automobile	\$ 35,754	\$ 35,754
Office equipment	<u>55,130</u>	<u>55,130</u>
	90,884	90,884
Less: Accumulated depreciation	<u>(55,462)</u>	<u>(38,451)</u>
	<u><u>\$ 35,422</u></u>	<u><u>\$ 52,433</u></u>

**3. NOTES PAYABLE**

Notes payable consist of 3 - 4.5% (3.5 - 5% in 2012) 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, 2013 and 2012**

**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 \$418,000 (\$240,000 at December 31, 2012) 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 \$117,399 (\$155,949 at December 31, 2012).

Several directors and trustees were invested in the Church Extension Loan Fund's notes payable described in Note 3 at December 31, 2013. 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, called the Richard Adams Fund, has reached \$1,000,000. In accordance with the provisions of the program payments totaling \$50,000 (\$50,000 at December 31, 2012) 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. Additionally, as revocable and irrevocable trusts mature the balance in certain trusts become designated contributions. The amount of such trusts that had matured at December 31, 2013 was \$187,750.

**6. CONCENTRATION OF CREDIT RISK**

The Fund maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2013, the excess amount over the federally insured limit was \$4,173,206 (\$2,799,208 in 2012). 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 \$2,095,993 (\$2,034,500 at December 31, 2012) invested with the Free Will Baptist Foundation, Inc. at December 31, 2013.

**7. CONCENTRATION**

Included in notes receivable at December 31, 2013 are ten loans which total \$16,925,575 (eight which total \$14,575,647 in 2012). This balance represents 35.83% (32.14% in 2012) of total notes receivable.

Notes payable include fifteen notes which total \$15,345,669 or 30.69% (sixteen notes which total \$13,671,650 or 28.98% in 2012) of total notes payable.



**CHURCH EXTENSION LOAN FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**8. REVOCABLE AND IRREVOCABLE 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, 2013 amounted to \$97,397 (\$97,760 at December 31, 2012).

**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, 2013, 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, 2009 are subject to examination.

**10. DESIGNATION OF UNRESTRICTED NET ASSETS**

During the year the Board designated a monthly amount of unrestricted net assets for contingencies. The balance in the Board designated account at year end was \$68,946.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by Management through April 25, 2014 which is the date the financial statements were available to be issued.

**CHURCH EXTENSION LOAN FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**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 7.0% (7.5% in 2012) 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 \$316,733 (\$67,780 in 2012) 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	\$ 67,780
Loan written off	-
Current year provision	248,953
Ending balance	<u>\$ 316,733</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>\$ 316,733</u>
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The ending balance of notes evaluated individually as follows:

Loans evaluated individually	<u>\$ 8,118,179</u>
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**CHURCH EXTENSION LOAN FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

**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, 2013 was \$-0-.

The following tables provide informative data at December 31, 2013 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, 2013			For the Year Ended December 31, 2013		
	Recorded Investment In Impaired Notes	Unpaid Principal Balance of Impaired Notes	Allowance for Doubtful Accounts on Impaired Notes	Average Recorded Investment In Impaired Notes	Interest Income Recognized While Notes Were Impaired	
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Impaired loan for which an allowance  
for doubtful accounts has been recognized  
Notes receivable

**CHURCH EXTENSION LOAN FUND, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**14. AGE AND INTEREST ACCRUAL STATUS OF NOTES RECEIVABLE**

The following table presents informative date of notes receivable regarding their age and interest accrual status at December 31, 2013. The amount shown as past due represent the total amount of loans in each category that have past due amounts.

	Current	30-59 Days	60-89 Days	90 Days or Greater	Total Past Due	Total Financing Receivables	Financing Receivables Past Due 90 Days or Greater and Still Accruing Interest
Notes receivable	\$ 39,120,533	\$ 1,994,979	\$ -	\$ 6,123,200	\$ 8,118,179	\$ 47,238,712	\$ 422,229
							\$ 7,695,950

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 not been made at year end under this agreement. Accordingly, it is included in the past due amounts.



Greetings,

We read throughout the New Testament that Jesus called twelve men and changed the world forever. Jesus is still calling men to make a difference in the world. The Master's Men Department exists to provide training, opportunity and encouragement to the men of our Free Will Baptist churches.

Our sports events, like the Deep South Golf Tournament in April and the National Golf and Softball Tournaments in August, offered opportunities for fellowship throughout the year. We also conducted two couple's weekends, realizing strong marriages produce strong families and strong families produce strong churches.

We were able to help churches by conducting financial seminars to help their members get their finances in tune. We teamed with Home Missions for Operation Saturation in Tallahassee, Florida. We were able to assist a local conference in West Virginia put a pitched roof on a youth camp in May and assisted a mission church in Illinois renovate a standing building.

Disaster Response Teams assisted a Tennessee church following a flood. Several groups from across the country came to Moore, Oklahoma following the tornadoes that wreaked havoc on the area.

In June we assisted North Little Rock Free Will Baptist church on a mission trip to Haiti. In July we organized IMPACT and ushering during our National Convention. We returned to evaluate the condition of the Ridge Church in New Hampshire and did a few repairs. In addition we attended several men's retreats, state meetings and church events and services.

While we stayed busy, we continued to search for new ways to service our denomination and get more men involved.

Respectfully submitted,  
Ken Akers,  
General Director

#### Board Meeting Synopsis

April 29, 2013

Seven board members present. Approved December 2012 minutes. Approved financial statement. Discussed Father's Day Offering. Approved Director's report. Adjourned.

December 8, 2014

Eight board members present. Approved April 2013 minutes. Financial report approved. Discussed proposal from Home Missions for merger of departments. Discussed Father's Day Offering. Approved Director's report. Approved 2015 budget. Adjourned.

P.O. Box 5002 • Antioch, TN 37011 • Phone: 615.760.6142 • Toll Free: 877.767.8039 • Email: [masters@nafwb.org](mailto:masters@nafwb.org)

2014 Master's Men  
Financial Report

Projected Expenses	2013 Budget	2013 Actuals	2014 Budget	2015 Proposed Budget
<b>Salaries</b>				
Director				
Salary	29,793.00	30,500.00	29,793.00	29,793.00
Housing	30,000.00	25,600.00	30,000.00	30,000.00
Retirement	2,990.00	2,160.00	2,990.00	2,990.00
Insurance	10,000.00	9,351.00	12,000.00	12,000.00
<b>Total</b>	<b>72,783.00</b>	<b>67,611.00</b>	<b>74,783.00</b>	<b>74,783.00</b>
Secretary				
Wages(20hrs/wk@11.25)	11,700.00	9,714.00	11,700.00	11,700.00
Payroll Tax Expense	930.00	1,205.00	930.00	930.00
Retirement	580.00	727.00	580.00	580.00
Insurance	5,000.00	5,394.00	6,000.00	6,000.00
Christmas Bonus	250.00	250.00	250.00	250.00
<b>Total</b>	<b>18,460.00</b>	<b>17,290.00</b>	<b>19,460.00</b>	<b>19,460.00</b>
<b>Total Salaries</b>	<b>91,243.00</b>	<b>84,901.00</b>	<b>94,243.00</b>	<b>94,243.00</b>
<b>Office Operations</b>				
Automobile	3,600.00	5,803.00	3,600.00	3,600.00
Rent	15,000.00	12,558.00	15,000.00	12,600.00
Equipment & Supplies	5,000.00	9,651.00	5,000.00	5,000.00
Telephone	2,700.00	2,211.00	2,700.00	3,000.00
Misc.	2,000.00	2,714.00	2,000.00	2,000.00
Postage	2,500.00	980.00	2,500.00	2,500.00
<b>Total</b>	<b>30,800.00</b>	<b>33,917.00</b>	<b>30,800.00</b>	<b>28,700.00</b>
<b>Accounting</b>				
Bookkeeping	900.00	1,050.00	900.00	900.00
Audit	1,500.00	1,500.00	1,500.00	1,500.00
<b>Total</b>	<b>2,400.00</b>	<b>2,550.00</b>	<b>2,400.00</b>	<b>2,400.00</b>
<b>Resource Development</b>				
Printed Materials	7,000.00	8,411.00	7,000.00	8,500.00
<b>Department Travel</b>	<b>12,000.00</b>	<b>5,580.00</b>	<b>12,000.00</b>	<b>12,000.00</b>
<b>National Association</b>	<b>2,000.00</b>	<b>2,820.00</b>	<b>2,000.00</b>	<b>2,800.00</b>
<b>Total Expenses</b>	<b>145,443.00</b>	<b>138,179.00</b>	<b>148,443.00</b>	<b>148,643.00</b>
<b>Projected Income</b>				
Dues	15,000.00	7,520.00	15,000.00	15,000.00
Father's Day Offering	12,000.00	8,150.00	12,000.00	12,000.00
Together Way	75,000.00	63,327.00	77,000.00	77,000.00
Softball	2,500.00	1,157.00	2,500.00	2,500.00
Golf	5,000.00	11,113.00	5,000.00	5,000.00
Gifts	10,000.00	11,472.00	11,000.00	11,000.00
Sales	3,000.00	1,413.00	3,000.00	3,000.00
Endowment Income	9,943.00	8,480.00	9,943.00	9,943.00
BAH	10,000.00	5,300.00	10,000.00	10,200.00
Master's Men Conferences	3,000.00	0.00	3,000.00	3,000.00
<b>Total Income</b>	<b>145,443.00</b>	<b>117,932.00</b>	<b>148,443.00</b>	<b>148,643.00</b>

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, 2013, 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, 2013, 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 30, 2014  
Spring Hill, Tennessee

  
Jason L. Darby, CPA

**THE MASTER'S MEN**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**Current Assets**

Cash	\$ 20,835.64	
Trust Account – Build a House	1.54	
Revocable Trust – Build a House	628.12	
Disaster Relief Trust	65,982.95	
Trust Account – Lifetime Members	105,603.67	
Inventory	430.00	
Accounts Receivable	67,876.15	
Total Current Assets		\$ 261,358.07

**Fixed Assets**

Equipment and Furniture	116,039.57	
Accumulated Depreciation	(80,139.42)	
Total Fixed Assets		35,900.15

**TOTAL ASSETS**

**\$ 297,258.22**

**Liabilities**

FWB Loan	5,738.43	
CELF Loan	25,000.00	
Home Mission Payable	20,000.00	
Payroll Tax Payable	3,097.63	
Total Liabilities		53,836.06

**Net Assets**

Temporarily Restricted	265,623.65	
Unrestricted	(22,201.49)	
Total Net Assets		243,422.16

**TOTAL LIABILITIES AND NET ASSETS**

**297,258.22**

The accompanying notes are an integral part of the financial statements



**THE MASTER'S MEN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Revenue &amp; Gains</b>	Temporarily Restricted Assets	Unrestricted Net Assets	Total
Gifts and Donations	\$ -	\$ 15,416.47	\$ 15,416.47
Dues from Members	-	10,071.41	10,071.41
Disaster Relief Income	19,049.67	-	19,049.67
Together Way Program	-	75,793.77	75,793.77
Reimbursements	-	10,677.01	10,677.01
Promotion/Sales/Other Income	-	2,041.71	2,041.71
Tournament and Conference Income	-	39,999.16	39,999.16
Interest Income	-	13,779.95	13,779.95
Miscellaneous Income	-	1,981.89	1,981.89
<b>Total Revenue &amp; Gains</b>	<b>19,049.67</b>	<b>169,761.37</b>	<b>188,811.04</b>
<b>Net Assets Released from Restrictions</b>			
Disaster Relief	-	15,949.72	15,949.72
Build A House	-	-	-
Lifetime Memberships	-	-	-
<b>Total Revenues, Gains, &amp; Other Support</b>	<b>\$ 19,049.67</b>	<b>\$ 185,711.09</b>	<b>\$ 204,760.76</b>
<b>Expenses</b>			
Salaries and Wages	-	69,570.71	69,570.71
PR Taxes and Benefits	-	30,543.18	30,543.18
Cost of Sales and Printing	-	8,792.61	8,792.61
Travel Expense	-	9,816.89	9,816.89
Conferences and Conventions	-	5,162.93	5,162.93
Office Expense	-	6,141.86	6,141.86
Equipment Expense	-	5,286.05	5,286.05
Telephone	-	1,247.54	1,247.54
Postage	-	1,200.53	1,200.53
Rent Expense	-	12,558.64	12,558.64
Professional Fees	-	1,500.00	1,500.00
Bookkeeping Expense	-	900.00	900.00
Ministry and Resource Development	-	125.00	125.00
Ministry Expense - Haiti	-	-	-
Disaster Relief Expense	24,219.20	-	24,219.20
Tournament Expense	-	26,020.53	26,020.53
Depreciation Expense	-	2,564.30	2,564.30
Interest Expense	-	462.00	462.00
Miscellaneous Expense	-	1,922.46	1,922.46
<b>Total Expenses</b>	<b>\$ 24,219.20</b>	<b>\$ 183,815.23</b>	<b>\$ 208,034.43</b>
Change in Net Assets	(5,169.53)	1,895.86	(3,273.67)
Net Assets - Beginning of Year	270,793.18	(24,097.35)	246,695.83
<b>Net Assets - End of Year</b>	<b>\$ 265,623.65</b>	<b>\$ (22,201.49)</b>	<b>\$ 243,422.16</b>

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, 2013**

**Cash Flows from Operating activities**

Decrease in Net Assets		\$ (3,273.67)
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	\$ 2,564.30	
Interest on Investments	(13,779.95)	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(11,346.80)	
Increase (Decrease) in Operating Liabilities:		
Mission Payable	20,000.00	
Payroll Tax Payable	(1,613.28)	
Loan Payable	23,340.43	
Total		19,164.70
Net Cash Provided by Operating Activities		15,891.03

**Cash Flows from Investing Activities**

Transfers to Trusts & Investments	960.00	
Purchases of Fixed Assets	(20,546.14)	
Interest Received	13,779.95	
Net Cash Used by Investing Activities		(5,806.19)

Net Increase in Cash and Cash Equivalents	10,084.84
Beginning Cash and Cash Equivalents	10,750.80
Ending Cash and Cash Equivalents	<u>\$ 20,835.64</u>

The accompanying notes are an integral part of the financial statements

**THE MASTER'S MEN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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.

**Note 2 – Property and Equipment**

The following is a summary of property and equipment owned by the Department at December 31, 2013:

Equipment and furniture	\$ 116,039.57
Less: Accumulated Depreciation	( <u>80,139.42</u> )
Property and Equipment, Net	<u>\$ 35,900.15</u>

**Note 3 – Deferred Revenue**

There were no deferred revenues for 2013.

**Note 4 – Restricted Fund Balance**

The restricted fund balance is revenue designated for specific projects and consists of the following as of December 31, 2013:

Build a House Campaign	\$ 50,180.59
Lifetime Membership	101,250.00
Disaster Relief	<u>114,193.06</u>
Total	<u>\$ 265,623.65</u>

**Note 5 – Compensated Absences**

There was no compensated absence balance as of December 31, 2013.

**Note 6 – Loan Payable**

As of December 31, 2013, Master’s Men had entered into two loans: one with FWB Foundation in the amount of \$10,000; and the other with CELF in the amount of \$25,000. The balance of the loans as of December 31, 2013, is \$30,738.

**Minutes**  
of the  
**Seventy-ninth Annual Session**  
of the  
**Women Nationally  
Active for Christ  
Convention**  
of the  
**National Association of  
Free Will Baptists**  
when convened in  
**Fort Worth, Texas**  
July 27-30, 2014

Theme: Faithful Through the Seasons

Scripture: Ecclesiastes 3:1-11

Music Coordinator: Jamie Ferguson

## Proceedings

Tuesday, July 29, 2014, 8:30 am

WNAC president, Diana Bryant, called the meeting to order. Delegates were seated and the Credentials Committee report was presented by Chairperson Reva Baker (MO) and Janie Campbell, 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 and West Virginia. Two districts with no state conventions submitted reports and paid dues: First Arizona and New Mexico. One local group, Canada, with no district or state convention submitted a report and paid dues.

In addition, there were 28 delegates from local groups in good standing with their representing higher body (district or state) who had paid their \$10 representation fees. Total attendance was 598. MSC to accept the report and seat the delegates.

Diana Bryant announced Sarah Fletcher's resignation as editor of the *Treasure* magazine and recognized her for 14 years of service to WNAC. A gift of \$500 was donated from WNAC to the Central Asian Widow's Ministry in Sarah's honor and she was presented with an engraved jewelry box denoting her years of service to WNAC.

WNAC director, Elizabeth Hodges, gave her report. She announced scholarship recipients, gave information on the provision closet, and gave a report of the Central Asia trip. She announced that two new WAC works had begun; one in Pennsylvania and the other in New York. She gave information about the WNAC national retreat coming in 2015. Elizabeth also announced that after much thought and prayer, the *Treasure* magazine will be brought back into the office with Phyllis York as the new editor. Elizabeth gave department statistics regarding giving and compared the last two years. Elizabeth introduced Auditor Terry Hill, who gave the auditor's report. He stated that if revenues do not increase he has concerns that WNAC will not be able to continue to exist as a viable organization.

MSC to accept Elizabeth's report including the auditor's report.

President Diana Bryant presented the following Executive Committee recommendations:

1) The Executive Committee recommends that the Cleo Pursell Foreign Student Scholarship monies be divided as follows: a) Nicolas Iriquite (Cote d'Ivoire), Masters of Theology, \$500, b) Myriam LeLouran, (France) Christian Counseling, \$885.91.

MSC to approve awarding the Cleo Pursell Foreign Student Scholarship as recommended.

2) The Executive Committee recommends that WNAC be accepted and recognized as a fully participating national department included in the Together Way Plan of Support (receiving a percentage of cooperative receipts).

MSC unanimously for WNAC to become a fully participating department in the Together Way Plan of Support as recommended.

Elizabeth Hodges presented the proposed budget for 2015, contingent upon the National Association of Free Will Baptists' acceptance of WNAC in the Together Way Plan of Support. MSC to approve the proposed 2015 budget based upon our acceptance as a fully participating department into the Together Way Plan of Support.

The Resolutions Committee report was presented by Debe Taylor (AR), chairperson:

Whereas our society has become more accepting to alternate lifestyles, be it resolved that WNAC reaffirm our stand against same-sex marriage and our stand to keep the definition of marriage to remain between one man and one woman.

MSC to accept this recommendation.

Judy Trail (AL), chairperson, read the report of the Registration Committee. MSC to accept this report.

Meeting adjourned.

### **Worship Service**

Mitzi Burks, Texas State WAC president, welcomed the group. The Woodforest Free Will Baptist Church praise team led the music and presented special music. Diana Bryant introduced speakers Ruth McDonald and her daughters, Katie Speer, and Amy and Caroline McDonald. Ruth gave personal examples of God's faithfulness through the years of their ministry. Amy sang two songs and Katie spoke, sharing experiences in her life as a missionary kid in Japan. She shared how the Lord used the earthquake and tsunami several years ago to speak to her heart.

### **WNAC Luncheon – Missionary Mingle**

Ladies were dismissed to attend the missionary mingle luncheon. Women were served a box lunch and were encouraged to move around from table to table to meet and fellowship with Free Will Baptist missionaries, who were seated at designated tables.

### **Seminars**

The following seminars were presented during the convention:

- Quiet Time in a Crazy World, presented by missionaries Alicia Crowe (Japan), Christina Price (France), Susan Burke and Danielle McCraney (Castle Rock, CO).
- A Visit to Central Asia, presented by the WNAC team that participated in the women's conferences in Kazakhstan and Tajikistan.
- Dealing with Criticism (for Pastors' Wives), presented by Diana Bryant.

### **Laughter & Latte – Monday, July 28**

Ladies enjoyed chips/salsa, cookies and drinks, as they fellowshiped and posed for pictures at the cowgirl-themed photo booth.

***[These are the last minutes to be recorded by the Women Nationally Active for Christ as an auxiliary of the National Association of Free Will Baptists.]***





WOMEN NATIONALLY  
ACTIVE FOR CHRIST

## Women Nationally Active for Christ 2013

Should WNAC become a national department? This question was posed to the leadership of WNAC in July 2011. From 1935 until 1939, WNAC was a national department. However, in 1939 WNAC requested to be an auxiliary and that was approved. The women have been avid supporters of missions/ministry causes through the years. But we have not done a good job of supporting our national office. There was only an increase of \$112.36 to WNAC's general fund in 2013. Dues and subscription prices were set in 2005 and have not been adjusted. Finances have been tough and guarded so the time has come for re-evaluation. An in-depth research process included meeting with denominational leaders, statistical research, and a roundtable discussion with the state presidents from the top 10 states for WNAC.

The end result is a recommendation from the WNAC Executive Committee is to become a national department and join the Together Way Plan of support. The ladies will vote on this recommendation July 29<sup>th</sup> during the WNAC business session convening in Ft. Worth, TX. Information was mailed to each state officer in mid-February. This allowed ample time for prayer, information distribution, and processing before the vote is taken.

During the 2013 fiscal year, the ladies gave:

\$298,218.29	directly to various missions and ministry causes
\$203,827.93	channeled through the WNAC office for missions and ministry causes
\$502,046.22	(subtotal)
\$ 32,644.07	non-cash gifts to the Steward Provision Closet
\$534,690.29	(grand total)

This reflects an increase of \$30,385.03 for the 2013 fiscal year. These funds are raised and given to missions/ministry causes. Missionaries and department representatives do not have to raise these funds so there is minimal expense. Many recognize WNAC's long-term investment in missions and young people. Not only do the ladies give financially, they are vested prayer warriors and mentors.

WNAC is an active, viable part of the entire ministry of the Free Will Baptist denomination. Our membership totals 4211 for 2013 with a per capita giving of \$126.97. In addition to our national home and international missions programs, the women are strong supporters of their state programs.

\$131,268.41	State programs (Acts 1:8; Show Me; Shares; TSP; etc)
\$102,628.91	International Missions
\$ 65,931.13	Home Missions
\$ 11,804.01	Colleges and WNAC scholarships
\$311,632.46	TOTAL

The ladies underwrite the support of the Steward Provision Closet ministry which benefits our home and international missionary families.

\$ 6,129.00	Gift Cards
\$ 3,973.18	Cash Gifts
\$ 32,644.07	Non-cash gifts
\$ 42,746.25	TOTAL

Thus \$354,378.71 was contributed to the missions/education ministries of our denomination. This represents 66% of our total contributions (\$534,690.29).

Re-evaluation causes us to ask the hard questions. How can we leave a legacy that continues to actively support missions/ministry causes while being healthy financially? How can we support, encourage, and mentor the ladies of our denomination as they serve the Lord in their homes, church, communities, and around the world?

God has been *Faithful Through the Seasons* of the ministry of WNAC and He will continue to do so. That is the focus

of our Bible studies for the upcoming year. "To every thing there is a season, and a time to every purpose under the heaven" (Ecclesiastes 3:1).

Elizabeth C. Hodges, Ed.S., CMP  
Executive Director

#### WNAC Executive Committee Meetings and Actions

##### July 21, 2013

The Executive Committee met with the Executive Committee of the National Association of Free Will Baptists to discuss the possibility of the WNAC joining the cooperative giving program of the National Association of Free Will Baptists (The Together Way Plan).

##### August 31, 2014

The Executive Committee conducted the following business via email. MSP to award a \$500 scholarship to Nicols Iriquite, a young man from Cote d'Ivoire, to help him further his studies.

##### December 11-12, 2013

Annual Board Meeting at the National Offices. All members present.

Elizabeth informed the committee that she had been approached by David Crowe regarding a merger-type relationship with Home Missions, Master's Men and WNAC. The following motion was passed unanimously: In consideration of an offer of the possibility of a merger-type relationship among Home Missions, Master's Men and WNAC, the Board voted unanimously to proceed with the current proposal to become a department participating in the Together Way Plan.

Elizabeth announced that Sarah Fletcher has resigned as editor of Treasurer and would like to work until the Convention in Ft. Worth, TX.

There was a MSP to ask Elizabeth to create evaluation tools for WNAC employees.

MSP to ask Amy Johnson to contact a technology expert regarding the cost involved to make the necessary changes to the website.

MSP to have a box luncheon at the Convention in Ft. Worth, Texas and invite the missionaries who are present to mingle with WNAC women. MSP to begin by selling 250 tickets but not to exceed 300.

MSP to have the Laughter & Latte event again this year at the Convention, with ticket sales starting at 100.

MSP to submit the following proposal to the National Executive Committee: The Executive Committee and membership of Women Nationally Active for Christ request that we be recognized and accepted as a fully participating department included in the Together Way Plan of Support.

MSP to ask Sarah Sargent to manage WNAC Twitter account.

MSP to ask Beth Bryant along with a current board member to be administrators of WNAC Pinterest account.

MSP to ask Amy Johnson to work alongside a consultant to update our WNAC website.

MSP to hire Tana Womack again this year to help in the WNAC Booth.

MSP to have Pam Hackett and Sarah Sargent coordinate the creative brainstorming session on Monday afternoon and compile a notebook of information for all the ladies who can't attend.

##### March 18, 2014

The Executive Committee met via conference call to review the annual audit. All members were present including executive director Elizabeth Hodges and Mr. Terry Hill, auditor.

Mr. Hill explained the audit in detail including the management's 3-year plan for financial recovery then left the meeting. The committee discussed the report. MSP to accept the auditor's report as presented including the management's 3-year plan for financial recovery.



Hill, Harper & Associates  
Certified Public Accountants

### Independent Auditors' Report

#### **Executive Committee of the Women Nationally Active for Christ**

##### **Report on the Financial Statements**

We have audited the statements of financial position of the Women Nationally Active for Christ (hereafter WNAC) (nonprofit organization) as of December 31, 2013 and 2012, 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 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 WNAC as of December 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.

##### **Uncertainty Regarding Going Concern**

The accompanying financial statements have been prepared assuming that WNAC will continue as a going concern. As discussed in Note 8 to the financial statements, WNAC has experienced continued losses from operations and as a result WNAC's unrestricted net assets is impaired. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Hill Harper & Associates*

February 17, 2014

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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, 2013 and 2012**

### **Assets**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash and cash equivalents:		
Cash in bank and other	\$ 38,556	42,187
Funds held by Free Will Baptist Foundation (including \$146,099 in 2013 and \$167,874 in 2012 of temporarily restricted funds)	<u>146,099</u>	<u>176,927</u>
	<u>184,655</u>	<u>219,114</u>
Accounts receivable	3,504	1,664
Inventory and prepaid expenses	4,630	3,671
Office equipment and furniture:		
Cost basis	23,035	23,035
Less accumulated depreciation	<u>22,379</u>	<u>21,941</u>
	<u>656</u>	<u>1,094</u>
Funds held by Free Will Baptist Foundation for endowments	<u>58,215</u>	<u>55,092</u>
	\$ <u><u>251,660</u></u>	<u><u>280,635</u></u>

### **Liabilities and Net Assets**

#### **Current liabilities:**

Accounts payable and accrued expenses	\$ 5,754	4,601
Funds held for other organizations and agencies	6,359	-
Deferred revenues related to magazine subscriptions	<u>24,271</u>	<u>28,302</u>
<b>Total current liabilities</b>	<u>36,384</u>	<u>32,903</u>

#### **Net assets:**

Unrestricted	644	18,366
Temporarily restricted	165,605	180,545
Permanently restricted	<u>49,027</u>	<u>48,821</u>
<b>Total net assets</b>	<u>215,276</u>	<u>247,732</u>
	\$ <u><u>251,660</u></u>	<u><u>280,635</u></u>

**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, 2013 and 2012**

	<b>Funds Held for Others</b>	<b>Operations</b>	<b>Publications</b>	<b>Convention and Retreats</b>	<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>Permanently Restricted Net Assets</b>	<b>2013 Total</b>	<b>2012 Total</b>
<b>Revenue and Support:</b>									
Funds for other agencies and departments:									
Amount received	66,740	-	-	-	66,740	-	-	66,740	73,480
Amount incurred	(66,740)	-	-	-	(66,740)	-	-	(66,740)	(73,480)
Gifts and offerings	-	58,238	8,382	13,480	80,100	7,293	206	87,599	92,579
Magazine subscriptions	-	-	38,262	-	38,262	-	-	38,262	45,235
Literature sales	-	2,023	-	-	2,023	-	-	2,023	1,128
Dues / delegate fees	-	63,165	-	-	63,165	-	-	63,165	61,830
Convention revenues	-	-	-	11,490	11,490	-	-	11,490	15,588
Interest income	-	131	-	-	131	4,209	-	4,340	5,074
Gain from investment assets	-	-	-	-	-	5,763	-	5,763	5,239
Distributions - endowment income	-	2,846	-	-	2,846	(2,846)	-	-	-
Other income	-	1,073	-	-	1,073	-	-	1,073	511
Total revenue and support	-	127,476	46,644	24,970	199,090	14,419	206	213,715	227,184
<b>Cost of publications:</b>									
Magazine printing	-	-	19,115	-	19,115	-	-	19,115	19,028
Support for One Magazine Editor	-	-	8,445	-	8,445	-	-	8,445	8,382
Postage and other	-	-	23,650	-	23,650	-	-	23,650	23,200
	-	-	1,812	-	1,812	-	-	1,812	1,555
	-	-	53,022	-	53,022	-	-	53,022	52,165
Net revenue and support	-	127,476	(6,378)	24,970	146,068	14,419	206	160,693	175,019
Net assets released from restrictions	-	29,359	-	-	29,359	(29,359)	-	-	-
	-	156,835	(6,378)	24,970	175,427	(14,940)	206	160,693	175,019
<b>Operating expenses:</b>									
Operations	-	160,665	-	-	160,665	-	-	160,665	160,973
Convention and retreats	-	-	-	32,484	32,484	-	-	32,484	22,703
	-	160,665	-	32,484	193,149	-	-	193,149	183,676
<b>Increase (decrease) in net assets</b>	-	(3,830)	(6,378)	(7,514)	(17,722)	(14,940)	206	(32,456)	(8,657)
<b>Net assets beginning of the year</b>	\$ -				18,366	180,542	48,821	247,732	256,389
<b>Net assets end of the year</b>					\$ 644	165,605	49,027	215,276	247,732

See accompanying notes to financial statements.

# **WOMEN NATIONALLY ACTIVE FOR CHRIST**

(An Auxilliary of The National Association of Free Will Baptists)

## **Statement of Functional Expenses**

**For the year ended December 31, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Expenses:</b>		
<b>Operations:</b>		
Salaries	\$ 57,158	57,408
Employee benefits, payroll taxes, and health insurance	21,065	16,017
Literature for sale and for promotional purposes	172	-
Rent	18,167	18,167
Travel	6,954	2,674
Office expense and other	8,404	17,915
Legal and audit	3,847	5,153
Postage and shipping	3,475	4,153
Executive Committee	8,542	4,871
Promotion	1,453	2,715
Dues, subscriptions and continuing education	1,631	2,549
Depreciation	438	219
Restricted expenditures:		
Mary Wischart Student Scholarship Fund	5,000	5,000
C. Purcell Foreign Scholarship Fund	1,889	1,391
Steward Provision Closet	22,470	22,478
Welch College Mission Home	-	263
Total expenses of operations	<u>160,665</u>	<u>160,973</u>
<b>Convention:</b>		
Annual convention	<u>32,484</u>	<u>22,703</u>
Total expenses	\$ <u><u>193,149</u></u>	<u><u>183,676</u></u>

**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, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b><u>Cash Flows from Operating Activities</u></b>		
Decrease in net assets	\$ (32,456)	(8,657)
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	438	219
Gain on endowment funds held by Free Will Baptist Foundation	(5,763)	(5,239)
(Increase) decrease in:		
Receivables	(1,840)	14,067
Inventory and prepaid expenses	(959)	117
Increase (decrease) in:		
Deferred revenues related to magazine subscriptions	(4,031)	(4,506)
Funds held for other denominational agencies and organizations	6,359	(878)
Accounts payable and accrued expenses	<u>1,153</u>	<u>1,333</u>
Net operating activities	<u>(37,099)</u>	<u>(3,544)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of laptop	-	(1,312)
Net change in endowment investments held by Free Will Baptist Foundation	<u>2,640</u>	<u>1,974</u>
Net investing activities	<u>2,640</u>	<u>662</u>
<b>Decrease in cash and cash equivalents</b>	(34,459)	(2,882)
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>219,114</u>	<u>221,996</u>
<b>End of year</b>	<u>\$ 184,655</u>	<u>219,114</u>
<b>Cash and cash equivalents consist of:</b>		
Cash in bank and other	\$ 38,556	42,187
Funds held by Free Will Baptist Foundation	<u>146,099</u>	<u>176,927</u>
	<u>\$ 184,655</u>	<u>219,114</u>

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, 2013 and 2012**

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, 2013 and 2012, 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:

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Permanently restricted net asset:</b>		
Original donor investment (corpus)		
Balance at beginning of year	\$ 48,821	48,118
Donor gifts	206	703
	<u>\$ 49,027</u>	<u>48,821</u>
<b>Temporarily restricted net assets:</b>		
Balance at beginning of year	\$ 6,271	3,709
Investment earnings, including investment gains and losses	5,763	5,239
Distributions of earnings up to 5% of account balance	<u>(2,846)</u>	<u>(2,677)</u>
	<u>\$ 9,188</u>	<u>6,271</u>
Total invested funds with Free Will Baptist Foundation as endowment	<u>\$ 58,215</u>	<u>55,092</u>

**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 portions of the next 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 2013 and 2012. 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 February 17, 2014, the date these financial statements were available to be issued.

## 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, 2013 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

Mary Wischart Student Scholarship Fund	\$ 5,000
C. Purcell Foreign Scholarship Fund	1,889
Steward Provision Closet	22,470
Welch College Mission Home	-
<b>Net assets released</b>	<b>29,359</b>
M. Workman Endowment funds distributed	2,846
<b>Net assets released after distributions</b>	<b>\$ 32,205</b>

	<b>2013</b>	<b>2012</b>
Remaining balances of temporarily restricted net assets are as follows:		
Mary Wischart Student Scholarship Fund	\$ 101,826	103,282
C. Purcell Foreign Scholarship Fund	47	595
Steward Provision Closet	49,626	65,616
Welch College Mission Home	4,918	4,781
M. Workman Endowment funds available for distributions	9,188	6,271
	<b>\$ 165,605</b>	<b>180,545</b>

**(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 2013 and 2012. 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 \$1,166 in 2013 and \$1,980 in 2012. The lease expired during 2013.

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 2013 and 2012.

**(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 to One Magazine of \$8,445 in 2013 and \$8,382 in 2012, through a grant from Free Will Baptist Foundation.

**(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 December 31, 2012, from which the summarized information was derived.

## WOMEN NATIONALLY ACTIVE FOR CHRIST

(An Auxiliary of The National Association of Free Will Baptists)

### Notes to Financial Statements, continued

8) **Liquidity, Operational Deficits and Management's Plan**

WNAC has experienced losses from operations and cash deficits in years ended 2011, 2012 and 2013 as follows:

<u>Years Ended</u>	<u>Losses From Operations</u>	<u>Cash Deficits</u>
2011	\$ 12,178	30,636
2012	2,634	2,882
2013	17,722	34,459
	<u>\$ 32,534</u>	<u>67,977</u>

During this three year period, unrestricted net assets have decreased from \$33,178 at December 31, 2010 to \$644 at December 31, 2013.

In order to sustain operations of WNAC and to mitigate the adverse conditions described above, management's three-year plan for financial recovery follows:

**Immediate action (2014):**

WNAC's Executive Committee will recommend to the WNAC Convention in July 2014 that WNAC request to be accepted and recognized as a fully participating national department included in the Together Way Plan of support of the National Association of Free Will Baptists.

WNAC will diligently seek to build relationships within all representing states, to foster financial awareness and support by visiting state meetings, communicating with all state officers, and meeting needs from the national office.

**Plan for 2015:**

WNAC will recommend raising membership dues to \$18, an increase of \$3 from the price set in 2005.

WNAC will recommend raising the magazine (Treasure) subscription price to \$15, and increase of \$3 from the price set in 2005.

**Additional Plan for 2016:**

WNAC will ask each state hosting the national convention to raise \$17,500 beginning with the 2016 convention in Kansas City, MO.

## WOMEN NATIONALLY ACTIVE FOR CHRIST 2015 Proposed Budget

<b>Projected Revenue</b>	<b>2013 Budget</b>	<b>2013 Actuals</b>	<b>2014 Budget</b>	<b>2015 Budget</b>
Gifts, offerings, support	55,000.00	62,445.00	61,000.00	61,000.00
Dues & delegate fees	70,000.00	63,165.00	65,000.00	65,000.00
Publications	40,000.00	46,644.00	45,000.00	45,000.00
Literature	3,200.00	2,023.00	1,500.00	1,500.00
Convention Revenues	27,750.00	24,970.00	35,000.00	35,000.00
Interest Income	500.00	131.00	500.00	500.00
Endowment Income	300.00	5,763.00	3,000.00	3,000.00
Miscellaneous Income	5,000.00	1,882.00	1,000.00	1,000.00
<b>Total</b>	<b>201,750.00</b>	<b>207,023.00</b>	<b>212,000.00</b>	<b>212,000.00</b>
<b>Projected Operating Expenses</b>				
Salaries and Wages	55,877.00	57,158.00	56,053.00	56,053.00
Payroll Taxes and Employee Benefits	20,062.00	21,065.00	21,597.00	21,597.00
Rent	19,200.00	18,167.00	18,500.00	18,500.00
Travel	10,000.00	11,159.00	5,000.00	5,000.00
Promotion		1,453.00		
Office Expense	8,500.00	9,214.00	18,000.00	18,000.00
Professional Service / Audit	4,500.00	3,847.00	5,200.00	5,200.00
Postage and shipping	4,000.00	3,475.00	4,200.00	4,200.00
Executive Committee	4,000.00	8,542.00	5,000.00	5,000.00
Dues, Subscriptions, Cont. Education	500.00	1,631.00	755.00	755.00
Depreciation	461.00	438.00		
Conventions & Retreats	23,000.00	32,484.00	25,000.00	25,000.00
	<b>150,100.00</b>	<b>168,633.00</b>	<b>159,305.00</b>	<b>159,305.00</b>
<b>Cost of Publications:</b>				
Magazine Printing	18,000.00	18,942.00	19,100.00	19,100.00
Cost of Literature	500.00	345.00		
Editor (Salary / Christmas Bonus)	23,450.00	23,650.00	23,450.00	23,450.00
Postage	1,300.00	1,812.00	1,745.00	1,745.00
One Magazine	8,400.00	8,445.00	8,400.00	8,400.00
	<b>51,650.00</b>	<b>53,194.00</b>	<b>52,695.00</b>	<b>52,695.00</b>
<b>Total</b>	<b>201,750.00</b>	<b>221,827.00</b>	<b>212,000.00</b>	<b>212,000.00</b>

### 2015 WNAC SALARIES AND BENEFITS BREAKDOWN

	<b>2014</b>	<b>2015</b>
<b>Executive Director</b>		
Salary	\$ 44,437.00	\$ 44,437.00
Social Security/Medicare	\$ 3,400.00	\$ 3,400.00
Retirement	\$ 2,222.00	\$ 2,222.00
Insurance (Travel/Key Man, Health/Life, Dental)	\$ 8,000.00	\$ 8,000.00
Christmas Bonus	\$ 855.00	\$ 855.00
<b>Total Salary and Benefits</b>	<b>\$ 58,914.00</b>	<b>\$ 58,914.00</b>
<b>Administrative Assistant</b>		
Salary	\$ 11,616.00	\$ 11,616.00
Social Security/Medicare	\$ 888.00	\$ 888.00
Retirement	\$ 581.00	\$ 581.00
Insurance (Health/Life & Dental)	\$ 5,401.00	\$ 5,401.00
Christmas Bonus	\$ 250.00	\$ 250.00
<b>Total Salary and Benefits**</b>	<b>\$ 18,736.00</b>	<b>\$ 18,736.00</b>
<b>Grand Total of Salaries and Benefits</b>	<b>\$ 77,650.00</b>	<b>\$ 77,650.00</b>

\*WNAC pays 1/4 of the family's premium.

\*\*WNAC pays 1/2 of the total package for the administrative assistant.

# WNAC Receipts 2013

State	* Gen Fund	Dues	Faith Promise	Emphasis	Endowment	Provision Closet	Wishart Student Scholarship	Purcell Foreign Scholarship	International Missions	Christmas Joy	Home Missions	Mission Objectives	State Programs	Children's Homes	Colleges	Total
AL	1,526.00	3,480.00	250.00	1,064.00	50.00	865.00	50.00	30.00	315.00							7,430.00
AR	3,036.51	10,360.00	1,954.00	650.00	146.01	1,025.00	20.00		350.00							17,591.52
AZ		360.00														360.00
CA	249.00	885.00		100.00		470.00			189.00							1,893.00
CN																-
CO																-
DE																-
FL	675.00	915.00	160.00	250.00					300.00		229.00					2,529.00
GA	4,122.90	4,710.00		1,281.70		784.50	169.00	647.25	10,411.88	3.00	9,867.26			1,758.60	1,463.85	35,219.94
HI																-
IL	2,411.53	1,980.00	80.00	25.00		225.00			960.00							5,681.53
IN	291.16	375.00	88.00	200.00		300.00										1,254.16
KS																-
KY	2,777.50	1,845.00	80.00	250.00					240.00		60.00					5,252.50
MI	1,425.64	2,010.00		553.00		2,600.00										6,588.64
MO	1,653.32	4,770.00	120.00	511.84		150.00	228.80	50.00		300.00						7,783.96
MS	1,090.58	1,785.00							496.00		735.00			50.00		4,156.58
NC	5,032.87	7,350.00	220.00	1,066.00	10.00	1,076.00		45.00	675.00	135.00					550.00	16,159.87
NH																-
NM	446.90	75.00		22.00												543.90
OH	4,261.48	2,325.00	400.00	550.00		475.00			151.50							8,162.98
OK	1,244.55	6,675.00	160.00	107.00		430.68	10.00	50.00	700.00							9,377.23
PA																-
SC	3,280.00	3,780.00		985.00		1,442.00			17,027.31		3,133.50		950.00	100.00	503.00	31,180.81
TN	9,615.57	4,725.00	1,355.00	717.00		420.00	410.00	515.00	2,501.00	825.00	1,675.11		15.00	265.00		23,038.68
TX	335.86	1,230.00	130.00						711.00		584.72					2,891.58
UT																-
VA	1,060.00	1,800.00		125.00					1,219.94		5,119.91		609.97			9,934.82
VI																-
WV	20.00	1,710.00		10.00					1,280.00							3,020.00
Foundation	154.59															154.59
HM/M Closet Rent	3,522.64															3,522.64
	48,213.60	63,165.00	4,997.00	8,467.54	206.01	10,063.18	887.80	1,337.25	37,527.63	1,263.00	21,404.50	-	1,574.97	2,173.60	2,516.85	203,827.93

WNAC - total does not include student scholarships, sales or gifts designated to other departments.

REPORTED DIRECT GIVING FROM WNAC January - December 2013

STATE	State Missions	International Missions	Home Missions	Colleges	Children's Homes	Youth Camps	Other Mission Objectives	Total
AL	650.00	590.00	760.00		467.21			2,467.21
AZ								0.00
AR	91,445.00	10,757.00	12,378.43	75.00	1,206.98		4,897.18	120,758.69
CA								0.00
CANADA								0.00
DE	1,661.22	425.00	1,506.00		120.00		120.00	3,732.22
FL	97,680.00							97,680.00
GA	7,241.00	5,812.25	2,837.79	320.00				16,211.04
IL			4,200.00					4,200.00
KS								0.00
KY	690.00	12,348.85	6,017.10		4,606.00	2,544.15	17,867.54	44,173.64
MI		1,240.00						1,240.00
MS	11,419.03	5,416.02	1,914.00	515.00	437.60	333.04	701.50	20,736.19
MO								0.00
NC	1,408.92	2,619.64	1,964.83	5,271.11	2,000.00		40.00	82.25
NH								0.00
OK	5,432.37	2,953.76	1,072.35	881.00	1,050.00		582.41	6,975.69
PA							4,212.12	15,801.60
SC								0.00
TN		1,125.00	300.00		500.00		490.00	2,415.00
TX								0.00
VA					2,535.00			0.00
WV		2,780.00	500.00				6,070.00	11,865.00
Foundation								0.00
Total	129,693.44	65,101.28	44,526.63	7,062.11	13,906.89	2,877.19	35,050.75	298,218.23

TOTAL 2013 GIVING

WNAC RECEIPTS	DIRECT GIVING	Grand Total
7,430.00	2,467.21	9,897.21
360.00	0.00	360.00
17,591.52	120,758.69	138,350.21
1,893.00	0.00	1,893.00
0.00	0.00	0.00
0.00	0.00	0.00
2,529.00	0.00	2,529.00
35,219.82	9,746.00	44,965.82
5,691.53	16,211.04	21,892.57
1,254.16	4,200.00	5,454.16
0.00	0.00	0.00
5,252.50	44,173.64	49,426.14
6,588.64	1,240.00	7,828.64
4,156.58	0.00	4,156.58
7,783.96	20,736.19	28,520.15
543.90	82.25	626.15
16,359.97	37,916.81	54,276.78
8,167.86	6,975.69	15,143.55
9,377.23	15,801.60	24,978.83
0.00	0.00	0.00
31,180.81	0.00	31,180.81
23,038.68	2,415.00	25,453.68
2,991.58	0.00	2,991.58
9,934.82	0.00	9,934.82
3,020.00	11,865.00	14,885.00
154.59	0.00	154.59
3,032.64	0.00	3,032.64
203,827.93	298,218.23	502,046.17

2013 WNAC Statistics

Total Giving through WNAC	Missions/Ministry Objectives	Per Capital/Total Giving	WNAC OFFICE SUPPORT
1. Arkansas \$138,350.21	1. Arkansas \$122,183.69	1. Kentucky \$ 401.84	1. Tennessee \$ 16,412.57
2. North Carolina \$ 54,073.63	2. Kentucky \$ 44,473.64	2. Indiana \$ 218.17	2. Arkansas \$ 16,166.52
3. Georgia \$ 49,426.14	3. North Carolina \$ 40,394.76	3. Arkansas \$ 199.93	3. North Carolina \$ 13,668.87
4. Georgia \$ 44,965.94	4. Georgia \$ 34,851.34	4. Illinois \$ 165.85	4. Georgia \$ 10,114.60
5. South Carolina \$ 31,180.81	5. South Carolina \$ 23,155.81	5. Georgia \$ 143.20	5. Oklahoma \$ 8,186.55
6. Missouri \$ 28,520.15	6. Missouri \$ 21,464.99	6. West Virginia \$ 130.57	6. South Carolina \$ 8,025.00
7. Tennessee \$ 24,978.83	7. Tennessee \$ 17,591.52	7. Kentucky \$ 123.73	7. Arkansas \$ 7,783.96
8. Oklahoma \$ 21,892.57	8. Oklahoma \$ 16,792.28	8. South Carolina \$ 123.73	8. Missouri \$ 7,055.16
9. Illinois \$ 21,892.57	9. West Virginia \$ 13,145.00	9. North Carolina \$ 110.35	9. Alabama \$ 6,370.00
10. Ohio \$ 15,138.67	10. Tennessee \$ 9,041.11	10. Florida \$ 104.28	10. Kentucky \$ 4,952.50

MEMBERSHIP

1. Arkansas 692	1. Arkansas 692
2. North Carolina 480	2. North Carolina 480
3. Oklahoma 445	3. Oklahoma 445
4. Tennessee 315	4. Tennessee 315
5. Georgia 314	5. Georgia 314
6. Kentucky 253	6. Kentucky 253
7. South Carolina 232	7. South Carolina 232
8. Alabama 155	8. Alabama 155
9. Ohio 134	9. Ohio 134
10. Michigan 134	10. Michigan 134

Provision Closet Gifts

Gift Cards \$ 6,125.00	Gift Cards \$ 6,125.00
Clothing \$ 1,521.00	Clothing \$ 1,521.00
Non-cash gifts \$32,644.07	Non-cash gifts \$32,644.07
Total Gifts \$36,617.25	Total Gifts \$36,617.25

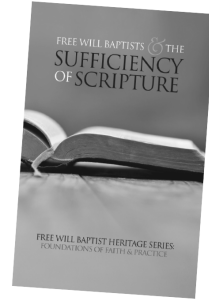
## 2013-2014 Historical Commission Report

The Historical Commission continues to expand [www.fwbhistory.com](http://www.fwbhistory.com). The site contains many important historical documents, books, and periodicals as well as a regular history blog. Recent additions include 60+ blog posts, feature articles, and 50 years of *Contact* magazines in searchable PDF format.

In early 2014, the commission collaborated with The Executive Office, Home Missions, *ONE Magazine*, and Welch College to purchase the volume *Christianismus Primitivus*, authored by English General Baptist theologian Thomas Grantham and published in 1678. The book, numbered among the foundational documents of Baptist theology, contributed greatly to the development of the Baptist Faith. The volume will be housed in the Welch College Historical Collection.

The commission continues to fill gaps in the Historical Collection, especially missing state minutes. Contact Robert E. Picirilli for a complete list of missing items or to make a donation. Historical Collection holdings may be accessed at the Welch Library website ([welchlibrary.wordpress.com](http://welchlibrary.wordpress.com)) and searched by content, keyword, or title.

The commission recently completed the seventh pamphlet in the Free Will Baptist Heritage series for distribution at the 2014 National Convention. The publication, "Free Will Baptists and the Sufficiency of Scripture," is authored by Matt Pinson. Previous pamphlets can be purchased from Randall House ([www.randallhouse.com](http://www.randallhouse.com)) for \$2.99 each or \$14.99 for a pack of 25.



## 2013-2015 Historical Commission Budgets

	2013 Budget	2013 Actuals	2014 Budget	2015 Budget
<b>Income</b>				
Gifts (Together Way)	\$3,000.00	\$2,911.19	\$3,000.00	\$3,000.00
Interest	10.00	9.65	10.00	10.00
Sale of Pamphlets	550.00	570.48	850.00	850.00
Rest of the Family Offering	0.00	14.14	0.00	15.00
Tennessee Co-op	0.00	15.00	0.00	0.00
<b>Total Income</b>	<b>3,560.00</b>	<b>3,520.46</b>	<b>3,860.00</b>	<b>3,875.00</b>
<b>Expenses</b>				
Books, Materials, Labor	710.00	561.74	850.00	850.00
Pamphlet Project	2,500.00	0.00	2,000.00	2,000.00
Meeting Expenses	250.00	278.92	250.00	250.00
Digest of Reports	100.00	77.56	100.00	100.00
Website Expense	0.00	0.00	660.00	675.00
<b>Total Expenses</b>	<b>\$3,560.00</b>	<b>\$918.22</b>	<b>\$3,860.00</b>	<b>\$3,875.00</b>

2013 Financial Report – Historical Commission

Balance on hand 12/31/2012 .....\$18,266.51

**Deposits**

Gifts (Together Way) ..... \$2,911.19  
Interest ..... 9.65  
Sales of pamphlets.....570.48  
Rest of Family offering.....14.14  
Tennessee Coop .....15.00  
**Total** ..... **\$3,520.46**

**Expenditures**

Books, Material, Labor.....\$561.74  
Meeting Expenses .....278.92  
NAFWB Digest of Reports Fee..... 77.56  
**Total** ..... **\$918.22**

Balance on hand (12/31/2013).....\$20,868.75  
Trust Fund, FWB Foundation (12/31/2013) .....\$32,166.61  
Total on Hand (12/31/2013) .....\$53,035.36

Robert E. Picirilli, Treasurer



## The Report of the Commission for Theological Integrity

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.

It was our pleasure this past year to welcome two new members to the Commission who were elected at the 2013 annual session: Randy Corn, pastor of Bethlehem Free Will Baptist Church in Ashland City, Tennessee, and Jackson Watts, pastor of Grace Free Will Baptist Church in Arnold, Missouri. We also wish to commend Craig Shaw, who resigned from the Commission last October, for his years of service.

On October 28-29, 2013, we sponsored our seventeenth annual Theological Symposium. The Symposium met on the campus of Hillsdale Free Will Baptist College in Moore, Oklahoma. Our eighteenth annual Theological Symposium will meet October 27-28, 2014, on the campus of Welch College. The theme will be "Theology and Practice: Evangelism in a Post-Christian World." We will host a panel discussion on the Symposium theme, and Dr. Mark Coppenger, Vice President of Extension Education and Professor of Apologetics at Southern Baptist Theological Seminary, will be our guest speaker.

We invite paper proposals for this Symposium. While preference will be given to the Symposium theme, proposals will also be accepted on other topics. All who are interested in submitting papers for possible inclusion in the Symposium program are encouraged to contact Jackson Watts at [fwbtheology@gmail.com](mailto:fwbtheology@gmail.com).

The Commission will publish the next issue of *Integrity: A Journal of Christian Thought*, this year. The journal is provided free of charge to Free Will Baptist pastors as well as a number of theological libraries and can be purchased for a nominal charge.

At the 2014 Commission Seminar at the National Association meeting, we will feature Tim Campbell, Executive Director of Arkansas Free Will Baptists, who will present "A Solemn Appeal for a Serious Approach to Licensure and Ordination." That seminar will be held 2:00 on Monday afternoon of the convention in Hall CD of the Fort Worth Convention Center.

Respectfully submitted,

The Commission for Theological Integrity

Matt Pinson (chairman)

Kevin Hester (secretary)

Randy Corn

Jackson Watts

**2013**  
**Commission for Theological Integrity**  
**Financial Report**

<b>Bank Balance - January 1, 2013</b>	<b>\$7,487.43</b>
<b>Commission Income</b>	
The Together Way	\$2,923.68
Theological Symposium Papers	590.00
Other Gifts	272.22
Rest of the Family Offering	39.43
Journal Income	<u>6.00</u>
<b>Total Income</b>	<b>3,831.33</b>
<b>Commission Expenses</b>	
Bookkeeping	400.00
Convention Speaker/Digest of Reports	1,038.74
Annual Meeting and Symposium Expenses	2,675.41
Miscellaneous Office Expenses	3.23
Journal Expenses	<u>0.00</u>
<b>Total Expenses</b>	<b><u>4,117.38</u></b>
<b>Bank Balance - December 31, 2013</b>	<b><u>\$7,201.38</u></b>

**2015**  
**Commission for Theological Integrity**  
**Budgets**

	<b>2013 Budget</b>	<b>2013 Actuals</b>	<b>2014 Budget</b>	<b>2015 Budget</b>
<b>Income</b>				
Gifts	\$4,550.00	\$311.65	\$5,000.00	\$2,500.00
Journal Income	100.00	6.00	150.00	1,500.00
Theological Symposium Papers	250.00	590.00	500.00	500.00
Together Way Plan	<u>3,000.00</u>	<u>2,923.68</u>	<u>3,200.00</u>	<u>3,000.00</u>
<b>Total Income</b>	<u>7,900.00</u>	<u>3,831.33</u>	<u>8,850.00</u>	<u>7,500.00</u>
<b>Expenses</b>				
Annual Meeting	1,000.00	2,675.41	2,000.00	2,700.00
Bookkeeping	400.00	400.00	400.00	400.00
Journal Expenses	5,000.00	0.00	5,000.00	2,800.00
National Convention	900.00	1,038.74	800.00	1,000.00
Office Expenses	100.00	3.23	150.00	100.00
Theological Symposium Printing	<u>500.00</u>	<u>0.00</u>	<u>500.00</u>	<u>500.00</u>
<b>Total Expenses</b>	<u>\$7,900.00</u>	<u>\$4,117.38</u>	<u>\$8,850.00</u>	<u>\$7,500.00</u>

## **Music Commission Report**

2013 was a year of transition for the Music Commission. The resignation of our chairman, also serving as convention music coordinator, meant leadership roles needed to be filled quickly. The members of the commission rallied to the side of Kevin Justice as he accepted the role of convention music coordinator at the invitation of the Executive Committee. With the willing and able assistance of our network of support, the 2013 convention achieved the standard we hold high to provide the opportunity for the convention attendees to worship in a meaningful way.

During the time since the 2013 convention, we as a commission have spent time reviewing our history and reevaluating the current methods available through which we can serve the purposes for which the Music Commission was created. The needs and desires of our churches regarding the cultivation of their worship ministries have changed in many ways since the commission's founding. Some of the original intentions are no longer relevant needs. The limited resources available for us required further rethinking of our goals.

At our annual meeting in January 2014, the Music Commission members restated our desire to be of service to the denomination and our churches. These are conclusions we reached and will continue to develop:

1. The Music Commission will continue to assist and support the Convention Music Coordinator in planning and leading the worship services of the annual convention.
2. We will continue to offer workshops at the convention to promote the development of musicians and the worship ministries of our churches.
3. We will reach out to other denominational agencies to explore ways we may partner with them to develop the ministry of music and worship in our churches.
4. We will explore methods to build a network of Free Will Baptist musicians and music leaders to provide advice and assistance to pastors and congregations with limited musical resources.

As we serve you we welcome your questions, input, feedback, and more than anything, your prayers.

Respectfully submitted,

The Free Will Baptist Music Commission

Doug Little, Chairman  
Kevin Justice  
James Stevens  
Donnie Burke  
Bryan Hughes

### MUSIC COMMISSION FINANCIAL SUMMARY 2013

<b>Beginning Balance (01/01/2013)</b>		<b>\$ 4,654.58</b>
<b>Income</b>		<b>\$ 2,942.80</b>
Together Way (undesignated)	2277.24	
Together Way (designated)	644.84	
2012 Rest of the Family Offering	20.22	
Other gifts	-0-	
<b>Expenses</b>		<b>\$ 5,762.88</b>
Meetings	2691.36	
Annual meeting	2590.97	
Convention meeting	100.39	
Convention	2850.00	
Office Expenses	221.52	
<b>Ending Balance (12/31/2013)</b>		<b>\$ 3,319.67</b>

### MUSIC COMMISSION BUDGET COMPARISONS

	2013 Budget	2013 Actual	2014 Budget	2015 Budget
<b>Income</b>				
Together Way (undesignated)	\$ 2,600.00	\$ 2,277.74	\$ 2,600.00	\$ 2,600.00
Together Way (designated)	\$ 900.00	\$ 644.84	\$ 900.00	\$ 900.00
Rest of the Family Offering	\$ 25.00	\$ 20.22	\$ 25.00	\$ 25.00
Convention Workshops	\$ 500.00	\$ -	\$ -	\$ -
Other gifts	\$ 100.00	\$ -	\$ 50.00	\$ 50.00
<b>Totals</b>	<b>\$ 4,125.00</b>	<b>\$ 2,942.80</b>	<b>\$ 3,575.00</b>	<b>\$ 3,575.00</b>
<b>Expenses</b>				
Meetings	\$ 2,025.00	\$ 2,691.36	\$ 2,375.00	\$ 2,375.00
Convention	\$ 2,000.00	\$ 2,850.00	\$ 1,000.00	\$ 1,000.00
Office Expenses and Misc	\$ 100.00	\$ 221.52	\$ 200.00	\$ 200.00
<b>Totals</b>	<b>\$ 4,125.00</b>	<b>\$ 5,762.88</b>	<b>\$ 3,575.00</b>	<b>\$ 3,575.00</b>

# **Media Commission Report**

**July 2014, Ft. Worth, Texas**

In 2013, the Media Commission continued its focus on streaming convention services to enable viewers from all over the country and the world to participate in the National Association of Free Will Baptists. We also streamed the National Youth Convention for the first time in 2013. Both services averaged several hundred viewers each evening.

In addition to streaming the evening convention services, the Media Commission now offers the ability to view services from previous years. Convention messages from 2011- 2013 can be viewed and downloaded at [nafwb.org](http://nafwb.org) under the "media" tab.

The 2014 convention has presented some unique challenges. The cost for bandwidth has significantly increased from previous years, but we are pleased to report that we will continue to stream thanks to the Executive Office and a grant from the Free Will Baptist Foundation. Video archives of the 2014 convention services will be available at [nafwb.org](http://nafwb.org) shortly after the National Convention is over.

Throughout the convention, the Media Commission will be sharing various forms of media through facebook, twitter and instagram. We encourage others to share their experiences through social media and tag their post with the hashtag #NAFWB.

For the first time in several years the Media Commission will be presenting a seminar during the convention. This seminar will focus on how to develop a website for your church and various platforms that can be used. We hope this will provide some guidance and raise awareness about the importance of having an online presence.

The Media Commission will not set up an exhibitor's booth this year. To contact the Media Commission please feel free to use our Facebook page or our website [www.fwbmedia.com](http://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 2013 - 2014 (5/1/2013 - 4/31/2014)**

<b>Beginning checking account balance</b>			<b>\$</b>	<b>3,449.48</b>
<b>Income</b>			<b>\$</b>	<b>2,927.97</b>
	Together Way (Undesignated)	\$	2,441.47	
	Together Way (Designated)	\$	456.34	
	Rest of the Family Offering	\$	15.16	
	Misc. Income	\$	15.00	
<b>Expenses</b>			<b>\$</b>	<b>2,316.12</b>
	2013 Convention Board Expenses	\$	480.00	
	2013 FWB Panel Streaming	\$	-	
	2013 Convention Streaming	\$	349.00	
	Website Hosting	\$	68.22	
	Hardware/Software Purchase	\$	334.50	
	Annual Meeting Expenses	\$	874.11	
	Stop payment fee (check 1007)	\$	34.00	
	Vimeo Account (video hosting)	\$	59.95	
	FWB Digest of Reports	\$	116.34	
<b>Current checking balance on hand (4/31/14)</b>			<b>\$</b>	<b>4,061.33</b>
<b>Trust Fund at FWB Foundation</b>			<b>\$</b>	<b>17,034.78</b>
<b>Endowment at FWB Foundation</b>			<b>\$</b>	<b>893.04</b>
<b>Total assets on hand</b>			<b>\$</b>	<b>21,989.15</b>

FWB Media Commission Comparative Budget Analysis (5/1/2013 - 4/31/2014)

	2013-2014 Budget		2013-2014 Actual	2015 Budget
<b>Income</b>				
Together Way (Undesignated)	\$	2,200.00	\$ 2,441.47	\$ 2,500.00
Together Way (Designated)	\$	780.00	\$ 456.34	\$ 500.00
Rest of the Family Offering	\$	20.00	\$ 15.16	\$ 20.00
Misc. Income	\$	-	\$ 15.00	
TOTAL INCOME	\$	3,000.00	\$ 2,927.97	\$ 3,020.00
<b>Expenses</b>				
National Expenses	\$	650.00	\$ 480.00	\$ 650.00
Streaming Services	\$	400.00	\$ 349.00	\$ 400.00
Board - Annual Meeting Expenses	\$	1,200.00	\$ 874.11	\$ 1,140.00
Hardware/Software	\$	500.00	\$ 334.50	\$ 500.00
Website Hosting	\$	60.00	\$ 68.22	\$ 80.00
Miscellaneous	\$	190.00	\$ 210.29	\$ 190.00
Vimeo (video hosting site)			\$	\$ 60.00
TOTAL EXPENSES	\$	3,000.00	\$ 2,316.12	\$ 3,020.00

STATISTICAL REPORT  
Reporting Period 2013

	Associations	Churches	Number Reporting	City	Rural	Full-Time Pastors	Bivocational Pastors	Baptisms	Reported Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2013 Membership	Reported 2013 Membership	Combined Income of All Churches
Alabama	13	130	126	61	69	53	48	219	12,263	407	267	140	12,403	10,619	2,645,241
Arizona	1	6	6	5	1	4	2	17	188	25	24	1	189	172	755,219
Arkansas	16	194	178	91	103	91	75	470	19,088	740	305	435	19,523	16,080	11,305,815
Assoc. of Mexico	8	48	0	29	19	0	0	0	2,090	0	0	0	2,090	0	0
California	7	53	49	48	5	39	15	186	1,992	123	100	23	2,015	1,976	1,522,645
Canada	1	10	10	3	7	7	3	10	353	25	12	13	366	428	640,237
Colorado	1	6	6	5	1	3	2	30	125	16	8	8	133	126	392,195
David Marks Assoc.	1	5	5	4	1	3	2	23	0	13	0	13	13	48	160,901
Florida	8	61	60	41	20	32	26	95	4,940	252	151	101	5,041	4,515	2,391,569
Georgia	10	115	102	38	77	63	52	163	7,607	280	270	10	7,617	7,211	6,518,568
Hawaii	1	1	1	1	0	1	0	5	-3	8	1	7	4	25	60,000
Idaho	2	7	7	7	0	4	3	12	333	14	4	10	343	119	288,866
Illinois	7	38	33	23	15	21	11	99	2,891	100	43	57	2,948	3,063	2,992,391
Indiana	3	23	23	16	7	17	6	0	448	0	0	0	448	0	0
Iowa	1	3	3	3	0	3	0	4	60	11	0	11	71	138	0
Kansas	2	10	10	10	0	5	4	73	594	78	16	62	656	788	747,169
Kentucky	11	11	125	33	97	37	90	451	13,149	603	354	249	13,398	12,528	3,043,980
Michigan	6	4	36	21	29	7	6	101	2,829	106	165	-59	2,770	2,012	0
Mid-Atlantic Assoc.	1	7	3	3	4	5	2	0	19	0	0	0	19	0	0
Mexico Assoc.	4	4	29	29	18	11	5	23	8	2,580	10	30	-20	2,560	30,000
Mississippi	3	47	43	11	36	28	17	79	3,448	172	76	96	3,544	3,114	978,922
Missouri	19	159	158	78	81	56	87	336	10,113	482	338	144	10,257	8,431	8,901,565
New Mexico	1	3	1	3	1	2	2	0	78	0	11	-11	67	51	87,615
North Carolina	8	172	170	86	86	121	22	515	15,114	704	455	249	15,363	15,849	90,776,341
Northeast Assoc.	1	1	3	2	1	3	0	5	200	14	34	-20	180	235	0
Northwest Assoc.	1	5	5	5	0	2	3	7	184	8	5	3	187	177	210,000
Ohio	19	144	144	67	77	44	97	532	9,475	417	311	106	9,581	9,220	6,013,633
Oklahoma	24	216	183	141	75	85	70	601	21,716	1,260	337	923	22,639	18,341	16,839,988
South Carolina	6	113	31	53	60	91	22	73	4,068	60	54	6	4,074	4,034	1,250,000
Tennessee	8	193	193	77	116	101	67	563	20,643	607	280	327	20,970	17,136	10,040,159
Texas	5	5	46	45	30	16	20	25	79	2,523	114	67	2,570	1,410	1,002,710
Virgin Islands	1	1	1	1	0	1	0	3	0	0	0	0	0	150	90,000
Virginia	8	6	74	58	22	52	19	127	4,469	145	131	14	4,483	2,613	1,551,955
West Virginia	21	21	166	166	23	143	60	223	7,220	299	227	72	7,292	6,965	1,861,594
Wisconsin	1	1	1	1	0	1	0	0	23	0	0	0	23	24	65,321
TOTALS	230	225	2,001	1,066	1,189	1,056	897	5,109	170,820	7,093	4,076	3,017	173,837	150,348	173,164,599



STATISTICAL REPORT  
Reporting Period 2013  
Page 2

	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	CTS Enrollment	Value of Associational Property
Alabama	13	38	19,333,965	192	32	341	5	4	4	0	0	3,420	420	1,422,309
Arizona	5	2	3,145,000	11	1	1	0	0	0	0	0	241	35	0
Arkansas	48	53	76,222,704	259	53	362	4	4	1	0	0	7,533	1,639	3,550,000
Assoc. of Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0
California	22	11	28,051,135	64	18	37	2	5	6	2	1	1,016	6	0
Canada	5	2	3,129,632	8	1	3	0	0	0	0	0	264	0	499,000
Colorado	3	0	5,436,000	7	0	0	0	0	0	1	0	207	0	0
David Marks Assoc.	3	2	1,975,000	9	1	0	0	0	0	0	0	50	0	0
Florida	21	23	24,105,401	76	4	90	5	0	1	0	0	2,059	195	0
Georgia	33	56	47,712,626	130	35	306	1	0	1	0	1	3,661	830	1,768,000
Hawaii	0	1	1,000,000	1	1	0	0	0	0	0	0	0	0	0
Idaho	6	1	1,095,000	12	0	1	0	0	0	0	0	147	235	0
Illinois	18	9	27,171,500	53	10	81	0	1	1	0	0	1,428	0	1,200,000
Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Iowa	3	2	3,410,000	3	0	5	0	0	0	0	0	78	60	0
Kansas	3	0	3,275,370	13	4	3	0	0	0	0	0	386	583	0
Kentucky	0	2	34,994,740	350	24	253	0	0	1	0	0	5,436	220	0
Michigan	8	11	20,045,575	54	6	38	0	0	0	0	0	1,281	0	0
Mid-Atlantic Assoc.	2	0	0	10	0	0	0	0	0	0	0	0	0	0
Mexico Assoc.	10	6	1,000,000	21	0	42	0	0	0	0	0	2,780	0	195,000
Mississippi	16	18	9,943,725	67	16	117	0	1	1	0	0	1,557	253	0
Missouri	53	31	69,408,206	228	53	255	3	0	0	0	0	4,759	546	6,425,000
New Mexico	0	1	1,400,000	3	0	2	0	0	0	0	0	14	0	0
North Carolina	78	48	73,431,564	238	61	488	19	10	9	3	1	8,213	551	15,000
Northeast Assoc.	2	1	0	3	0	0	0	0	0	0	0	100	0	0
Northwest Assoc.	2	1	3,000,000	7	3	5	0	0	0	0	0	101	0	0
Ohio	33	17	55,098,096	301	33	261	0	0	0	0	0	6,096	213	109,179
Oklahoma	35	32	136,458,858	329	55	336	6	4	4	0	0	6,829	673	20,500,000
South Carolina	7	24	29,000,000	189	7	148	3	1	1	0	0	1,181	75	1,900,000
Tennessee	60	49	106,208,498	310	62	417	2	1	1	2	1	11,217	1,164	0
Texas	15	13	12,594,100	54	18	47	1	0	0	0	0	571	9	0
Virgin Islands	1	1	1,000,000	1	1	2	1	1	1	0	0	75	0	0
Virginia	9	3	15,794,500	110	16	118	0	2	0	0	0	1,735	269	0
West Virginia	13	11	46,176,500	385	7	283	1	3	4	0	0	8,326	404	0
Wisconsin	1	0	500,000	3	0	0	0	0	0	0	0	17	0	0
TOTALS	528	469	863,117,695	3,501	522	4,042	53	35	38	9	5	80,778	8,380	37,583,488