

Minutes
of the
Eighty-first Annual Session
of the
National Association
of
Free Will Baptists, Inc.
when convened in
Louisville, Kentucky
July 16-19, 2017

Future Sessions of the Convention

2018	Little Rock, Arkansas	July 22-25
2019	Cincinnati, Ohio	July 21-24
2020	Oklahoma City, Oklahoma	July 19-22
2021	Memphis, Tennessee	July 18-21
2022	Birmingham, Alabama	July 17-20

Officers and Board Members

General Officers

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

General Board

2018

North Carolina: Reuben Cason
Northeast: Bill Reynolds
Northwest: Brent Nix
Ohio: Edwin Hayes
Oklahoma: Mike Wade
South Carolina: Chris Todd
Tennessee: Glenn Poston
Texas: Kenneth Mayo
Virginia: Bruce Barnes
West Virginia: Luther Morgan

2019

Alabama: Danny Williams
Arizona: John Gibson
Arkansas: David Taylor
Assn. of Mexico: Luis Felipe Tijerina
Atlantic-Canada: Oral McAfee
California: Mike Kilcrease
Colorado: Mark Thomas
David Marks Heritage: Tom Jones
Florida: Allan Austin
Georgia: Tim Horne
Idaho: Gene Kissinger
Illinois: David Shores

2020

Indiana: Daniel Edwards
Iowa: David Inman
Kansas: Josh Bush
Kentucky: Ashley Kidd
Mexico Assn.: Bud Bivens
Michigan: Jimmy Lawson
Mid-Atlantic: Wayne Hale
Mississippi: Larry Reynolds
Missouri: Stan Bunch
New Mexico: Mark Shores

Executive Committee

Moderator: Tim York, 2015 Harbor Drive, Smyrna, TN 37167

Assistant Moderator: William Smith, PO Box 507, Colquitt, GA 39837

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

Assistant Clerk: Ernie Lewis, 1176 CR 1975 N, Cisne, IL 62823

2018

Glenn Poston (TN)
Edwin Hayes (OH)
Mike Wade (OK)

2019

David Taylor (AR)
Danny Williams (AL)
David Shores (IL)

2020

Stan Bunch (MO)
Wayne Hale (MID-ATL)
Daniel Edwards (IN)

Board of Trustees of Welch College

Chairman: Jeff Crabtree, 27 Lewis Drive, Island View, NB E3E 1A1, Canada

2018

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

2020

Jeff Crabtree (ATL-CN)
Shiloh Hackett (TN)
Eddie Moody (NC)

2022

Michael Armstrong (OH)
Brad Ryan (IL)
Wayne Miracle (GA)

Board of International Missions

Chairman: Jeff Manning, 429 Black Jack-Simpson Road, Greenville, NC 27858

2018

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

2020

Janice Banks (TX)
Jeff Manning (NC)
Jeff Nichols (TN)

2022

Cameron Lane (AR)
Will Harmon (AR)
Rodney Yerby (AL)

Board of Home Missions

Chairman: Jeff Jones, 10212 Fayetteville Road, Fuquay-Varina, NC 27526

2019

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

2021

Earl Hanna (SC)
Mike Cash (AZ)
Tim Stout (OH)

2023

Bob Lewis (TN)
Josh Baer (NC)
David Sexton (VA)

Board of Retirement

Chairman: Rick Cason, 1580 Ebenezer Church Road, Glennville, GA 30427

2019

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

2021

Larry Clyatt (IL)
Ron Barber (OK)
Rick Dement (MO)

2023

Danny Baer (NC)
James Beasley (SC)
Jack Daniel (GA)

Board of Trustees of the Free Will Baptist Foundation

Chairman: Wendell Walley, 2056 Mesa Avenue, Clovis, CA 93611

2019

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

2021

Gene Williams (NC)
Scott Coghill (NC)
Phil Whiteaker (AR)

2023

Bobby Edwards (TN)
Melissa Haralson (AR)
Bob Thompson (OK)

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

Clint Morgan (IM); Matt Pinson (Welch College); David Crowe (NAM); Elizabeth Hodges (WNAC); Ron Hunter (RHP); John Brummitt (BOR); Keith Burden (EXEC).

Board of Randall House Publications

Chairman: Mike Trimble, 27786 Oriole Court, Flat Rock, MI 48134

2018

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

2020

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

2022

Darin Gibbs (NC)
Timothy York (DMH)
Jay Baines (VA)

Board of Women Nationally Active for Christ

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

2018 Amy Johnson (IL) Susan Burgess (IL) Sarah Sargent (OH)	2020 Diana Bryant (FL) Janie Campbell (AR) Tracy Payne (OK)	2022 Pam Hackett (SC) Jonda Patton (KY) Lee Ann Wilfong (MO)
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Commission for Theological Integrity

Chairman: Matt Pinson, 1045 Bison Trail, Gallatin, TN 37066

2018 Matt Pinson (TN)	2021 W. Jackson Watts (MO)
2019 Randy Corn (TN)	2022 Kevin Hester (TN)
2020 Rodney Holloman (TN)	

Historical Commission

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

2018 David Crowe (TN)	2021 Jeff Cockrell (TN)
2019 Robert Picirilli (TN)	2022 Willie Martin (GA)
2020 Eric Thomsen (TN)	

Media Commission

Chairman:

2018 Stephen Lopes (TN)	2021 Daniel Edwards (IN)
2019 Josh Owens (TN)	2022 Marc Neppl (VA)
2020 Jeremy Smith (NC)	

Music Commission

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

2018 James Stevens (TN)	2021 Donnie Burke (GA)
2019 Kevin Justice (NC)	2022 Doug Little (TN)
2020 Bryan Hughes (NC)	

Proceedings

The 81st annual session of the National Association of Free Will Baptists met July 16-19, 2017, at the KFC Yum! Center in Louisville, Kentucky. "Equipping the Saints" was the theme of the meeting. Ryan Lewis served as convention manager, and Kevin Justice was music coordinator.

Sunday School – July 16, 2017

Sunday School began at 10:00 a.m. with Aaron Pendergraft leading the congregation in singing "Lord, I Lift Your Name on High," "All Hail the Power," and "Mighty to Save." Mark Braisher welcomed the body and introduced Sunday School teacher, Tim Eaton, president of Randall University in Moore, Oklahoma, who brought the lesson on "Practical Christian Living" from 1 Thessalonians 5:12-28. Mark Braisher closed in prayer.

Sunday Morning – July 16, 2017

Morning worship began at 11:00 a.m. Keith Burden and Jose Rodriguez made announcements. Aaron Pendergraft led the congregation in singing "I Stand Amazed," "Shout to the Lord," and "Jesus Loves Me." Mark Braisher introduced the speaker and called for the offering. The congregation sang "'Tis So Sweet," "Never Once," and "O Praise the Name." The Cramerton Trio sang "Great Are You, Lord." Rick Dement, pastor of First Free Will Baptist Church, O'Fallon, Missouri, brought the message on "Equipping the Saints: Who Is Responsible?" from Ephesians 4:11-12. "I Surrender All" was sung as the invitation hymn, and Mark Braisher closed the service in prayer.

Sunday Evening – July 16, 2017

Evening worship began at 7:00 p.m. Keith Burden and Jose Rodriguez made announcements. Kevin Justice led the congregation in singing a medley of "The Old Rugged Cross," "Crown Him With Many Crowns," and "At the Cross." David Crowe welcomed the body and called for the offering. A video was played concerning mobile giving. The choir sang "I Still Glory in the Cross" with soloist Angie Deel. The congregation sang "Worthy Is the Lamb." The praise team and choir sang "The Blood of Jesus Speaks to Me." David Crowe introduced the speaker. Marshall Bonéy, pastor/church planter of the ReIGNITE Free Will Baptist Church in Virginia Beach, Virginia, spoke on "Equipping the Saints to Serve" from Ephesians 4:11-12. "I Surrender All" was sung as the invitation, and David Crowe closed the service in prayer.

Monday Evening – July 17, 2017

Evening worship began at 7:00 p.m. with Clerk Randy Bryant calling the 81st session to order and introducing the moderator, Tim York, who announced the following committees:

Credentials Committee

Glenn Poston (TN), Chairman
Danny Williams (AL)
Luther Morgan (WV)
Larry Reynolds (MS)
Mike Kilcrease (CA)

Resolution Committee

Daniel Edwards (IN), Chairman
Mark Price (OH)
Marcus Brewer (TX)
Jim Patton (KY)
Dale McCoy (GA)

Nominating Committee 2018

Cory Thompson (OK), Chairman

Jeremy Estep (KY)

Sonny Thomas (NC)

Chris Todd (SC)

Teresa Dixon (MO)

Tim Horne (GA)

David Taylor (AR)

Jeremy Estep, moderator of the Kentucky State Association of Free Will Baptists, welcomed the body. A trio of Chad Donoho, Jenny Donoho, and Stacie Compton sang "I Could Never Praise Him Enough." Kevin Justice led the congregation in singing "Praise Him, Praise Him." Tim Hall extended a welcome and called for the offering. The choir sang "O for a Thousand Tongues to Sing" with Allison Riggs and Jeremy Robinson providing solos. The congregation sang "I Will Sing Praise," and Psalm 32:1-7 was read. "I Am Not Alone" was sung by the choir with a solo by Caitlyn Cherry. Tim Hall introduced the speaker. Joel Franks, pastor of First Free Will Baptist Church, Glasgow, Kentucky, spoke on "Equipping the Saints Through the Word" from Acts 20:27-32. "Ancient Words" was sung as the invitation, and the service was dismissed.

Tuesday Afternoon – July 18, 2017

Moderator Tim York called the business session to order at 1:30 p.m. He brought a message on "Living in the Spirit" from Galatians 5:25-26 and led in prayer.

The clerk read the Credentials Committee report. (See page A-23.) Motion carried to receive the report and seat the delegates.

The clerk read a partial report from the General Board. (See page A-23.) Motion carried to receive the report and adopt it item by item.

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.

Director Clint Morgan gave the International Missions report. Rob Conley gave the financial report. Motion carried to receive the report. Discussion took place regarding the possible name change from International Missions Board of the National Association of Free Will Baptists, Inc. to IM, Inc.

Director Elizabeth Hodges gave the Women Nationally Active for Christ report. Terry Hill gave the financial report. Guests Madame Deborah Amiezi and Madame Solange Kambire from Côte d'Ivoire gave greetings to the body. Motion carried to receive the report.

The clerk read the Nominating Committee report for the General Board. (See page 25.) Motion carried to elect General Board members nominated by the Nominating Committee.

Motion carried to elect Stan Bunch (MO), Wayne Hale (Mid-Atlantic), and Daniel Edwards (IN) to the 2020 term on the Executive Committee.

The clerk read Item 2 of the General Board report. Motion carried to receive the report.

The clerk read Item 3 of the General Board report. Motion carried to receive the report. The moderator appointed the five-member committee requested in Item 3. The committee will consist of Stan Bunch (MO), chairman; Jeff Jones (NC); Randy Wilson (OK); Jeff Nichols (TN); and Mike Trimble (MI).

President Matthew Pinson gave the Welch College report. Craig Mahler gave the financial report. Motion carried to receive the report.

Doug Little gave the Music Commission report. Motion carried to receive the report. Doug Little was

elected to the 2022 term on the commission.
Mickey Crane closed the session in prayer.

Tuesday Evening – July 18, 2017

Evening worship was a celebration recognizing the 75th Anniversary of Welch College. The service began at 7:00 p.m. with a video presentation of Welch College's new campus. David Williford welcomed the congregation, and Josh Owens led the congregation in singing "All Hail the Power of Jesus Name" and "The Doxology." Anna G. Harris read 1 Corinthians 1:18-29 and Barry Raper led in prayer. A video was shown reflecting the history of Welch College. The congregation sang "How Firm a Foundation" and "I Am Resolved." David Williford called for the offering and prayed for the offering. The Welch College Alumni Choir with Lynsey Riggs as soloist sang "Lift High the Name of Jesus." "Behold Our God" was sung by the congregation. David Williford introduced the speaker, and Matthew Pinson, president of Welch College, preached on "Equipping the Saints Through Christian Higher Education" from 2 Corinthians 10:3-5. "In Christ Alone" was sung as the invitation, and the service was dismissed following announcements.

Wednesday Morning – July 19, 2017

The morning business session began at 9:00 a.m. Assistant Moderator William Smith read John 13:12-17 and led in prayer.

Director Ron Hunter gave the Randall House Publications report. Michael Lytle gave the financial report. Motion carried to receive the report.

Director John Brummitt gave the Board of Retirement report. Joshua Eidson gave the financial report. Motion carried to receive report. Danny Baer (NC), James Beasley (SC), and Jack Daniel (GA) were elected to the 2023 term on the board.

Director David Brown gave the Free Will Baptist Foundation report. Richard Davis gave the financial report. Motion carried to receive the report. Dotty Moore was recognized for 13 years of service to the department upon her retirement. Jonathan Locklear was presented a gift in appreciation for his father Rick Locklear's service on the board. Melvin Worthington was recognized for his service on the board. Waymon Fields was recognized with a gift for his years of service on the board. Scott Coghill (NC) was elected to the unexpired 2021 term of Rick Locklear on the board. Bobby Edwards (TN), Melissa Haralson (AR), and Bob Thompson (OK) were elected to 2023 terms on the board.

Director David Crowe gave the North American Ministries report. Jeff Jones, chairman of the board, presented Bob Thebeau a gift for his service to the board. Kerry Steedley, director of chaplain support, presented a plaque and gift to John and Lynn Carey for their service during John's time as a Free Will Baptist chaplain. Major Tracy Kerr, a Free Will Baptist chaplain, was introduced and prayed for as he is being deployed. Motion carried to receive report. Bob Lewis (TN), Josh Baer (NC), and David Sexton (VA) were elected to the 2023 term on the board.

Travis Penn gave the Media Commission report. Daniel Edwards shared about mobile giving. Motion carried to receive the report. Travis Penn was recognized for his years of service on the commission. Jeremy Smith (NC) was elected to the 2020 term on the commission, and Marc Neppi (VA) was elected to the 2022 term.

Matthew Pinson gave the Commission for Theological Integrity report. Motion carried to receive the report. Kevin Hester (TN) was elected to the 2022 term on the commission.

Eric Thomsen gave the Historical Commission report. Motion carried to receive the report. Willie Martin (GA) was elected to the 2022 term on the commission.

Wednesday Afternoon – July 19, 2017

The business session began at 1:30 p.m. Assistant Clerk Ernie Lewis read Romans 5:1-10 and led in prayer.

Ron Hunter gave the Vertical Three report. Motion carried to receive the report.

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

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

The clerk read the Obituary Committee report, and delegates watched a video that featured ministers who died in 2016. Motion carried to receive report. Bill Evans led the body in prayer.

The clerk read the Resolutions Committee report. (See page A-31.) Motion carried to receive the report item by item.

Resolution 1 was adopted.

Resolution 2 was adopted.

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

Motion carried to adjourn. A standing ovation was given for the Welch College personnel according to Resolution 1. Gary Sparks closed the business session with prayer.

Wednesday Evening – July 19, 2017

Evening worship began with Ken Akers introducing a video on Impact Louisville. An intergenerational choir sang “People of the Church” led by Don Myers as missionaries came in. International missionaries and North American church planters were introduced by Clint Morgan and Brad Ransom. New missionaries were commissioned with Clint Morgan bringing the charge and David Crowe praying the commissioning prayer.

Kevin Justice led the congregation in singing “Come Thou Fount, Come Thou King” and “Holy, Holy, Holy” (Savior King). Danny Williams welcomed the body and called for the offering. Marc Neppl gave information about mobile giving and prayed for the offering. Kevin Justice led in prayer for a medical need in the congregation, and the body sang “Great Are You Lord.”

Danny Williams introduced the speaker and prayed prior to the message. Clint Morgan, director of International Missions, brought the message on “Equipping the Saints to Reach the World” from Matthew 28:18-20. The praise team with Chad Donoho as soloist sang “Send Me Out” as the invitation, and Clint Morgan prayed for those who responded to the invitation. The choir sang “O for a Thousand Tongues to Sing” with Allison Riggs and Jeremy Robinson as soloists. The service was dismissed.

Credential Committee Report

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

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

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

3. From the following local churches, which are entitled to be represented by one delegate: Harvest Time Free Will Baptist Church of South Dakota, the Twin Valley Free Will Baptist Church of Wisconsin, and the Waipahu Free Will Baptist Church of Hawaii.

4. We recommend that delegates from Colorado, Iowa and the Free Will Baptist Church of St. Croix, Virgin Islands, be seated contingent upon fees being paid and reports received.

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

6. 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 2017 Credentials Committee:

Glenn Poston (TN), Chairman

Danny Williams (AL)

Larry Reynolds (MS)

*Luther Morgan (WV)

*Mike Kilcrease (CA)

*Not present

General Board Report

The General Board of the National Association of Free Will Baptists met Monday, July 17, 2017, in The Kentucky Center Bomhard Theater in Louisville, Kentucky.

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

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

2. We recommend Raleigh, North Carolina, for the July 16-19, 2023, convention.

3. We refer the resolution from Missouri (See pg. A-24) to the Body and recommend that a five-member committee be appointed by the moderator to study the matter as requested by the resolution.

Resolution From the Missouri State Association of Free Will Baptists

WHEREAS, Studies indicate that an average of 4,500 churches close their doors each year compared to an average of 1,000 new churches being planted each year, which represents a net decrease of the number of churches in this country by 3,500 churches per year, and

[SOURCE: Dr. Richard J. Krejcir, Statistics and Reasons for Church Decline.
<http://www.churchleadership.org/apps/articles/default.asp?articleid=42346&columnid=4545>]

WHEREAS, Studies also indicate that each year in America 2.7 million church members become inactive, and that church membership is declining annually by an average of 9.5% while the population is growing on average by 11% per year, and

[SOURCE: Dr. Richard J. Krejcir, Statistics and Reasons for Church Decline.
<http://www.churchleadership.org/apps/articles/default.asp?articleid=42346&columnid=4545>]

WHEREAS, Studies further indicate that 80% of established churches in America may be described as plateaued or in decline, and

[SOURCE: Harry L. Reeder, *From Embers to a Flame*, Philipsburg, NJ: Presbyterian and Reformed Publishing, 2008, p.7]

WHEREAS, Free Will Baptist churches have not been immune to these disturbing trends, and

WHEREAS, strong, vibrant, and healthy local churches are essential for the support of the educational and mission works of the Free Will Baptist denomination both at home and abroad, and

WHEREAS, Free Will Baptists are not oblivious to the need for revitalization of our churches as evidenced by seminar topics and themes, as well as reports from the denominational agencies, at the National Convention of Free Will Baptists which met in Kansas City, Missouri, in 2016, and

WHEREAS, the National Association of Free Will Baptists' efforts at a plan and/or program for revitalization of our churches is currently spread over multiple departments and agencies (i.e., The NAFWB Executive Dept., North American Ministries, and Randall House Publications).

The Missouri State Association RECOMMENDS that the National Association of Free Will Baptists appoints a committee with the express purpose of studying the feasibility of creating a national department of Church Revitalization, which would be independent of other denominational departments and would be solely responsible for the development and implementation of a comprehensive strategy for the revitalization of the local churches affiliated with the NAFWB, as well as the development of any resources and programs relevant to that strategy.

We further recommend that this committee be charged to conduct and complete its feasibility study and present its results to the National Association within two years of the date from which the committee was submitted.

Respectfully Submitted by W. Jackson Watts, Missouri State Clerk, June 20, 2017

Nominating Committee Report

Board of Home Missions

2023 Replacing Bob Lewis (TN) Bob Lewis (TN)
Replacing Robert Thebeau (MO) Josh Baer (NC)
Replacing David Sexton (VA) David Sexton (VA)

Board of Retirement and Insurance

2023 Replacing Danny Baer (NC) Danny Baer (NC)
Replacing James Beasley (SC) James Beasley (SC)
Replacing Tim Hall (KY) Jack Daniel (GA)

Board of FWB Foundation

2021 Replacing Rick Locklear (MI), deceased Scott Coghill (NC)
2023 Replacing Bobby Edwards (TN) Bobby Edwards (TN)
Replacing Waymon Fields (AL) Melissa Haralson (AR)
Replacing Melvin Worthington (NC) Bob Thompson (OK)

Commission for Theological Integrity

2022 Replacing Kevin Hester (TN) Kevin Hester (TN)

Historical Commission

2022 Replacing Willie Martin (GA) Willie Martin (GA)

Media Commission

2022 Replacing Marc Neppi (VA) Marc Neppi (VA)

Music Commission

2022 Replacing Doug Little (TN) Doug Little (TN)

General Board

2020 Indiana (replacing Daniel Edwards) Daniel Edwards
Iowa (replacing Jim Martin) David Inman
Kansas (replacing Zane Brooks) Josh Bush
Kentucky (replacing Chad Blair) Ashley Kidd
Mexico Association (replacing Bud Bivens) Bud Bivens
Michigan (replacing Gene Norris) Jimmy Lawson
Mid-Atlantic (replacing Wayne Hale) Wayne Hale
Mississippi (replacing Larry Reynolds) Larry Reynolds
Missouri (replacing Stan Bunch) Stan Bunch
New Mexico (replacing Mark Shores) Mark Shores

Executive Committee

- 2020 Replacing Stan Bunch (MO)..... Stan Bunch (MO)
- Replacing Wayne Hale (MID-ATL)Wayne Hale (MID-ATL)
- Replacing Daniel Edwards (IN) 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

- Danny Williams (AL), Chairman
- Bruce Barnes (VA)
- Reuben Cason (NC)
- Debe Taylor (AR)
- Carl Lilly (WV)
- Glenn Poston (TN)
- Mike Wade (OK)

BUDGET COMMITTEE REPORT

The National Association of Free Will Baptists, Inc., has approved in this convention the following budgets for 2018:

Executive Office (Includes:)		\$853,544.00
Administrative	\$409,444.00	
Convention	<u>444,100.00</u>	
Free Will Baptist Foundation		2,488,500.00
Home Missions (Includes Master's Men)		5,000,000.00
International Missions		7,000,000.00
Retirement and Insurance		636,510.00
Randall House Publications		4,853,750.00
Welch College		7,238,479.00
(Includes \$1,250,000 in unrestricted gifts)		
Women Nationally Active for Christ		255,000.00
Commission for Theological Integrity		9,800.00
Historical Commission		4,895.00
Media Commission		5,225.00
Music Commission		<u>4,775.00</u>
TOTAL		\$28,350,478.00

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	1.0%
Women Nationally Active for Christ	17.0% *
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
Ron Hunter, General Director of Randall House Publications
John Brummitt, General Director of Retirement and Insurance Department
Matt Pinson, President of Welch College
Elizabeth Hodges, Director of Women Nationally Active for Christ

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

The Vertical Three Conference

We changed the name of National Youth Conference to the Vertical Three Conference. The conference we hold is not open to the public and promoting as a national event causes confusion for people outside of Free Will Baptists. Also, the most common hashtag #NYC leads the young person to links that are not ours, nor are they Christian. We ask you to adjust from NYC to Vertical Three—named as the mission of the conference to equip young people (like Shadrach, Meshach, and Abednego) to stand for their faith in a modern day culture that feels a lot like Babylon).

Registration Total: 3456 (plus 45 onsite registrations)

Vertical 3 Attendee: 1,937

Vertical 3 Child Attendee: 106

Vertical 3 Grades 1-3: 276

Vertical 3 Grades 4-6: 307

Vertical 3 Grades 7-12: 724

Vertical 3 Preschool Worship: 106

Competitive Activity Entries: 953

Total Number of ENGAGE Leader Network Seminars: 71

Engage Seminars: 33

Other Agency Seminars: 38

Serve the City (Formerly Reach That Guy):

Volunteers: 168 onsite volunteers plus several churches brought items and completed "HOPE" bags

Hours Worked: Over 2,000 including several "HOPE" bags being distributed to the homeless

Opportunities: 23 (32 Total Pints Blood)

Buck-A-Week:

Total Tuesday offering: Currently \$11,730.08

2017 ministries receiving offering: Rufo & Maria Gomez from Kentucky/David Reeves from France

2018 Buck-a-Week Missionaries: Josh & Ashley Bennett from Georgia/Anthony and Lea Edgmon from Spain

Total Truth & Peace Participants: 144 from 3 foreign countries and 20 states

2017 Youth Evangelistic Team:

13 students

1,917 miles

8 services

8 churches

Worked closely with North American Ministries and church plants

2018 YETeam will travel to the West.

Vertical Three "God-Moments":

Monday-Hundreds of students stood and responded that they were willing to be bold.

Tuesday-Hundreds more shared the name of someone with whom they want to share the gospel.

2017 Convention Registration Totals

National

Board/Commission Member	55
Local Church Delegate	52
NAFWB Attendee	2966
Ordained Deacon	108
Ordained Minister	545
State Delegate	74
Total	3800

V3

V3 Attendee	1937
V3 Child Attendee	107
V3 Grades 1-3	275
V3 Grades 4-6	307
V3 Grades 7-12	724
V3 Preschool Worship	105
Total	3455

Unique: 4603

Obituary Committee Report

January 1 - December 31, 2016

Alabama

- John Ackerman
- Thomas Coxwell
- Charles Shaw
- Keith Spencer
- John E. Warren

Arkansas

- Clifford Leon Hill
- David Ponder
- Dale Underwood
- James E. Ashcraft
- Benny Pixley, Jr.

Florida

- James Osborn

Georgia

- Julius Grimsley
- Richard McFadden
- M.C. Powell

Missouri

- Jack Day
- Bill Jones
- Glenn Murray
- Arnold Day
- Fred Harris

North Carolina

- Mance Cason
- Howard Pittman
- James Roebuck
- Mack Himbles
- Ted Cole, Jr.

Ohio

- James Boyd
- Sturgill McCarty
- Harold Owens
- Bing Browning
- John Daniels
- Eddie Kennedy, Sr.
- David Adkins

Oklahoma

- Allen Moore
- Artie Herrod
- Carroll Dean Milner
- Connie Cariker
- Ernest Harrison, Jr.
- James Murray
- Keith Woody
- Larry Tuttle
- Daniel Parker
- Troy Staires
- Roy Bryant
- Kenneth Jones

South Carolina

- Murrell Young
- Reedy Saverance

Tennessee

- Paul Sitton
- Elmer Carter
- Jack Williams
- Jonas Revis
- Milton Crowson
- Terry Eagleton
- Derek Bell
- Vernon Barker
- Charles Bohanon

Virginia

- Bob Breeden
- M.D. Hyatt
- Milligan Herron

West Virginia

- Bill Belcher
- Eugene Davis
- Curtis Monk
- Robert Newman
- Treaby Scaggs
- Lacy Spry
- Roger Vance
- Linzel Walls

Non-Ministers

- Aaron Burns (AR)
- Henry Wilson Jones (AR)
- Ricky Sanders (AR)
- Jerry Virden (AR)
- Howard Price (GA)
- Curtis Fowler (IL)
- Lawrence Gostowski (IL)
- Cline Roberts (IL)
- Leoid Case (MO)
- Dale McCurry (MO)
- Delbert Verbick (MO)
- Danny Cook (WV)
- Tom Henderson (WV)
- Robert Perry (WV)
- Bob Price (WV)
- James Ramey (WV)

Obituary Committee:

Keith Burden (TN), Chairman
Eric Thomsen (TN)

Resolutions Committee Report

RESOLUTION #1

WHEREAS, For over twenty years Welch College has recognized the need to relocate; and

WHEREAS, Significant work has been performed over many years by different administrations toward the goal of relocation; and

WHEREAS, Through the grace of God, the current college family has worked tirelessly and sacrificially in seeing through the sale of the old campus and building of the new; and

WHEREAS, The new Welch College campus is beautifully designed and constructed and will serve the needs of the College well in advancing the kingdom of God;

THEREFORE, Be it resolved that the National Association of Free Will Baptists extend heartfelt thanks and a standing ovation to President J. Matthew Pinson, the Board of Trustees, the administration, faculty, staff, student body, and other committed workers for their labors on behalf of the relocation project.

RESOLUTION #2

WHEREAS, Having met as a convention of the National Association of Free Will Baptists in the city of Louisville, Kentucky, July 16-19, 2017,

BE IT RESOLVED, That we give a standing vote of thanks to the Kentucky State Association of Free Will Baptists, their Moderator, Promotional Director, Executive Committee, Steering Committee, and all others involved, for being such gracious hosts for our National Convention.

Resolutions Committee:

Bruce Barnes (VA), Chairman

Curtis Smith (IL)

Jimmy Lawson (MI)

Mike Armstrong (OH)

Todd Masters (IN)

The Executive Secretary's Report 2016

I grew up the son of a carpenter. I owe a debt of gratitude to my father for helping me develop a strong work ethic. The lessons I learned from hard work and the ability to use my hands to build something have served me well through the years.

My favorite part of house construction was the *framing phase*. Having a hand in raising the walls and roof was particularly rewarding. Being able to see the rapid, daily progress as the superstructure took shape was exciting. For the builder, it brings a sense of accomplishment and satisfaction.

For me, things changed significantly once the *finish work* began. Although it was no less important than the framing phase, finish work is usually slow and tedious. I remember working for hours on those inside jobs and seeing what I considered to be little or no progress. It can be a bit frustrating and discouraging at times.

You may think I'm peculiar, but I see a correlation between carpentry and ministry. For the person who is *results oriented*, it is both heartening and rewarding to see visible, measurable progress. Praise the Lord for those seasons of growth and achievement. That is the payoff for a lot of hard work, but it is only a fraction of the whole process.

During those lengthy periods when progress is slow and hard to see, the worker must stay focused on the task and not lose sight of the ultimate outcome. Otherwise, he can become discouraged and the work will grind to a halt. Paul said it well in 1 Corinthians 15:58—“Therefore, my beloved brethren, be ye steadfast, unmoveable, always abounding in the work of the Lord, forasmuch as ye know that your labor is not in vain in the Lord.”

Denominational ministry certainly has its rewards. Thank God for those periods when tangible results are evident. It is exciting! However, honesty dictates I tell you, it is not always that way. There are plenty of labor-intensive seasons when little or no results are seen. Here again the apostle's mindset and resolve are indispensable: “I press toward the mark for the prize of the high calling of God in Christ Jesus” (Philippians 3:14).

Such is the approach we've taken in the Executive Office. We endeavor to remain focused and faithful. As we help facilitate and promote the work of all denominational ministries, we are encouraged by the steady progress. Through the work of The Together Way Plan, *ONE Magazine*, the annual convention and the Rekindle church revitalization program, we remain hopeful and optimistic. “And let us not be weary in well-doing: for in due season we shall reap, if we faint not” (Galatians 6:9).

Thank you for the honor and privilege to serve Free Will Baptists.

Keith Burden, CMP
Executive Secretary

Tracking The Together Way Totals

DESIGNATED			CO-OP		TOTAL	
2007						
4,168,077.00	-0.61%		874,548.07	5.09%	5,042,625.07	0.33%
83%			17%			
2008						
4,083,286.89	-2.03%		892,767.28	2.08%	4,976,054.17	-1.32%
82%			18%			
2009						
3,970,587.35	-2.76%		877,543.24	-1.71%	4,848,130.59	-2.57%
82%			18%			
2010						
3,719,114.31	-6.33%		830,020.39	-5.42%	4,549,134.70	-6.17%
82%			18%			
2011						
3,557,541.45	-4.34%		839,056.49	1.09%	4,396,597.94	-3.35%
81%			19%			
2012						
3,805,921.98	6.98%		867,489.00	3.39%	4,673,410.98	6.30%
81%			19%			
2013						
3,384,687.36	-11.07%		899,627.83	3.70%	4,284,315.19	-8.33%
79%			21%			
2014						
3,376,818.07	-0.23%		840,505.88	-6.57%	4,217,323.95	-1.56%
80%			20%			
2015						
3,172,270.35	-6.06%		824,395.83	-1.92%	3,996,666.18	-5.23%
79%			21%			
2016						
3,517,079.10	10.87%		851,229.28	3.25%	4,368,308.38	9.30%
81%			19%			

The Together Way Totals Increase from 2007-2016

Designated	-15.62%	CO-OP	-2.67%
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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, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2016, and 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.

Report on Summarized Comparative Information

We have previously audited the Executive Office of the National Association of Free Will Baptist, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Hill Harper & Associates

**Franklin, Tennessee
March 9, 2017**

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

Statements of Financial Position

December 31, 2016 and 2015

	<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:			
Cash in bank			
Executive Office	\$	156,759	157,414
Convention		334,379	230,055
Special Projects - Hymnal royalties		93,086	86,097
		<hr/>	<hr/>
Total cash in bank		584,224	473,566
Funds held by Free Will Baptist Foundation		16,049	16,094
Receivables:			
Randall House royalties		7,185	2,460
Other departmental and agency charges		3,696	403
		<hr/>	<hr/>
Total receivables		10,881	2,863
		<hr/>	<hr/>
Total current assets		611,154	492,523
		<hr/>	<hr/>
Equipment:			
Office equipment and furniture		37,956	37,956
Automobiles		15,000	15,000
		<hr/>	<hr/>
		52,956	52,956
Less accumulated depreciation		52,851	52,424
		<hr/>	<hr/>
Equipment, net of depreciation		105	532
		<hr/>	<hr/>
Other assets:			
Deposits for future conventions		6,500	46,170
		<hr/>	<hr/>
	\$	617,759	539,225
		<hr/>	<hr/>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable and accrued expenses	\$	61,208	55,389
Funds held for Church on the Ridge building improvements		16,049	16,094
		<hr/>	<hr/>
Total current liabilities		77,257	71,483
		<hr/>	<hr/>
Net assets:			
Unrestricted:			
Executive Office		303,907	291,814
Net Investment in Equipment		105	532
Special Projects		70,173	68,989
Convention Fund		166,317	106,407
		<hr/>	<hr/>
Total net assets		540,502	467,742
		<hr/>	<hr/>
	\$	617,759	539,225
		<hr/>	<hr/>

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, 2016 and 2015

	Executive Office	Special Projects	Convention Fund	2016 Totals	2015 Totals
Revenues:					
The Together Way Plan	\$ 4,368,308	-	-	4,368,308	3,996,667
Disbursed to agencies and departments	(3,967,145)	-	-	(3,967,145)	(3,608,400)
Executive Office portion of Together Way Plan	401,163	-	-	401,163	388,267
Hymnal royalties	-	7,393	-	7,393	9,633
Gifts and offerings	2,899	-	6,821	9,720	8,177
Convention revenues	-	-	376,077	376,077	401,730
Rekindle	-	1,840	-	1,840	-
Other income	10,661	827	15,209	26,697	18,099
Total revenues	414,723	10,060	398,107	822,890	825,906
Expenses of operations:					
Executive Office	403,057	-	-	403,057	424,070
Special Projects	-	8,876	-	8,876	6,389
Convention	-	-	338,197	338,197	364,446
Total expenses	403,057	8,876	338,197	750,130	794,905
Increase in net assets	11,666	1,184	59,910	72,760	31,001
Net assets:					
Beginning of year	292,346	68,989	106,407	467,742	436,741
End of year	\$ 304,012	70,173	166,317	540,502	467,742

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, 2016 and 2015

	Executive Office	Special Projects	Convention Fund	2016 Totals	2015 Totals
Expenses of operations:					
Employment costs:					
Salaries	\$ 208,525	-	-	208,525	201,051
Housing allowance	20,000	-	-	20,000	20,000
Employee fringe benefits and health insurance	56,962	-	-	56,962	51,936
Payroll taxes	23,920	-	-	23,920	23,406
	309,407	-	-	309,407	296,393
Allocated to convention	(99,977)	-	99,977	-	-
Total employment costs	209,430	-	99,977	309,407	296,393
Other operating costs:					
Support to One Magazine	97,026	-	17,463	114,489	133,896
Office rental	35,571	-	-	35,571	35,273
Travel	32,136	-	37,941	70,077	69,989
Supplies, office expense	3,461	(8)	4,074	7,527	14,423
Copier lease	5,111	-	-	5,111	5,057
Car lease	4,177	-	-	4,177	4,177
Executive Committee and General Board	-	-	6,944	6,944	9,018
Depreciation	427	-	-	427	3,564
Legal and audit	4,191	-	3,911	8,102	9,148
Printing and promotion	1,731	-	4,553	6,284	15,935
Postage / mail services	800	-	271	1,071	366
Telephone	3,703	-	3,096	6,799	3,365
International Fellowship	240	-	-	240	240
Support to Women Nationally Active for Christ	4,682	-	-	4,682	4,534
Royalties and management fee	-	5,482	-	5,482	5,482
Church directory	-	564	-	564	907
Auditorium and other convention services	-	-	156,652	156,652	178,489
Rekindle	-	2,838	-	2,838	-
Church security video	371	-	-	371	-
Special Committee	-	-	-	-	201
Impact Project	-	-	249	249	296
Nominating Committee	-	-	1,866	1,866	2,552
Other	-	-	1,200	1,200	1,600
Total expenses	\$ 403,057	8,876	338,197	750,130	794,905

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 72,760	31,001
Adjustments to reconcile change in net assets to net operating activities :		
Depreciation	427	3,564
Change in deposits for future conventions	39,670	(29,670)
(Increase) decrease in:		
Receivables	(8,018)	12,376
Increase (decrease) in:		
Funds held for Church on the Ridge building improvements	(45)	(890)
Accounts payable and accrued expenses	<u>5,819</u>	<u>11,532</u>
Net operating activities	<u>110,613</u>	<u>27,913</u>
Increase in cash and cash equivalents	110,613	27,913
Cash and cash equivalents:		
Beginning of year	<u>489,660</u>	<u>461,747</u>
End of year	<u>\$ 600,273</u>	<u>489,660</u>
Cash and cash equivalents consist of:		
Cash in bank	\$ 584,224	473,566
Funds held by Free Will Baptist Foundation	<u>16,049</u>	<u>16,094</u>
	<u>\$ 600,273</u>	<u>489,660</u>

See accompanying notes to financial statements.

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

December 31, 2016 and 2015

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, 2016 and 2015, funds held by Free Will Baptist Foundation were valued at market using Level 2 inputs.

The carrying value of cash, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying values of liabilities are not materially different from the estimated fair values of these instruments.

Accounts Receivable

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

Fixed Assets

Furniture and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on the straight line method. Expenditures for maintenance and repairs, renewals, and betterments that do not significantly extend the useful lives of assets are expensed as incurred.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through March 9, 2017, 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 2016 and 2015. 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.

(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 \$11,094 in 2016 and \$10,613 in 2015. 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.

(3) Operating Leases

The Executive Office has entered into noncancelable lease arrangements relating to a car and copy machine. Total expenses amounted to \$9,288 in 2016 and \$9,234 in 2015. The minimum annual payments required are \$6,533 for 2017 and \$1,482 in 2018. 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 \$35,571 in 2016 and \$35,273 in 2015.

(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 \$114,489 in 2016 and \$133,896 in 2015. This decrease in was approved at the national convention in July 2015.

(6) Commitments for Future Conventions

Contractual obligations for future conventions have been executed into future years. Deposits amounting to \$6,500 in 2016 and \$46,170 in 2015 are recorded as other assets. Additional costs for facilities only and estimated production costs for the next five years are paid in the respective year of the convention as follows:

	Facilities	Production
2017 - Louisville, KY	\$ 47,400	87,466
2018 - Little Rock, AR	48,000	86,356
2019 - Cincinnati, OH	64,500	87,656
2020 - Oklahoma City, OK	#	95,000
2021 - Memphis, TN	#	95,000
# Space will be complimentary based on room nights		

**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, 2016 as compared to 2015 totals.

	2016			2015
Receipts:	Designated	Cooperative	Total	Total
Alabama	\$ 10,309	3,111	13,420	10,889
Arkansas	552,868	170,167	723,035	682,427
California	-	6,428	6,428	7,854
Florida	450	11,789	12,239	15,515
Georgia	414,131	29,787	443,918	395,473
Illinois	131,169	25,937	157,106	143,166
Indiana	12,519	940	13,459	13,001
Kentucky	500	10,686	11,186	12,137
Michigan	140,717	8,591	149,308	161,007
Mississippi	683	9,790	10,473	9,928
Missouri	481,349	237,707	719,056	665,253
New Mexico	202	3,578	3,780	16,231
North Carolina	34,917	41,104	76,021	68,655
Ohio	150,706	46,626	197,332	190,069
Oklahoma	572,556	183,659	756,215	615,695
South Carolina	712,713	550	713,263	642,402
Tennessee	116,914	48,064	164,978	165,818
Texas	173,041	1,732	174,773	157,968
Virginia	725	2,491	3,216	2,374
West Virginia	2,145	3,676	5,821	5,619
Canada	8,088	923	9,011	11,518
Contributions totaling \$2,500 or less	377	3,893	4,270	6,042
Total receipts	\$ 3,517,079	851,229	4,368,308	3,996,667
Disbursements:				
Executive Office	\$ 18,109	383,054	401,163	388,267
FWB Foundation	387	9,364	9,751	13,911
Home Missions	561,226	102,999	664,225	637,297
International Missions	2,519,319	102,999	2,622,318	2,337,701
Master's Men	2,668	-	2,668	5,539
Retirement & Insurance	1,387	56,181	57,568	59,981
Welch College	283,335	103,000	386,335	338,063
Women Nationally Active for Christ	1,113	74,908	76,021	72,475
Historical Commission	224	4,681	4,905	4,744
Media Commission	315	4,681	4,996	5,018
Music Commission	781	4,681	5,462	5,190
Theological Integrity Commission	516	4,681	5,197	5,014
Randall University	44,943	-	44,943	42,749
Other	82,756	-	82,756	80,718
Total disbursements	\$ 3,517,079	851,229	4,368,308	3,996,667

2018
EXECUTIVE OFFICE
ADMINISTRATIVE BUDGETS
FINANCIAL REPORT

PROJECTED EXPENSES	2016 Budget	2016 Actuals*	2017 Budget	2018 Budget
Salaries	\$202,612.52	\$204,773.65	\$143,224.00	\$128,412.55
Housing	20,000.00	20,000.04	20,000.00	20,000.00
Social Security	22,343.26	23,846.16	17,906.00	16,881.62
Retirement	11,130.63	13,376.03	8,161.00	8,324.41
Employees Insurance	43,434.34	43,396.82	35,696.00	33,431.05
(Dental/Disability/Health/Life/Travel)				
Convention Reimbursement	-98,642.21	-98,433.71	-19,077.00	0.00
Auditing/Legal	4,000.00	4,190.61	4,000.00	4,600.00
Books/Dues/Registrations	2,500.00	553.15	1,500.00	750.00
Car Lease	4,176.72	4,176.72	4,175.00	4,176.72
Computer Supplies	3,000.00	1,797.70	2,000.00	2,000.00
Copier Lease	6,000.00	5,111.00	5,000.00	5,000.00
Equipment Maintenance	100.00	0.00	100.00	0.00
Executive Committee	2,500.00	0.00	0.00	0.00
General Insurance	3,250.00	2,470.59	3,250.00	3,000.00
Int'l. Fellowship of FWB Churches	240.00	240.00	240.00	240.00
Office Rental	35,571.48	35,571.48	35,870.00	36,169.32
(\$1.20 per sq. ft. x 2,491)				
Office Supplies/Expense	1,500.00	1,480.97	1,000.00	1,100.00
Postage	500.00	800.37	250.00	500.00
Printing	1,000.00	806.24	1,000.00	1,000.00
Promotion	1,500.00	924.60	1,300.00	1,300.00
Rekindle-Revitalization	0.00	2,837.68	0.00	0.00
Telephone	3,500.00	3,702.57	3,000.00	3,750.00
Travel	30,500.00	32,135.98	30,500.00	30,500.00
<i>One Magazine</i>	116,433.44	97,025.58	97,026.00	100,470.00
Contingency Fund	500.00	0.00	129.00	3,338.44
Women Nationally Active for Christ	5,000.00	4,681.67	4,500.00	4,500.00
Totals	\$422,650.18	\$405,465.90	\$400,750.00	\$409,444.11

PROJECTED INCOME

The Together Way Plan				
Cooperative Gifts	\$397,650.18	\$383,053.18	\$375,000.00	\$382,694.11
Designated Gifts	16,000.00	18,109.30	17,000.00	18,000.00
Travel Reimbursement	1,500.00	2,642.31	1,750.00	1,750.00
Other Income	7,500.00	10,918.76	7,000.00	7,000.00
Revitalization Income	0.00	1,840.00	0.00	0.00
Totals	\$422,650.18	\$416,563.55	\$400,750.00	\$409,444.11

***Budget comparison does not include depreciation expense.**

SALARY BREAKDOWN

	2016		2017		2018	
Executive Secretary						
Salary	\$49,456.18	2.00%	\$50,845.30	2.00%	\$52,262.21	2.00%
Housing and Utilities	20,000.00		20,000.00		20,000.00	
Social Security	10,626.80	15.30%	10,839.33	15.30%	11,056.12	15.30%
Retirement	3,472.81	5.00%	3,542.27	5.00%	3,613.11	5.00%
Insurance (Health/Dental/Life)	8,886.24		9,774.86		9,128.86	
Disability/Travel	459.79		467.99		476.35	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
NOTE: Office car furnished.						
	92,901.82		95,469.75		96,536.65	
Executive Administrator						
Salary	62,589.29	2.00%	0.00		0.00	
Social Security	4,788.08	7.65%	0.00		0.00	
Retirement	3,129.46	5.00%	0.00		0.00	
Insurance (Health/Dental/Life)	17,588.74		0.00		0.00	
Disability/Travel	419.28		0.00		0.00	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
NOTE: Office car furnished.						
	88,514.85		0.00		0.00	
Executive Accountant						
Salary	49,201.04	2.00%	50,185.06	2.00%	51,188.76	2.00%
Social Security	3,763.88	7.65%	3,839.16	7.65%	3,915.94	7.65%
Retirement	2,460.05	5.00%	2,509.25	5.00%	2,559.44	5.00%
Insurance	9,242.06		15,197.92		14,197.81	
Disability	290.29		296.09		302.01	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	64,957.32		72,027.49		72,163.96	
Yearbook Coordinator						
Salary	41,366.01	2.00%	42,193.33	2.00%	24,961.58 *	2.00%
Social Security	3,164.50	7.65%	3,227.79	7.65%	1,909.56	7.65%
Retirement	2,068.30	5.00%	2,109.67	5.00%	2,151.86	5.00%
Insurance	8,827.20		9,709.92		9,072.10	
Disability	244.06		248.94		253.92	
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	55,670.07		57,489.65		38,349.02	

*The 2018 portion of the Registration Coordinator's Salary (\$19,458.41) will appear in next year's Convention Budget.

CONVENTION BUDGETS
Financial Report
National Association of Free Will Baptists, Inc.
July 16-19, 2017
Louisville, Kentucky

	2016 Budget	2016 Actuals*	2017 Budget
PROJECTED REVENUE			
Booth Fees	\$29,250.00	\$30,966.00	\$30,000.00
Host State (Kentucky)	30,000.00	30,000.00	30,000.00
Offerings	7,000.00	6,821.01	6,500.00
State Representation Fees (\$150 per church)	313,650.00	315,110.83	315,000.00
Other	7,000.00	15,206.60	8,600.00
Louisville CVB (Venue change)	<u>0.00</u>	<u>0.00</u>	<u>54,000.00</u>
TOTALS	<u>386,900.00</u>	<u>398,104.44</u>	<u>444,100.00</u>
PROJECTED EXPENDITURES			
Auditorium	158,860.00	148,010.29	215,350.73
Printing and Promotion	22,163.48	22,016.89	21,413.48
Convention Office	120,337.21	114,852.98	111,883.36
Convention Personnel			
Meals	5,104.00	5,068.82	5,104.00
Travel	4,465.47	2,810.41	3,278.10
Lodging	5,917.00	610.48	5,800.48
Convention Officials	5,630.96	5,675.23	5,499.24
Volunteer Staff	6,346.90	7,174.43	6,424.14
Honorariums	1,200.00	1,200.00	1,400.00
Decorator Services	12,015.00	6,000.76	14,316.92
Meal Functions	1,820.00	1,750.33	1,615.72
Executive Committee			
Meal and Motel Expenses	3,600.00	3,600.00	4,050.00
Pre-Convention Expenses	17,000.00	6,516.30	15,350.00
National Committee Expenses	<u>20,500.00</u>	<u>12,911.02</u>	<u>17,000.00</u>
Sub-Totals	384,960.02	338,197.94	428,486.17
Surplus Revenue	<u>1,939.98</u>	<u>59,906.50</u>	<u>15,613.83</u>
(Operating Capital for Future Conventions)			
TOTALS	<u>\$386,900.00</u>	<u>\$398,104.44</u>	<u>\$444,100.00</u>

*Budget comparison does not include depreciation expense.

CONVENTION BUDGETS
Financial Report
National Association of Free Will Baptists, Inc.
July 16-19, 2017
Louisville, Kentucky

	2016 Budget	2016 Actuals*	2017 Budget
PROJECTED REVENUE			
Booth Fees	\$29,250.00	\$30,966.00	\$30,000.00
Host State (Kentucky)	30,000.00	30,000.00	30,000.00
Offerings	7,000.00	6,821.01	6,500.00
State Representation Fees (\$150 per church)	313,650.00	315,110.83	315,000.00
Other	7,000.00	15,206.60	8,600.00
Louisville CVB (Venue change)	<u>0.00</u>	<u>0.00</u>	<u>54,000.00</u>
TOTALS	<u>386,900.00</u>	<u>398,104.44</u>	<u>444,100.00</u>
PROJECTED EXPENDITURES			
AUDITORIUM			
Rental/Arena/Meeting Space/Liability	42,200.00	36,770.00	55,000.00
Other			
First Aid Staff	3,840.00	3,480.00	3,360.00
ASCAP, BMI, CCLI Insurance	2,390.00	1,870.10	1,667.44
Music/Equipment	4,000.00	5,010.06	5,500.00
Signs	300.00	0.00	300.00
Sound System/AV Equipment	81,000.00	73,900.10	92,019.00
Boom/Rigging/Stage Hands	13,000.00	13,716.40	35,000.00
Usher Badges/Usher Room Table, Chairs	400.00	0.00	300.00
Police Security/Badge Checkers	9,220.00	11,409.75	19,204.29
Streaming Video Expense	510.00	260.00	1,000.00
General Board	<u>2,000.00</u>	<u>1,593.88</u>	<u>2,000.00</u>
TOTALS	158,860.00	148,010.29	215,350.73
PRINTING AND PROMOTION			
Convention Materials			
<i>Digest of Reports</i>	600.00	641.97	600.00
Programs	3,500.00	3,231.00	2,750.00
Pre-Convention Printing/Art	600.00	680.44	600.00
<i>ONE Magazine</i>	<u>17,463.48</u>	<u>17,463.48</u>	<u>17,463.48</u>
TOTALS	22,163.48	22,016.89	21,413.48

	2016 Budget	2016 Actuals*	2017 Budget
CONVENTION OFFICE			
Audit	\$4,000.00	\$3,910.80	\$4,386.25
Convention Manager Package	79,939.40	79,730.90	72,512.24
Convention Manager Computer	500.00	0.00	50.00
Equipment Rentals			
Computers, Printers	500.00	335.96	335.00
Copiers (3)/Paper	2,000.00	934.05	1,500.00
Furniture/Radios, etc.	1,900.00	1,035.00	1,550.00
Information Tables	270.00	0.00	240.00
Media Room/Press Office Tables	550.00	213.00	380.00
Office Expense/Supplies	1,500.00	1,556.16	1,500.00
Postage	150.00	270.84	200.00
Pre-Registration Salaries	17,373.72	17,373.72	17,721.20
Payroll Taxes	1,329.09	1,329.09	1,355.67
Pre-Registration Staff	1,500.00	1,469.00	2,000.00
Payroll Taxes	125.00	74.13	153.00
Pre-Registration (Supplies, Postage)	3,000.00	1,181.64	1,500.00
Registration (Supplies)	500.00	1,022.81	1,800.00
Registration Computers/Printers	1,500.00	1,320.00	1,500.00
Telephone/Internet	<u>3,700.00</u>	<u>3,095.88</u>	<u>3,200.00</u>
TOTALS	120,337.21	114,852.98	111,883.36
CONVENTION PERSONNEL			
MEALS			
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
Anna Fox (24 meals @ \$14.00 each)	336.00	336.00	336.00
Melody Hood (24 meals @ \$14.00 each)	336.00	336.00	336.00
Ryan Lewis (33 meals @ \$14.00 each)	462.00	462.00	462.00
Eric Thomsen (24 meals @ \$14.00 each)	336.00	336.00	336.00
Charles Wise (24 meals @ \$14.00 each)	336.00	336.00	336.00
Convention Interns (8)	<u>2,500.00</u>	<u>2,464.82</u>	<u>2,500.00</u>
TOTALS	5,104.00	5,068.82	5,104.00
TRAVEL			
Debbie Burden	300.00	0.00	0.00
Keith Burden	300.00	0.00	60.00
Anna Fox	280.00	279.96	214.00
Melody Hood	345.97	345.97	214.00
Kevin Justice	294.50	294.50	383.10
Ryan Lewis	300.00	0.00	60.00
Steve Pate	0.00	0.00	319.00
Eric Thomsen	300.00	300.00	214.00
Charles Wise	300.00	197.90	214.00
Convention Truck (Fuel/Meals/Rooms/Trailer Rental)	845.00	710.08	800.00
Staff Expense Money	<u>1,200.00</u>	<u>682.00</u>	<u>800.00</u>
TOTALS	4,465.47	2,810.41	3,278.10
LODGING			
Keith Burden	400.00	496.80	180.00
Anna Fox (7 nights @ \$123.41)	756.28	757.26	863.87
Melody Hood (7 nights @ \$123.41)	756.28	845.56	863.87
Ryan Lewis	400.00	397.30	165.00
Eric Thomsen (7 nights @ \$123.41)	819.28	925.26	863.87
Charles Wise (7 nights @ \$123.41)	819.28	1,086.04	863.87
Convention Interns (14 nights @ \$123.41)	1,965.88	2,172.20	2,000.00
Comp Rooms/Reimbursements	<u>0.00</u>	<u>-6,069.94</u>	<u>0.00</u>
TOTALS (Includes applicable tax and parking)	5,917.00	610.48	5,800.48

	2016 Budget	2016 Actuals*	2017 Budget
CONVENTION OFFICIALS			
Moderator - Tim York			
Travel	\$350.00	\$350.00	\$214.00
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.41)	702.24	793.36	740.46
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	1,796.24	1,887.36	1,698.46
Clerk - Randy Bryant			
Travel	450.00	323.89	247.40
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.41)	648.24	639.82	740.46
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	1,842.24	1,707.71	1,731.86
Assistant Moderator - William Smith			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.41)	<u>702.24</u>	<u>793.08</u>	<u>740.46</u>
	996.24	1,087.08	1,034.46
Assistant Clerk - Ernie Lewis			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$123.41)	<u>702.24</u>	<u>699.08</u>	<u>740.46</u>
	996.24	993.08	1,034.46
TOTALS (Includes applicable tax and parking)	5,630.96	5,675.23	5,499.24
VOLUNTEER STAFF			
Impact Coordinator - Ken Akers	702.24	820.26	863.87
Lodging (7 nights @ \$123.41)			
Media Commission	585.20	660.90	617.05
Lodging (5 nights @ \$123.41)			
Music Coordinator - Kevin Justice	648.24	1,144.78	650.46
Lodging (6 nights @ \$108.41)			
Musicians (4 Rooms)	2,468.40	2,467.00	2,318.20
Lodging (20 nights)			
Photographer - Rodney Yerby	740.52	758.52	740.46
Lodging (6 nights @ \$123.41)			
Translators (2 Rooms)			
Lodging (5 nights @ \$123.41)	617.10	737.07	617.05
Lodging (5 nights @ \$123.41)	<u>585.20</u>	<u>585.90</u>	<u>617.05</u>
TOTALS (Includes applicable tax and parking)	6,346.90	7,174.43	6,424.14
HONORARIUMS			
Tim Eaton	200.00	200.00	200.00
Rick Dement	200.00	200.00	200.00
Marshall Boney	200.00	200.00	200.00
Joel Franks	200.00	200.00	200.00
Matt Pinson	200.00	200.00	200.00
Clint Morgan	200.00	200.00	200.00
Barry Raper	<u>0.00</u>	<u>0.00</u>	<u>200.00</u>
TOTALS	1,200.00	1,200.00	1,400.00

	2016 Budget	2016 Actuals*	2017 Budget
DECORATOR SERVICES			
Booth Installation/Draped Tables	\$8,000.00	\$2,427.14	\$4,973.63
Exhibitor Badges	50.00	0.00	60.00
Registration			
Chairs, Counters, Skirted Tables	50.00	0.00	0.00
Electricity/Masking Drape	100.00	334.04	100.00
Stage			
Furnishings/Carpet	<u>3,815.00</u>	<u>3,239.58</u>	<u>9,183.29</u>
TOTALS	12,015.00	6,000.76	14,316.92
MEAL FUNCTIONS			
Executive Committee	1,660.00	1,596.58	1,473.12
Dinner (36 people @ \$40.92)			
Presidents' Breakfast			
(5 people @ \$28.52)	<u>160.00</u>	<u>153.75</u>	<u>142.60</u>
TOTALS	1,820.00	1,750.33	1,615.72
EXECUTIVE COMMITTEE			
Per Diem			
(For the Executive Committee Meeting prior to the 2017 National Convention)			
Stan Bunch	450.00	450.00	450.00
Daniel Edwards	450.00	450.00	450.00
Wayne Hale	450.00	450.00	450.00
Edwin Hayes	450.00	450.00	450.00
Wayne Miracle	450.00	450.00	0.00
Glenn Poston	450.00	450.00	450.00
David Shores	450.00	450.00	450.00
David Taylor	0.00	0.00	450.00
Danny Williams	0.00	0.00	450.00
Mike Wade	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
TOTALS	3,600.00	3,600.00	4,050.00
PRE-CONVENTION EXPENSES			
Impact Louisville	2,000.00	249.00	350.00
Pre-Convention Meetings/Site Inspections	<u>15,000.00</u>	<u>6,267.30</u>	<u>15,000.00</u>
TOTALS	17,000.00	6,516.30	15,350.00
NATIONAL COMMITTEE EXPENSES			
Executive Committee	15,000.00	11,044.81	13,000.00
Nominating Committee	<u>5,500.00</u>	<u>1,866.21</u>	<u>4,000.00</u>
TOTALS	20,500.00	12,911.02	17,000.00
SUB-TOTALS	384,960.02	338,197.94	428,486.17
SURPLUS REVENUE			
(Operating Capital for Future Conventions)	<u>1,939.98</u>	<u>59,906.50</u>	<u>15,613.83</u>
GRAND TOTALS	<u>\$386,900.00</u>	<u>\$398,104.44</u>	<u>\$444,100.00</u>

2016
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	\$278.96	\$143.00	\$91.23	\$93.63	\$98.00	\$104.58	\$95.43	\$106.67	\$91.15	\$91.83	\$110.13	\$95.49	\$1,400.10
Arizona	0.00	0.00	200.25	0.00	0.00	0.00	0.00	0.00	40.50	0.00	0.00	0.00	240.75
Arkansas	5,106.59	8,142.46	5,411.50	5,743.98	6,652.08	6,918.83	5,499.79	6,643.94	6,867.68	5,422.18	7,786.54	6,379.55	76,575.12
California	215.50	113.87	242.67	384.55	335.25	246.64	0.00	625.93	75.90	167.40	351.45	133.35	2,892.51
Canada	0.00	214.43	0.00	0.00	0.00	0.00	200.70	0.00	0.00	0.00	0.00	0.00	415.13
Florida	0.00	0.00	1,185.14	0.00	0.00	1,185.07	0.00	562.50	621.30	562.50	562.50	626.08	5,305.09
Georgia	1,551.78	1,289.34	1,155.58	1,169.72	1,097.78	807.30	1,330.15	1,088.29	1,360.10	1,060.14	969.75	524.04	13,403.97
Illinois	1,166.42	643.29	1,053.37	1,010.67	632.09	795.17	1,363.66	860.17	641.84	1,050.52	1,641.77	812.70	11,671.67
Indiana	53.33	16.24	0.00	35.46	189.00	0.00	25.04	0.00	0.00	103.95	0.00	0.00	423.02
Kansas	48.65	17.08	0.00	11.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	77.09
1 Kentucky	254.04	488.73	389.94	337.29	564.70	405.05	469.24	273.62	316.81	488.34	547.00	273.90	4,808.66
5 Maryland	0.00	0.00	0.00	0.00	0.00	90.00	0.00	0.00	0.00	0.00	0.00	0.00	90.00
Michigan	319.47	481.20	197.71	475.72	484.97	214.93	25.89	393.98	551.41	158.38	296.89	265.44	3,865.99
Mississippi	398.53	366.90	320.44	488.44	0.00	685.05	456.48	352.53	463.22	219.27	378.04	276.46	4,405.36
Missouri	10,279.85	9,594.44	8,872.53	10,627.33	6,663.76	9,775.54	7,341.08	9,705.69	8,310.29	8,722.96	9,216.29	7,858.52	106,968.28
New Mexico	7.72	0.00	29.32	36.36	0.00	59.43	0.00	32.93	281.93	321.26	592.70	248.36	1,610.01
North Carolina	2,340.42	1,373.80	1,285.19	559.88	2,556.31	1,248.73	1,201.11	1,330.32	285.86	1,189.98	3,845.76	1,279.65	18,497.01
Ohio	1,953.26	2,100.96	1,841.75	1,898.84	1,242.10	1,838.11	1,308.04	1,676.92	2,666.58	1,394.48	1,494.70	1,565.94	20,981.68
Oklahoma	11,262.92	6,028.17	7,560.52	6,293.84	6,787.29	6,500.61	6,171.92	7,502.82	5,740.42	5,566.53	5,867.51	7,363.84	82,646.39
Oregon	72.00	72.00	90.00	36.00	72.00	162.00	0.00	72.00	162.00	0.00	144.00	90.00	972.00
South Carolina	0.00	11.25	11.25	78.75	11.25	11.25	78.75	11.25	11.25	0.00	0.00	22.50	247.50
Tennessee	3,454.57	2,374.61	1,040.90	2,288.75	1,235.52	1,903.35	2,984.46	1,103.90	1,382.97	1,552.22	978.63	1,329.10	21,628.98
Texas	146.41	60.46	60.92	125.32	72.07	19.80	35.69	92.38	71.85	52.12	8.00	34.26	779.28
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
Virgin Islands	65.69	22.59	27.93	27.98	31.62	42.31	30.25	33.04	0.00	65.45	25.50	0.00	372.36
Virginia	0.00	84.61	0.00	234.38	121.94	104.81	0.00	204.38	83.56	105.93	100.86	80.69	1,121.16
West Virginia	<u>72.68</u>	<u>95.22</u>	<u>574.15</u>	<u>90.00</u>	<u>96.55</u>	<u>118.37</u>	<u>96.97</u>	<u>95.24</u>	<u>92.66</u>	<u>72.86</u>	<u>165.44</u>	<u>83.93</u>	<u>1,654.07</u>
TOTALS	\$39,048.79	\$33,734.65	\$31,642.29	\$32,048.25	\$28,944.28	\$33,236.93	\$28,714.65	\$32,768.50	\$30,119.28	\$28,368.30	\$35,083.46	\$29,343.80	\$383,053.18

2016

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	\$866.37	\$401.79	\$420.56	\$343.44	\$397.07	\$340.18	\$441.42	\$388.92	\$380.74	\$398.92	\$427.23	\$414.24	\$5,220.88
Arizona	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arkansas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
California	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	0.00	28.21	0.00	0.00	0.00	0.00	37.40	0.00	0.00	0.00	0.00	0.00	65.61
Florida	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
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	100.83	113.40	112.86	93.42	0.00	230.65	83.84	128.15	92.30	94.62	242.20	0.00	1,292.27
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	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00
Michigan	0.00	100.00	0.00	100.00	0.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00	400.00
Mississippi	13.00	0.00	20.00	20.00	0.00	0.00	15.00	0.00	615.00	0.00	0.00	0.00	683.00
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	198.00	75.00	669.83	125.00	10.00	130.00	633.00	75.00	140.00	52.00	150.00	75.00	2,332.83
Ohio	0.00	0.00	0.00	0.00	150.00	0.00	0.00	500.00	0.00	0.00	720.00	0.00	1,370.00
Oklahoma	26.23	31.13	0.00	0.00	0.00	0.00	71.56	0.00	0.00	0.00	0.00	0.00	128.92
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	299.23	233.62	232.44	295.67	314.83	221.06	103.87	300.19	301.24	199.54	340.12	271.57	3,113.38
Tennessee	365.00	20.00	20.00	167.00	20.00	120.00	406.00	20.00	265.00	250.00	20.00	20.00	1,693.00
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
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
Virginia	0.00	100.00	525.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	725.00
West Virginia	51.17	43.04	44.27	42.42	42.70	56.08	39.80	48.64	44.99	82.55	43.12	45.63	584.41
TOTALS	\$1,919.83	\$1,146.19	\$2,044.96	\$1,286.95	\$1,434.60	\$1,097.97	\$1,831.89	\$1,560.90	\$1,839.27	\$1,077.63	\$2,042.67	\$826.44	\$18,109.30

2016 Gifts to National Ministries

States	Executive	FWB Foundation	Home Missions	International Missions	Retirement & Insurance	Welch College	WNAC	Theological Integrity	Historical Commission	Media Commission	Music Commission	Totals
Alabama	\$6,770.84	\$433.73	\$540,949.08	\$393,378.50	\$303.39	\$97,404.77	\$5,860.18	\$41.74	\$41.11	\$40.88	\$41.07	\$1,045,265.29
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
Arizona	12,926.98	12,926.98	67,115,322.42	91,115,322.42	0.00	0.00	45,750.00	0.00	0.00	0.00	0.00	1,050,550.00
Arkansas	76,855.18	2,242.38	139,733.38	592,100.36	11,401.17	317,298.54	28,585.19	938.28	937.19	936.79	937.08	1,172,906.76
California	2,892.51	70.70	60,668.94	59,002.98	424.23	0.00	2,301.73	35.35	35.35	35.35	35.35	133,541.05
Canada	480.74	10.15	6,056.12	4,290.93	60.89	6,107.39	105.68	5.07	5.07	5.07	5.07	17,132.18
Colorado	0.00	0.00	213,676.82	2,259.55	0.00	800.00	0.00	0.00	0.00	0.00	0.00	216,796.37
Connecticut	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Delaware	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Florida	5,496.51	270.47	1,152,577.67	1,152,577.67	844.43	125,671.97	2,832.77	65.92	65.92	65.94	65.35	417,805.33
Georgia	13,644.20	670.47	19,943.07	344,317.72	2,123.08	120,830.38	11,575.97	166.03	200.02	164.66	164.93	613,800.53
Hawaii	0.00	0.00	3,969.66	2,100.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	6,269.66
Idaho	0.00	0.00	3,755.95	9,073.70	0.00	1,480.00	0.00	0.00	0.00	0.00	0.00	14,265.65
Illinois	11,671.67	285.31	115,704.92	261,420.12	1,711.87	24,089.19	5,570.37	142.65	142.65	142.65	142.65	421,024.05
Indiana	1,716.09	0.00	71,136.55	48,342.44	282.13	4,386.20	1,716.09	206.03	206.04	206.04	206.04	153,845.00
Iowa	0.00	0.00	1,830.00	1,830.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,470.00
Kansas	77.09	1.89	12,564.89	11,152.26	11.31	59,621.13	295.08	0.94	0.94	0.94	0.94	74,487.41
Kentucky	5,308.66	117.55	103,100.00	129,474.02	705.26	18,267.60	5,956.61	58.76	58.76	58.76	58.76	283,164.74
Louisiana	0.00	0.00	0.00	527.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	527.80
Maine	0.00	0.00	2,511.69	240.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,751.92
Maryland	0.00	0.00	5,000.00	5,000.00	0.00	680.00	0.00	0.00	0.00	0.00	0.00	11,680.00
Massachusetts	0.00	0.00	0.00	1,320.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,320.00
Michigan	4,265.99	94.54	44,741.78	159,445.64	567.01	13,028.65	4,921.02	47.25	47.25	47.25	47.25	227,253.63
Mid-Atlantic Association	0.00	0.00	28,372.20	0.00	0.00	24.20	0.00	0.00	0.00	0.00	0.00	28,396.40
Minnesota	0.00	0.00	770.00	0.00	0.00	2,000.00	0.00	0.00	0.00	0.00	0.00	2,770.00
Mississippi	5,085.36	107.69	130,980.99	75,949.00	646.12	31,348.48	3,908.49	53.84	53.84	53.84	53.84	248,242.49
Missouri	107,117.11	2,852.16	270,925.14	651,750.00	15,786.47	166,567.47	31,831.72	1,306.52	1,306.52	1,307.50	1,306.52	1,253,317.11
Montana	0.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00
Nebraska	0.00	0.00	0.00	600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	600.00
Nevada	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00
New Hampshire	0.00	0.00	2,400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,400.00
New Jersey	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	1,000.00	38.06	0.00	8,220.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00	11,235.00
New York	1,000.00	38.06	0.00	8,220.00	28.13	79.00	15.00	0.00	0.00	0.00	0.00	11,235.00
North Carolina	21,798.85	1,835.12	832,503.77	795,766.83	3,346.83	186,842.34	17,379.11	235.00	230.93	229.45	988.89	1,861,177.12
Northwest Association	0.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
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
Ohio	22,520.69	754.09	213,272.99	108,995.18	3,187.88	26,457.95	8,353.53	238.00	257.29	257.03	257.23	384,170.95
Oklahoma	62,707.77	62,707.77	183,326.99	667,819.47	8,119.47	8,119.47	23,565.94	1,015.35	1,015.35	1,015.35	1,015.35	1,015,353.44
Pennsylvania	972.00	23.70	169.36	0.00	142.56	266.20	190.08	1.86	1.86	1.86	1.86	1,811.48
Pennsylvania	0.00	0.00	66,905.99	18,708.92	0.00	2,500.00	0.00	0.00	0.00	0.00	0.00	88,114.91
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
South Carolina	3,503.84	210.10	135,603.54	494,249.65	204.03	132,861.28	4,461.09	4.35	3.75	3.53	3.69	771,368.85
South Dakota	0.00	0.00	4,151.13	4,151.13	0.00	50.00	0.00	0.00	0.00	0.00	0.00	4,201.13
Tennessee	23,845.11	94.75	515,056.20	79,456.20	4,125.20	389,456.20	19,430.00	280.13	280.13	280.13	280.13	1,736,532.42
Texas	854.61	289.28	91,861.82	215,333.95	229.02	28,720.20	2,228.64	11.14	10.40	10.13	10.33	337,639.50
Utah	0.00	2.98	6,521.47	6,625.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,149.45
Virginia	1,846.16	25.20	227,555.56	129,259.43	164.44	29,872.20	1,933.24	13.68	13.68	13.68	13.68	390,720.95
Washington	0.00	0.00	1,809.00	4,511.02	0.00	3,810.20	0.00	0.00	0.00	0.00	0.00	10,530.22
West Virginia	2,238.48	40.43	77,816.34	122,861.73	827.01	7,205.68	1,976.46	312.45	20.23	312.45	20.23	213,731.49
Wisconsin	0.00	0.00	1,855.00	1,855.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,710.00
Wyoming	0.00	0.00	390.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	390.00
Puerto Rico	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Virgin Islands	372.36	8.32	51,636.84	7,270.56	54.62	8,084.09	0.00	4.55	4.55	4.55	4.55	67,444.99
Other	0.00	0.00	394,448.19	147,464.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	542,962.70
Foundation	0.00	0.00	9,307.70	56,270.41	0.00	45,353.94	0.00	0.00	0.00	0.00	0.00	110,932.05
WNAC	0.00	0.00	15,266.55	27,926.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,193.51
TOTALS	\$404,051.69	\$14,057.93	\$4,913,705.30	\$8,666,470.77	\$59,844.59	\$1,912,557.87	\$189,243.80	\$6,239.70	\$4,970.32	\$5,007.25	\$5,476.68	\$14,180,635.90

*HM--Other includes interest, miscellaneous sources and states.
*IM--Other includes Co-op, miscellaneous incomes and sources, investment gains or losses.
*Retirement & Insurance--Total includes designated, undesignated, Co-op. Rest of the Family Offering and gifts.
*WNAC--Total does not include 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 the Building Services Fund of the National Association of Free Will Baptists, Inc. (a nonprofit organization) as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Building Services Fund of the National Association of Free Will Baptists, Inc. as of December 31, 2016, and 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.

Report on Summarized Comparative Information

We have previously audited the Building Services Fund of the National Association of Free Will Baptists, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Hill Harper & Associates

**Franklin, Tennessee
March 9, 2017**

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

Statements of Financial Position

December 31, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents:		
Cash in bank	\$ 385,418	363,019
Funds held by Free Will Baptist Foundation	113,729	46,533
	499,147	409,552
Accounts receivable	7,381	5,815
Total current assets	506,528	415,367
Property, plant and equipment:		
Land and land improvements	224,978	224,978
Building	1,631,536	1,603,007
Building services equipment	84,970	84,970
Departmental workstations	77,228	77,228
	2,018,712	1,990,183
Less accumulated depreciation	1,748,326	1,697,582
Net property, plant and equipment	270,386	292,601
Deposit	4,100	4,100
	<u>\$ 781,014</u>	<u>712,068</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 30,114	-
Employee benefits payable	66,368	20,066
Total current liabilities	96,482	20,066
Net assets:		
Unrestricted net assets:		
Undesignated:		
Operations	379,826	351,961
Net investment in property, plant and equipment	270,386	292,601
	650,212	644,562
Designated:		
Stewardship promotion	31,473	30,312
Reserve for building and equipment replacement	2,847	17,128
	34,320	47,440
Total net assets	684,532	692,002
	<u>\$ 781,014</u>	<u>712,068</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, 2016 and 2015

	2016				
			Reserve for Building / Equipment Replacements	Totals	2015
	Operations	Stewardship Office			
Revenues:					
Building rental	\$ 287,099	-	-	287,099	282,168
Reimbursement from departments	397,985	-	-	397,985	414,948
Interest income	1,392	271	435	2,098	630
Leadership Conference, net of expenses	2,235	-	-	2,235	3,057
Other	768	-	-	768	37
Net revenues	689,479	271	435	690,185	702,855
Expenses:					
Expenses incurred for departments:					
Employee benefits	295,819	-	-	295,819	304,429
Stewardship Office expense	4,258	-	-	4,258	4,642
Property and liability insurance	21,529	-	-	21,529	25,792
Telephone	25,693	-	-	25,693	23,582
Mailroom and other	52,413	-	-	52,413	61,809
	399,712	-	-	399,712	420,254
Building operating expenses:					
Salaries	76,293	-	-	76,293	74,534
Payroll taxes	5,836	-	-	5,836	5,702
Employee benefits	36,176	-	-	36,176	25,525
Janitorial services	27,173	-	-	27,173	26,531
Depreciation	50,744	-	-	50,744	75,808
Audit and legal	5,921	-	-	5,921	4,681
General insurance	23,748	-	-	23,748	24,174
Supplies and office expense	10,366	-	-	10,366	9,694
Utilities / telephone	34,078	-	-	34,078	34,625
Repairs and maintenance	11,055	-	-	11,055	13,109
Mailroom and other	16,553	-	-	16,553	14,163
	297,943	-	-	297,943	308,546
Total expenses	697,655	-	-	697,655	728,800
Excess of expenses (over) under revenues	(8,176)	271	435	(7,470)	(25,945)
Transfers to Stewardship Office	(890)	890	-	-	-
Provision for replacements	(6,000)	-	6,000	-	-
Security system purchased	20,716	-	(20,716)	-	-
Increase (decrease) in net assets	5,650	1,161	(14,281)	(7,470)	(25,945)
Net assets at beginning of year as restated	644,562	30,312	17,128	692,002	717,947
Net assets at end of year	\$ 650,212	31,473	2,847	684,532	692,002

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, 2016 and 2015

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Decrease in net assets	\$ (7,470)	(25,945)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation	50,744	75,808
(Increase) decrease in receivables	(1,566)	32,251
Increase in employee benefits payable	46,302	20,066
Increase in accounts payable	30,114	-
Net operating activities	<u>118,124</u>	<u>102,180</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(28,529)	(34,005)
Net investing activities	<u>(28,529)</u>	<u>(34,005)</u>
Increase in cash and cash equivalents	89,595	68,175
Cash and cash equivalents, at beginning of year	<u>409,552</u>	<u>341,377</u>
Cash and cash equivalents, at end of year	\$ <u>499,147</u>	<u>409,552</u>
Cash and cash equivalents consists of:		
Cash in bank	\$ 385,418	363,019
Funds held by Free Will Baptist Foundation	<u>113,729</u>	<u>46,533</u>
	\$ <u>499,147</u>	<u>409,552</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, 2016 and 2015

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 2016 and 2015. 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 March 9, 2017, the date these financial statements were available to be issued.

(2) 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 \$4,054 in 2016 and \$3,316 in 2015. 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.

(3) Operating Leases

Building Services has entered into noncancelable lease arrangements relating to mailing equipment. Total rent expense amounted to \$7,662 for 2016 and \$8,220 for 2015. The minimum payments required are \$5,989 for each year 2017 through 2021.

(4) 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 \$287,099 in 2016 and 282,168 in 2015. Rentals for 2017 are expected to increase to \$289,512.

(5) 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, Inc. 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.

(6) Designations of Unrestricted Net Assets

	2016	2015
<u>Stewardship Office</u>		
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, Inc.	\$ 31,473	30,312
<u>Reserve for Building and Equipment Replacements</u>		
Established to fund future building and equipment replacements	\$ 2,847	17,128

(7) Restatement of Prior Year Net Assets for an Accounting Error

In prior years, excess transfers have been made to reimburse operations for expenses of the Stewardship Office. Correction of this error has no effect of overall net assets but results in a transfer between net assets for operations (a decrease of \$25,647) and Stewardship Office (an increase in \$25,647).

**2018
BUILDING SERVICES
BUDGETS
FINANCIAL REPORT**

PROJECTED INCOME	2016 Budget	2016 Actuals*	2017 Budget	2018 Budget
Square Footage (20,105 @ \$1.21 = \$24,327.05 mo.)	<u>\$282,744.00</u>	<u>\$287,099.40</u>	<u>\$289,512.00</u>	<u>\$291,924.60</u>
Total Income	<u>\$282,744.00</u>	<u>\$287,099.40</u>	<u>\$289,512.00</u>	<u>\$291,924.60</u>

PROJECTED EXPENSES

Audit & Legal	\$4,750.00	\$5,920.71	\$4,800.00	\$5,300.00
Replacement Reserve	6,000.00	6,000.00	6,000.00	9,000.00
Building Security	0.00	20,972.85	0.00	500.00
General Supplies	4,500.00	5,200.54	5,000.00	5,500.00
Insurance (Employee)	38,600.00	32,121.60	42,500.00	35,415.21
Insurance (Plant)	27,000.00	23,748.29	27,000.00	28,000.00
Janitorial Services	33,000.00	27,173.05	33,000.00	33,000.00
Janitorial Supplies	3,000.00	1,509.56	3,500.00	2,500.00
Mail Room	10,500.00	10,360.95	13,000.00	13,000.00 **
Mail Truck	2,750.00	3,136.57	0.00	0.00
General Maintenance/Contingency Fund	23,620.23	20,557.12	22,782.00	27,540.41
Network Expense	3,500.00	3,424.11	3,500.00	3,500.00
Payroll Taxes (Employer's S.S.)	5,769.78	5,836.40	6,000.00	6,100.00
Postage Meter/UPS	450.00	232.26	500.00	500.00
Retirement	3,382.06	4,054.01	3,500.00	3,600.00
Salaries	75,421.93	76,292.62	76,930.00	78,468.98
Telephone	2,000.00	144.00	2,500.00	1,000.00
Utilities	37,000.00	33,933.58	37,000.00	37,000.00
Other	<u>1,500.00</u>	<u>1,110.50</u>	<u>2,000.00</u>	<u>2,000.00</u>
Total Expenses	<u>\$282,744.00</u>	<u>\$281,728.72</u>	<u>\$289,512.00</u>	<u>\$291,924.60</u>

*Budget comparison does not include depreciation expense.

**Includes \$2,000 mileage reimbursement.

BUILDING SERVICES

Salary Breakdown

	2016		2017		2018	
Maintenance Superintendent/ Mail Room Supervisor						
Salary	\$35,520.92	2%	\$36,231.34	2%	\$36,955.97	2%
Social Security	2,717.35	7.65%	2,771.70	7.65%	2,827.13	7.65%
Insurance (Dental/Health/Life)	28,518.49		31,370.34		25,000.00	
Disability	209.57		213.76		218.04	
Retirement	1,776.05	5%	1,811.57	5%	1,847.80	5%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	68,742.38		72,398.71		66,848.93	
Receptionist/Phone System Administrator/Assistant Bookkeeper						
Salary	\$32,120.24	2%	32,762.64	2%	33,417.90	2%
Social Security	2,457.20	7.65%	2,506.34	7.65%	2,556.47	7.65%
Insurance (Dental/Health/Life)	9,691.70		10,660.87		10,000.00	
Disability	189.51		193.30		197.17	
Retirement	1,606.01	5%	1,638.13	5%	1,670.89	5%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	46,064.66		47,761.29		47,842.43	
Part-time Worker		75 days		75 days		75 days
Salary	7,780.77	(12.96 hr.)	7,936.39	(13.22 hr.)	8,095.11	(13.48 hr.)
Social Security	<u>595.23</u>	7.65%	<u>607.13</u>	7.65%	<u>619.28</u>	7.65%
	8,376.00		8,543.52		8,714.39	



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, 2016, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2016, and 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.

Report on Summarized Comparative Information

We have previously audited One Magazine of the National Association of Free Will Baptists, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Hill Harper & Associates

**Franklin, Tennessee
March 9, 2017**

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

Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets:		
Cash and interest bearing deposits	\$ 317,376	313,826
Other assets:		
Funds held by Free Will Baptist Foundation for endowment fund purposes	20,749	21,937
Fixed assets:		
Furniture and equipment	10,400	10,400
Less accumulated depreciation	(8,717)	(7,678)
Net fixed assets	1,683	2,722
	<u>\$ 339,808</u>	<u>338,485</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 130	-
Total liabilities	130	-
Net assets:		
Unrestricted - operations	318,678	316,548
Temporarily restricted - endowment earnings	-	937
Permanently restricted - endowment funds	21,000	21,000
Total net assets	339,678	338,485
	<u>\$ 339,808</u>	<u>338,485</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, 2016 and 2015

	2016				
	Unrestricted Operations	Temporarily Restricted Net Assets	Permanently Restricted Funds	Total	2015
Revenues:					
Assessments to publish One Magazine from Free Will Baptist departments and agencies	\$ 416,178	-	-	416,178	435,585
Net results from endowments held by Free Will Baptist Foundation	1,134	(1,188)	-	(54)	(1,224)
Other	727	-	-	727	396
Total revenues	418,039	(1,188)	-	416,851	434,757
Expenses:					
Direct cost of publication:					
Printing	148,397	-	-	148,397	157,209
Postage and mailing services	100,478	-	-	100,478	95,704
Design	35,849	-	-	35,849	36,002
Graphics expense	5,405	-	-	5,405	6,448
Writer's fees	1,866	-	-	1,866	1,722
Total direct cost of publication	291,995	-	-	291,995	297,085
Employee compensation:					
Salary	69,634	-	-	69,634	68,683
Payroll Taxes	5,327	-	-	5,327	5,254
Retirement	4,341	-	-	4,341	3,081
Other employee benefits	9,467	-	-	9,467	8,669
Total employee compensation	88,769	-	-	88,769	85,687
Operating expenses:					
Supplies and other office expense	17,953	-	-	17,953	13,639
Travel	5,771	-	-	5,771	5,449
Purchase of webname	4,250	-	-	4,250	-
Graduate school tuition	5,881	-	-	5,881	-
Depreciation	1,039	-	-	1,039	1,074
Total operating expenses	34,894	-	-	34,894	20,162
Total expenses	415,658	-	-	415,658	402,934
Increase in net assets from operations	2,381	(1,188)	-	1,193	31,823
Net losses applied to operations	(251)	251	-	-	-
Increase in net assets	2,130	(937)	-	1,193	31,823
Net assets at beginning of year	316,548	937	21,000	338,485	306,662
Net assets at end of year	\$ 318,678	-	21,000	339,678	338,485

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Increase in net assets	\$ 1,193	31,823
Adjustments to reconcile increase in net assets to net operating activities:		
Depreciation	1,039	1,074
Loss in endowment funds held by Free Will Baptist Foundation	54	1,224
Distributions from endowment funds held by Free Will Baptist Foundation	1,134	1,236
Decrease in accounts receivable	-	746
Increase in accounts payable	130	-
Net operating activities	<u>3,550</u>	<u>36,103</u>
Increase in cash and cash equivalents	3,550	36,103
Cash and cash equivalents, at beginning of year	<u>313,826</u>	<u>277,723</u>
Cash and cash equivalents, at end of year	<u>\$ 317,376</u>	<u>313,826</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2016 and 2015

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, Inc. 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, 2016 and 2015, 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:

	2016	2015
Permanently restricted net asset:		
Original donor investment (corpus)	\$ 21,000	21,000
Temporarily restricted net assets:		
Balance at beginning of year	\$ 937	3,397
Investment earnings, including investment gains and losses	(54)	(1,224)
Distributions of earnings to unrestricted net assets	(1,134)	(1,236)
Net losses applied to operations	251	-
	<u>\$ -</u>	<u>937</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 2016 and 2015. 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 9, 2017 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, Inc.:

Executive Office:

Administrative budget

	<u>2016</u>	<u>2015</u>
\$ 97,026	116,433	

Convention budget

17,463	17,463
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Free Will Baptist Foundation

46,575	46,575
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Welch College

46,526	46,526
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Board of Home Missions

71,022	71,022
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International Missions

50,939	50,939
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Master's Men

8,382	8,382
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Randall House Publications

46,575	46,575
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Board of Retirement and Insurance

23,288	23,288
--------	--------

Women Nationally Active for Christ

8,382	8,382
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\$ 416,178	<u>435,585</u>
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Revenues are expected to approximate \$416,000 in 2017.

(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 \$202,924 in 2016 and \$210,055 in 2015.

(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 \$4,341 in 2016 and \$3,081 in 2015. 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.

2018
ONE MAGAZINE
BUDGETS
FINANCIAL REPORT

REVENUE	2016 Budget	2016 Actuals*	2017 Budget	2018 Budget
Convention	\$17,463.47	\$17,463.48	\$17,463.47	\$18,083.42
Executive Office	116,433.44	97,025.58	97,025.58	100,469.99
Free Will Baptist Foundation	46,575.15	46,575.12	46,575.15	48,228.57
Home Missions	71,022.23	71,022.24	71,022.23	73,543.52
International Missions	50,938.81	50,938.80	50,938.81	52,747.14
Master's Men	8,382.11	8,382.12	8,382.11	8,679.67
Randall House Publications	46,575.15	46,575.12	46,575.15	48,228.57
Retirement & Insurance	23,287.57	23,287.56	23,287.57	24,114.28
Welch College	46,526.04	46,526.04	46,526.04	48,177.71
WNAC	8,382.11	8,382.12	8,382.11	8,679.67
Endowment	0.00	-54.02	0.00	0.00
Reimbursements	500.00	415.96	500.00	500.00
Subscription Revenue	<u>100.00</u>	<u>311.00</u>	<u>100.00</u>	<u>130.48</u>
Total Revenue	<u>\$436,186.08</u>	<u>\$416,851.12</u>	<u>\$416,778.22</u>	<u>\$431,583.03</u>
EXPENSES				
Salary & Benefits	\$82,179.76	\$83,000.19	\$84,470.00	\$84,363.92
Auto/Cell Phone Allowance	5,785.38	5,768.04	5,901.00	6,019.11
Audit & Legal	4,800.00	5,043.21	4,900.00	5,200.00
Books, Dues & Registrations	2,000.00	671.43	2,000.00	1,500.00
Computer Software/Services	5,000.00	6,971.86	5,000.00	5,000.00
Design	38,000.00	35,849.28	42,000.00	40,000.00
Graduate School	0.00	5,881.43	0.00	0.00
Graphics	4,500.00	5,404.59	5,000.00	5,000.00
Mail Services	6,500.00	3,428.17	5,000.00	5,000.00
Postage	95,000.00	94,976.39	95,000.00	95,000.00
Postal Returns	2,000.00	2,073.10	1,500.00	2,000.00
Printing	165,000.00	148,397.05	165,000.00	160,000.00
Promotion	2,500.00	1,406.67	2,500.00	2,000.00
Supplies	5,000.00	3,251.18	5,000.00	5,000.00
Travel	7,000.00	5,771.47	7,000.00	7,000.00
Website	2,000.00	155.50	1,000.00	1,000.00
Writer's Fees	2,500.00	1,866.30	2,500.00	2,500.00
Other	<u>6,420.94</u>	<u>4,703.11</u>	<u>6,020.00</u>	<u>5,000.00</u>
Total Expenses	<u>\$436,186.08</u>	<u>\$414,618.97</u>	<u>\$439,791.00</u> **	<u>\$431,583.03</u>

*Budget comparison does not include depreciation expense.

**The anticipated deficit of \$23,012.78 will be funded from surplus revenues accumulated from previous years.

FREE WILL BAPTIST FOUNDATION

Director's Report

Financial Review

Total assets increased by \$5.3 million last year as we closed the year at \$68,338,600. We had a good year. Substantial realized gains helped us finish in the black, but our endowments were disappointing as the rate of return was slightly negative for the year. Our income statement has a new layout to more accurately reflect the income and expenses of the three areas we are responsible for: grants, estate planning and operations.

We were aware that we had accumulated cancelations in our estate planning ministry and had made some provision for this in our income statements in the past. A thorough examination of our books, by Richard and our auditor, revealed we had not fully accounted for these losses that occurred in 2013-2015 and last year. We considered separating the losses by year and making changes to our fund balance for previous years. In the final analysis, we decided to roll up all the losses into 2016. The losses totaled over \$328,000 with approximately \$80,000 occurring in 2016.

We believe the number of cancelations will be significantly fewer in the future. Since May 2016, we require a \$200 down payment before we start any work on an estate plan. Starting in 2017, we will also be adding an account to our financial statements called "Allowance for Doubtful Accounts".

Our net income was \$114,619 and consisted of realized capital gains that will be transferred to the grant pool. With grant income and expenses at zero last year, we had operation income of \$488,793 and a loss (\$374,174) which includes the onetime charge of previous years' cancelations.

For the first quarter of 2017, our assets have increased almost \$2.3 million at \$70,602,304. We have already realized the \$500,000 that will be necessary to fund this year's grants.

Estate Plans

The estate planning ministry will always operate at a loss; however, we would like to minimize the loss that must be offset by operations to be smaller in the future. Therefore, we have made a change in our personnel to be more efficient. We reassigned one of our field men to be a full-time delivery agent. This will allow the other field agents to concentrate on increasing the number of presentations they are doing per year by decreasing their delivery load. We do not have any plans to add another field agent. The reimbursements to Cornerstone have also been trimmed making our partnership closer to a 50/50 split. We had a price increase last year, but did not feel the full effect of that increase; but it will have an impact on 2017. We believe it is okay and even beneficial to show red ink in this area so that the denomination knows we are not making a profit on this area of ministry.

We had 424 people sign up for new estate plans in 2016 and had 153 in the first quarter of 2017. We continue to see around 35% of estate plans leaving a gift to ministry. Based on the total number of estates delivered so far at around 1,100, we believe over \$16 million will be coming to ministries from this endeavor. Those who have set up an estate plan are also showing more interest in our MMTs and planned gifts.

Budget

We have a total consolidated budget request of \$2,488,500, which is a slight increase over last year's total income of \$2,295,322. The operations budget totals \$888,500 with a projected net income of around \$250,000. The estate planning budget is \$1.1 million with a projected net loss of (\$250,000). The grant budget is a break even budget of \$500,000. We have proposed 3 % raises across the board for our employees. We anticipate the need for a part time person in 2018 to assist with the increasing estate plan workload.

Grants

We have over \$700,000 in the grant pool. Our intent will be to generate the \$500,000 we need each year through new realized capital gains. We are planning to pay out \$500,000 a year for the next five to ten years.

Planned Giving

We are getting more inquiries for gift annuities and have established new gift annuities over the last year. We have helped facilitate a gift annuity for a home. The Foundation cannot pay out these types of gift annuities, so we helped one of our ministries set up this gift annuity. We also established our first flip unitrust last year and received additions to other unitrusts.

Office

Dotty will be retiring at the end of July this year following 13 years of service. Tina Williams is transitioning to her position and assisting with some of the overflow in estate planning.

**Free Will Baptist Foundation
Synopsis of Board Meetings 2016**

April 18, 2016

All board members were present except David Crowe, Elizabeth Hodges, Keith Burden, John Brummitt and Gene Williams.

Audit, Financial, Proposed Budget and Director's reports were presented and approved. The Director Evaluation Committee, Investment Committee report, and the Field Representative reports were presented and approved. Matt Pinson, President of Welch College, gave a brief update on the relocation process and the Foundation's loan to Welch College. Officers were elected.

The following action was duly approved, adopted and resolved by the Board of Directors of the Free Will Baptist Foundation, Inc. ("Foundation").

Funds managed directly by the Free Will Baptist Foundation, Inc. shall be invested in companies and opportunities whose purposes and management activities are consistent with the overall purpose of the Foundation. As such, the Foundation shall not invest funds in companies who primary interests involve abortion, alcohol, gaming, pornography, tobacco, or operate in any other area of Christ moral turpitude. The foregoing prohibition precludes any investment in the motion picture or entertainment industry.

The following statement was presented to the board by the Director:

The Investment Committee of the Foundation regularly reviews all investments for adherence to this policy; however, the board does not release specific information on the investments of the Foundation.

December 5, 2016

All board members were present except Bobby Edwards, Gene Williams, and Rick Locklear.

Financial, Director's, and Field Representative reports were presented and approved. A motion was approved authorizing the Director to utilize the Board of Retirement as investment vendor as part of the Foundation's investment strategy. A motion was approved to facilitate a review of the minutes of the Foundation Board meetings for purposes of developing a manual setting the policies, practices, and procedures of the Foundation. A motion was approved to give the Director, David Brown, a \$6,000 bonus for his exemplary performance.



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Free Will Baptist Foundation, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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, 2016 and 2015, 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 12, 2017

FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>ASSETS</u>	2016	2015
ASSETS			
Cash and cash equivalents		\$ 2,846,438	\$ 7,793,035
Accrued earnings receivable		147,168	47,078
Other receivables		1,076,560	927,020
Office equipment and automobiles, net of accumulated depreciation		179,694	120,781
		<u>4,249,860</u>	<u>8,887,914</u>
Investments, at fair market value			
U.S. Government instruments		1,583,818	3,166,624
Common stocks		28,061,108	25,053,371
Master limited partnerships		1,834,956	2,114,660
FWB Ministries Partnership		800,000	-
Real estate investments		3,629,816	3,740,137
Mutual funds		16,116,134	11,431,299
Corporate bonds		582,413	433,794
Municipal bonds		4,436,761	5,507,422
Trusts		240,403	240,403
Total investments		<u>57,285,409</u>	<u>51,687,710</u>
Notes receivable			
Notes receivable Welch College		4,706,926	352,202
Notes receivable other		2,096,405	2,127,565
Total notes receivable		<u>6,803,331</u>	<u>2,479,767</u>
TOTAL ASSETS		<u><u>\$ 68,338,600</u></u>	<u><u>\$ 63,055,391</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Operating liabilities:			
Accrued expense		\$ 409	\$ 2,991
Liabilities to beneficial owners			
Interest bearing revocable trusts		54,289,539	51,705,913
Future gifts interest payable		2,508,472	2,663,249
Funds held in trust		8,369,085	8,115,797
Unrealized gains and losses - unallocated		2,201,434	(287,601)
Total liabilities		<u>67,368,939</u>	<u>62,200,349</u>
NET ASSETS			
Unrestricted			
Operating		258,214	346,267
Board designated		711,447	508,775
Total net assets		<u>969,661</u>	<u>855,042</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 68,338,600</u></u>	<u><u>\$ 63,055,391</u></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, 2016 AND 2015

	2016			2015		
	Operating	Grants	Estate Planning	Operating	Grants	Estate Planning
REVENUE AND SUPPORT						
Investment income:						
Interest and dividends, net of investment fees	\$2,557,081	\$ -	\$ -	\$2,557,081	\$ -	\$ -
Realized gains (losses) on sale of investments	(257,868)	-	-	(257,868)	-	-
Unrealized gains (losses) from investments	2,773,511	-	-	2,773,511	-	-
Total investment income	5,072,724	-	-	5,072,724	-	-
Support through "The Together Way"						
Plan and other contributions	16,079	-	16,000	32,079	23,555	-
Gain (loss) on sale of property and equipment	513	-	-	513	-	-
Estate planning fees	-	-	899,425	899,425	-	152,973
Interest income - note receivable	128,646	-	-	128,646	197,437	-
Total Support and Revenue	5,217,962	-	915,425	6,133,387	(2,352,129)	152,973
Allocation of earnings to revocable trusts, beneficiaries and annuitants	(1,650,182)	-	-	(1,650,182)	-	-
Allocation to unrealized gains and losses - unallocated	(2,187,873)	-	-	(2,187,873)	-	-
Revenue and support after allocations	1,379,907	-	915,425	2,295,332	-	152,973
				881,464	-	1,034,437

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

**FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015				
	Operating	Grants	Estate Planning	Total	Operating	Grants	Estate Planning	Total
EXPENSES								
Salaries and benefits	\$ 451,367	\$ -	\$ 203,531	\$ 654,898	\$ 567,931	\$ -	\$ -	\$ 567,931
Equipment expense	13,962	-	-	13,962	13,434	-	-	13,434
Travel	130,901	-	78,414	209,315	190,064	-	54,939	245,003
Promotion	41,606	-	30,490	72,096	46,552	-	-	46,552
Board expense	14,798	-	-	14,798	24,251	-	-	24,251
Office expense	47,343	-	-	47,343	55,294	-	-	55,294
Rent expense	44,339	-	-	44,339	44,105	-	-	44,105
Printing and publications	2,367	-	-	2,367	7,122	-	-	7,122
One magazine	48,703	-	-	48,703	52,049	-	-	52,049
Training and education	18,218	-	-	18,218	9,341	-	-	9,341
Legal and accounting	24,491	-	-	24,491	16,590	-	-	16,590
Depreciation	51,237	-	-	51,237	31,536	-	-	31,536
Grants	-	-	-	-	-	75,000	-	75,000
Fees	-	-	648,440	648,440	-	-	-	-
Cancellations	-	-	328,724	328,724	-	-	-	-
Miscellaneous	1,782	-	-	1,782	2,566	-	-	2,566
Total expenses	891,114	-	1,289,599	2,180,713	1,060,835	75,000	54,939	1,190,774
Increase (decrease) in operating net assets	488,793	-	(374,174)	114,619	(179,371)	(75,000)	98,034	(156,337)
Net assets - beginning of year				855,042				1,011,379
Net assets - end of year				\$ 969,661				\$ 855,042

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for:		
Contributions	\$ 32,079	\$ 23,555
Interest and dividends	2,307,451	1,989,572
Other income	1,028,071	197,437
Cash paid to suppliers and employees	(2,132,058)	(1,156,582)
Allocation of earnings to revocable trusts, beneficiaries and annuitants	(1,650,182)	(845,202)
Allocation to unrealized gains and losses - unallocated	(2,187,873)	4,231,768
Net Cash Provided (Used) By Operating Activities	<u>(2,602,512)</u>	<u>4,440,548</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of office equipment and automobiles	(131,537)	(42,629)
Proceeds from the sale of office equipment and automobiles	21,900	-
New loans made	(4,750,599)	(722,727)
Principal payments received on notes receivable	427,035	4,457,712
Proceeds from sale or call of investment securities	12,345,790	9,078,198
Purchase of investment securities	(15,427,846)	(16,254,927)
Net Cash Provided (Used) By Investing Activities	<u>(7,515,257)</u>	<u>(3,484,373)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from additions, net of withdrawals, to future gift interest and revocable trusts	(11,748,637)	(11,058,310)
Contributions to funds held in trust	16,919,809	12,491,606
Net Cash Provided (Used) by Financing Activities	<u>5,171,172</u>	<u>1,433,296</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,946,597)	2,389,471
Cash and cash equivalents at beginning of years	<u>7,793,035</u>	<u>5,403,564</u>
Cash and cash equivalents at end of years	<u>\$ 2,846,438</u>	<u>\$ 7,793,035</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 114,619	\$ (156,337)
Depreciation	51,237	31,536
Loss (gain) on sale of property and equipment	(513)	-
Realized and unrealized (gains) losses on investment transactions	(2,515,643)	4,644,070
Decrease (increase) in accrued investment income	(100,090)	134,623
Decrease (increase) in other accounts receivable	(149,540)	(216,000)
Increase (decrease) in operating liabilities	(2,582)	2,656
Net Cash Provided (Used) By Operating Activities	<u>\$ (2,602,512)</u>	<u>\$ 4,440,548</u>

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

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

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 2016 and 2015.

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, 2016 AND 2015

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:

	2016		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
U.S. Government instruments	\$ 1,583,818	\$ 1,613,375	\$ (29,557)
Common stocks	28,061,108	22,596,266	5,464,842
Master limited partnerships	1,834,956	2,529,631	(694,675)
FWB Ministries Partnership	800,000	800,000	-
Mutual Funds	16,116,134	16,964,602	(848,468)
Corporate bonds	582,413	588,993	(6,580)
Municipal bonds	4,436,761	4,215,537	221,224
Trusts	240,403	240,403	-
Real estate held for resale	635,717	635,717	-
Real estate investment trust	2,994,099	2,790,779	203,320
	<u>\$ 57,285,409</u>	<u>\$ 52,975,303</u>	<u>\$ 4,310,106</u>
Total Investments			

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. INVESTMENTS - CONTINUED

	2015		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
U.S. Government instruments	\$ 3,166,624	\$ 3,313,354	\$ (146,730)
Common stocks	25,053,371	22,447,906	2,605,465
Master limited partnerships	2,114,660	3,003,431	(888,771)
Mutual Funds	11,431,299	11,814,587	(383,288)
Corporate bonds	433,794	442,105	(8,311)
Municipal bonds	5,507,422	5,230,469	276,953
Trusts	240,403	240,403	-
Real estate held for resale	200,717	200,717	-
Real estate investment trust	3,539,420	3,458,144	81,276
Total Investments	<u>\$ 51,687,710</u>	<u>\$ 50,151,116</u>	<u>\$ 1,536,594</u>

Total investment income (loss) amounted to \$5,072,724 for 2016, consisting of investment gains (losses) of \$2,515,643 and interest and dividends of \$2,557,081 (net of investment fees of \$95,356). This investment income (loss) represents yields of 9.31% and 9.84% based on the average market value and average cost of such investments for 2016.

Total investment income (loss) amounted to (\$2,573,121) for 2015, consisting of investment gains (losses) of (\$4,644,070) and interest and dividends of \$2,070,949 (net of investment fees of \$101,707). This investment income (loss) represents yields of (5.10%) and (5.51%) based on the average market value and average cost of such investments for 2015.

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, 2016 no amounts were past due on any of the loans.

4. INTEREST BEARING REVOCABLE TRUSTS

The Foundation maintains revocable trusts which totaled \$54,289,539 and \$51,705,913 at December 31, 2016 and 2015, 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, 2016 AND 2015

5. FUTURE GIFTS PAYABLE

The Foundation maintains charitable trusts amounting to \$1,903,366 and \$1,964,221 and gift annuities amounting to \$605,106 and \$699,028 as of December 31, 2016 and 2015, 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. Interest is distributed from the endowments at a rate of 5% annually. As of December 31, 2016 and 2015, the permanently restricted endowment funds totaled \$8,369,085 and \$8,115,797, 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, 2016 and 2015:

	2016		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 30,027	\$ 30,027	\$ -
Short term liquid investments	2,816,411	1,532,947	1,283,464
U.S. Government instruments	1,583,818	1,583,818	-
Master limited partnerships	1,834,956	-	1,834,956
Common Stocks	28,061,108	-	28,061,108
FWB Ministries Partnership	800,000	-	800,000
Mutual funds	16,116,134	-	16,116,134
Corporate bonds	582,413	-	582,413
Municipal bonds	4,436,761	-	4,436,761
Real estate held for resale	635,717	635,717	-
Real estate investment trust	2,994,099	-	2,994,099
Trusts	240,403	-	240,403
Investment in Welch College loan	4,706,926	4,706,926	-
Receivables	2,096,405	2,096,405	-
Total Investments	<u>\$ 66,935,178</u>	<u>\$ 10,585,840</u>	<u>\$ 56,349,338</u>

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

7. INFORMATION REGARDING FINANCIAL STATEMENTS - CONTINUED

	2015		
	Account	Amount	Amount of
	Balance	Insured/ Secured	Accounting Risk of Loss
Cash and cash equivalents	\$ 1,122,268	\$ 250,000	\$ 872,268
Short term liquid investments	6,670,767	1,379,302	5,291,465
U.S. Government instruments	3,166,624	3,166,624	-
Common Stocks	25,053,371	-	25,053,371
Master limited partnerships	2,114,660	-	2,114,660
Mutual funds	11,431,299	-	11,431,299
Corporate bonds	433,794	-	433,794
Municipal bonds	5,507,422	-	5,507,422
Real estate held for resale	200,717	200,717	-
Real estate investment trust	3,539,420	-	3,539,420
Trusts	240,403	-	240,403
Investment in Welch College loan	352,202	352,202	-
Receivables	2,127,565	2,127,565	-
Total Investments	<u>\$ 61,960,512</u>	<u>\$ 7,476,410</u>	<u>\$ 54,484,102</u>

8. OFFICE EQUIPMENT AND AUTOMOBILES

A summary of office equipment and automobiles is as follows:

	2016	2015
Automobiles - seven	\$ 225,629	\$ 161,839
Office equipment	26,441	17,179
Furnishings	19,463	19,463
Software	29,581	29,581
	301,114	228,062
Accumulated Depreciation	(121,420)	(107,281)
	<u>\$ 179,694</u>	<u>\$ 120,781</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 \$1.16 (\$1.16 in 2015) 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 \$44,339 and \$44,105 for the years ended December 31, 2016 and 2015, respectively.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

10. COMMITMENTS

The Foundation has a \$20,000,000 line of credit with a local financial institution. The line is secured by the investments of the Foundation and carries an interest rate of the 30 day LIBOR plus 1.75%. This line of credit is open ended and the advances payable were \$-0- at December 31, 2016.

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 \$20,950 (\$22,096 in 2015). 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, 2016 Using				
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)
U.S. Government instruments	\$ 1,583,818	\$ 1,583,818	\$ -	\$ -
Common stocks	28,061,108	28,061,108	-	-
Master limited partnerships	1,834,956	-	1,834,956	-
FWB Ministries Partnership	800,000	-	800,000	-
Real estate investments	3,629,816	638,368	-	2,991,448
Mutual funds	16,116,134	16,116,134	-	-
Corporate bonds	582,413	-	582,413	-
Municipal bonds	4,436,761	-	4,436,761	-
Trusts	240,403	-	240,403	-
	<u>\$57,285,409</u>	<u>\$46,399,428</u>	<u>\$ 7,894,533</u>	<u>\$ 2,991,448</u>

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

12. FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurements at December 31, 2015 Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
U.S. Government instruments	\$ 3,166,624	\$ 3,166,624	\$ -	\$ -
Common stocks	25,053,371	25,053,371	-	-
Master limited partnerships	2,114,660	-	2,114,660	-
Real estate investments	3,740,137	1,183,649	-	2,556,488
Mutual funds	11,431,299	11,431,299	-	-
Corporate bonds	433,794	-	433,794	-
Municipal bonds	5,507,422	-	5,507,422	-
Trusts	240,403	-	240,403	-
	<u>\$51,687,710</u>	<u>\$40,834,943</u>	<u>\$ 8,296,279</u>	<u>\$ 2,556,488</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, 2016 AND 2015

12. FAIR VALUE MEASUREMENTS - CONTINUED

Level 3 Reconciliation:

	<u>2016</u>	<u>2015</u>
Real estate investments:		
Beginning balance	\$ 2,556,488	\$ 2,598,057
Purchases	435,000	355,000
Transfer to Level 1	-	-
Gains (losses) on value	-	-
Sales	-	(396,569)
Ending balance	<u><u>\$ 2,991,488</u></u>	<u><u>\$ 2,556,488</u></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>	<u><u>\$ -</u></u>

13. NOTE RECEIVABLE WELCH COLLEGE

The Foundation has entered in to two loan agreements with Welch College. The information related to these loans are as follows:

Non-revolving line of credit note of \$10,000,000 from Welch College dated September 22, 2016. Interest accrues at a fixed rate of 4.5% and is paid monthly beginning October 22, 2016. All remaining principal and interest will become due and payable on September 22, 2021. This note is secured by property owned by Welch College. The balance receivable on this note at December 31, 2016 and 2015 was \$4,374,553 and \$-0-.

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 began to accrue monthly beginning June 1, 2011. This note was amended subsequent to year end on March 30, 2017. Interest on the note shall become due on March 30 of each year, beginning on March 30, 2018. All principal and interest will become due and payable on March 30, 2022. This note is secured by an endowment that Welch College has in the Foundation. The balance receivable on this note at December 31, 2016 and 2015 was \$332,373 and \$352,202.

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, 2016 and 2015 no amounts were past due on any of the notes.

The interest earned by the Foundation on these notes in 2016 amounted to \$24,553 (\$102,151 for 2015) net of interest paid on its line of credit of \$13,595 (\$15,925 for 2015).

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016, 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, 2016 the balance in the board designated account was \$711,447 (\$508,775 for 2015).

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 12, 2017 which is the date the financial statements were available to be issued.

FREE WILL BAPTIST FOUNDATION
Proposed 2018 Department Budget

	Operations	Estate Planning	Grants	Total Budget
INCOME				
Together Way	\$ 5,000	\$ -	\$ -	\$ 5,000
Rest of the Family Offering	3,500	-	-	3,500
Gifts & Other	5,000	-	-	5,000
Capital Gains	-	-	500,000	500,000
Management Fees	875,000	-	-	875,000
Estate Planning Reimbursements	-	1,100,000	-	1,100,000
Total Income	888,500	1,100,000	500,000	2,488,500
EXPENSES				
Salaries & benefits	256,966	443,648	-	700,614
Travel	63,000	167,000	-	230,000
Promotion	82,000	7,000	-	89,000
Equipment & Maintenance	15,000	-	-	15,000
Depreciation	14,500	35,500	-	50,000
ONE Magazine	54,000	-	-	54,000
Office expense	21,800	2,000	-	23,800
Postage	8,200	4,500	-	12,700
Rent	45,000	-	-	45,000
Subscriptions & publications	5,500	-	-	5,500
Telephone/Cell Phone	5,200	10,300	-	15,500
Training & education	26,000	-	-	26,000
Legal & accounting	25,000	-	-	25,000
Board expense	16,000	-	-	16,000
Grants	-	-	500,000	500,000
Estate Planning Fees	-	680,000	-	680,000
Total Expense	638,166	1,349,948	500,000	2,488,114
Surplus / (Deficit)	\$ 250,334	\$ (249,948)	\$ -	\$ 386

FREE WILL BAPTIST FOUNDATION
Consolidated Proposed Budget and Actual

	Proposed 2018 Budget	Approved 2017 Budget	2016 Budget	2016 Actual
INCOME				
Together Way	\$ 5,000	\$ 5,000	\$ 10,000	\$ 10,078
Rest of the Family Offering	3,500	2,400	2,400	3,855
Gifts & other income	5,000	200	200	18,146
Capital gains	500,000	550,000	10,000	520,150
Management fees	875,000	891,000	876,000	843,678
Estate planning fees	1,100,000	900,000	900,000	899,425
Total Income	2,488,500	2,348,600	1,798,600	2,295,332
EXPENSES				
Salaries & benefits	700,614	667,575	650,000	654,898
Travel	230,000	255,200	230,000	209,315
Promotion	89,000	73,000	86,000	72,096
Equipment & maintenance	15,000	14,000	13,000	13,962
Depreciation	50,000	42,500	35,000	51,237
ONE Magazine	54,000	52,000	52,000	48,703
Office expense	52,000	60,000	48,500	49,125
Rent	45,000	45,000	44,000	44,339
Subscriptions & publications	5,500	5,000	5,000	2,367
Training & education	26,000	15,000	20,000	18,218
Legal & accounting	25,000	17,000	16,000	24,943
Board expense	16,000	25,000	24,000	14,798
Grants	500,000	500,000	-	-
Estate planning fees	680,000	575,000	575,000	648,440
Estate plan cancelations	-	-	-	328,722
Total Expense	2,488,114	2,346,275	1,798,500	2,181,163
Surplus / (Deficit)	\$ 386	\$ 2,325	\$ 100	\$ 114,169

FREE WILL BAPTIST FOUNDATION
Compensation Package Detail - 2018 Proposed

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
Director/CEO								
Salary	\$ 94,946	3%	\$ 90,813	4%	\$ 85,926	3%	\$ 83,423	3%
Insurance replacement	9,163		10,263		11,263		10,935	
FICA/Medicare	7,964		7,732		7,435		7,218	
Retirement	5,205		5,054		4,859		4,718	
Life Insurance	175		170		164		159	
Disability	573		573		567		551	
Note: Office car furnished								
Total	<u>\$ 118,027</u>		<u>\$ 114,606</u>		<u>\$ 110,214</u>		<u>\$ 107,004</u>	
Chief Financial Officer								
Salary	\$ 69,108	3%	\$ 66,147	4%	\$ 62,664	3%	\$ 60,839	3%
FICA/Medicare	5,287		5,060		5,443		5,284	
Retirement	4,838		4,630		3,133		3,454	
Health Insurance	14,354		14,884		15,444		14,994	
Dental Insurance	980		980		1,725		1,276	
Life Insurance	170		165		159		154	
Disability	419		419		354		349	
Note: Office car furnished								
Total	<u>\$ 95,155</u>		<u>\$ 92,286</u>		<u>\$ 88,922</u>		<u>\$ 86,350</u>	
Field Coordinator								
Salary	\$ 45,457	3%	\$ 44,133	4%	\$ 42,436	3%	\$ 41,200	3%
Housing	22,729		22,067		21,218		20,600	
FICA/Medicare	5,216		5,064		4,870		4,728	
Retirement	3,409		3,310		3,183		3,326	
Health Insurance	8,210		8,049		6,964		6,762	
Dental Insurance	980		980		323		314	
Life Insurance	175		170		164		154	
Disability	415		415		386		381	
Note: Office car furnished								
Total	<u>\$ 86,592</u>		<u>\$ 84,188</u>		<u>\$ 79,543</u>		<u>\$ 77,465</u>	



North American Ministries 2016

Dear Friends of North American Ministries,

During the years since North American Ministries 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 Baptist friends across North America have given consistently. We are all encouraged by their generosity and love for the cause of North American Ministries.

Total gifts for 2016 were over 5 million. Thank you for your faithful support. Listed below are the top ten states that have excelled.

North Carolina	\$832,503.77
Alabama	\$540,949.08
Tennessee	\$515,890.12
Missouri	\$270,270.64
Virginia	\$227,565.56
Colorado	\$213,676.82
Ohio	\$213,272.99
Oklahoma	\$183,280.80
Florida	\$147,544.97
Arkansas	\$139,793.39

Faithful Missionaries

All across North America our Church Planters 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 multi-functional 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

North American Ministries 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 (COL) Terry W. Austin, Fort McNair, Washington, DC

CH (CPT) W. Lee Frye, Jr. Schofield Barracks, HI

CH (MAJ) Tracy Kerr, Hunter Army Airfield, Savannah, GA

CH (CPT) Kevin Trimble, Fort Riley, Kansas

CH (MAJ) Roy Swisher, Fort Lewis, WA (recently returned from deployment)

CH (MAJ) Brad Hanna, Oklahoma National Guard State Headquarters, Oklahoma City, OK

CH (LT) Mark McCraney, Naval Station Rota, Spain

CPT Kevin Trimble, Fort Bragg, NC

CH LT Hal Jones IV, Naval Base Okinawa, Japan

CH LT Amir Ashoori, U.S. Army Reserves, Fresno, CA

Kerry Steedley, US Army (Retired) Director of Chaplain Support
(If you need information, please call the North American Ministries office)

Faithful Missions Staff

I must express my profound appreciation to our faithful staff members, Brad Ransom, Director of Church Planting; Jim McComas, Director of Revitalization; Ken Akers, Director of Men's Ministries; Kerry Steedley, Director of Chaplain Support; Rick Bowling, Director of Hispanic Ministries, Kathy Brown, Sue Hayes and Teresa Womack . I appreciate their servant spirit, commitment and excellent work.

Members of our North American Ministries Board have served with strength and wisdom.

Dr. H David Crowe,
Executive Director
North American Ministries

February 5, 2016

The North American Ministry Board voted to offer Memorandum of Expectations from the Oklahoma State Association of FWB's Mission Board to our Church Planters after changes were made to come in line with the North American Ministry policies.

April 26, 2016

Motion, seconded and carried to give Associate Missionaries up to 3% funds into their retirement account from their mission account with stipulations; as long as sufficient funds are available from their account.

It was a joy to meet with Chaplains COL Terry Austin and MAJ John Carey. What a blessing to pray with these great and godly men! Motion, seconded and carried to receive their report as information.

Motion, seconded and carried to receive Joel Collum, CPA's report concerning North American Ministries.

The Board receives and approves the proposed 2017 budget and state quotas. Motion, seconded and carried.

December 7, 2016

Motion, seconded and carried to allow Executive Director David Crowe and Director of Master's Men, Ken Akers to explore investment options from NAM/CELF with FWB Board of Retirement and proceed forward.

Motion, seconded and carried to recommend Rodney & Ashley Brazil to Revitalization Project Church at Louisville, KY.

Motion, seconded and carried to give "Build My Church Endowment" gifts to Barry Long and Logan Wolf/Jordan Ledbetter (UT).



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. and Subsidiary

I have audited the accompanying consolidated financial statements of the Board of Home Missions of the National Association of Free Will Baptists of the United States of America, Inc. and Subsidiary, (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities 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 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 consolidated 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 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 auditor's 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 entity'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 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 consolidated 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 consolidated 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. and Subsidiary, as of December 31, 2016 and 2015, 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.

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. and Subsidiary
Page 2

Other-Matter

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses on page 16 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 my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Handwritten signature of Joel D. Collum, Jr., CPA in black ink.

Nashville, Tennessee
April 22, 2017

**BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 322,927	\$ 130,069
Investments	12,584	12,138
Investments in Church Extension Fund	407,059	360,869
Investments in Free Will Baptist Foundation	43,073	47,807
Endowments	97,318	96,966
Inventory	30,599	32,214
Property & equipment, at cost less accumulated less accumulated depreciation of \$129,629 (\$131,346 in 2015)	<u>232,615</u>	<u>207,286</u>
TOTAL ASSETS	<u>\$ 1,146,175</u>	<u>\$ 887,349</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,432	\$ 13,688
Capital lease payable	<u>12,148</u>	<u>16,239</u>
Total liabilities	<u>17,580</u>	<u>29,927</u>
COMMITMENTS		
	<u>NET ASSETS</u>	
NET ASSETS		
Unrestricted		
Operating	198,962	294,011
Board designated	<u>343,255</u>	<u>343,255</u>
Total Unrestricted	542,217	637,266
Temporarily Restricted	485,128	118,906
Permanently restricted	<u>101,250</u>	<u>101,250</u>
Total net assets	<u>1,128,595</u>	<u>857,422</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,146,175</u>	<u>\$ 887,349</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. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, AND 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED		
REVENUES		
Cooperative program	\$ 254,865	\$ 248,221
Designated contributions	587,207	428,471
Dues	9,300	15,245
Fund-raising special events	20,633	29,122
Build a House Program income	330	176,343
Management fees - Note 4	528,000	380,000
Interest income	13,925	20,709
Gain (loss) on sale of property & equipment	15,070	(5,100)
Unrealized gain (loss) on value of investment	1,844	(3,987)
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>3,388,631</u>	<u>3,354,151</u>
Total revenue	<u>4,819,805</u>	<u>4,643,175</u>
EXPENSES		
Administrative expenses	1,456,567	1,510,247
Missionary expenses	3,210,495	3,154,513
Missionary land & building	162,750	178,730
Master's Men expenses	<u>85,043</u>	<u>226,176</u>
Total expenses	<u>4,914,855</u>	<u>5,069,666</u>
Increase (decrease) in unrestricted net assets	<u>(95,050)</u>	<u>(426,491)</u>
TEMPORARILY RESTRICTED		
REVENUES		
Cooperative program	409,360	389,076
Designated contributions	3,345,494	2,942,815
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	(3,210,495)	(3,154,513)
Missionary land & building	(162,750)	(178,730)
Master's Men disaster relief fund	<u>(15,386)</u>	<u>(20,908)</u>
Increase (decrease) in temporarily restricted net assets	<u>366,223</u>	<u>(22,260)</u>
PERMANENTLY RESTRICTED	<u>-</u>	<u>-</u>
Total increase (decrease) in net assets	271,173	(448,751)
Net assets - beginning of year	<u>857,422</u>	<u>1,306,173</u>
Net assets - end of year	<u>\$ 1,128,595</u>	<u>\$ 857,422</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. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 271,173	\$ (448,751)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,537	33,422
(Gain) loss on sale of property & equipment	(70)	5,100
(Gain) loss on value of investment	(1,844)	3,987
Changes in operating assets and liabilities:		
(Increase) decrease in inventories	1,615	141,079
Increase (decrease) in accounts payable and accrued expenses	(8,256)	7,038
Net Cash Provided (Used) By Operating Activities	<u>303,155</u>	<u>(258,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of investments	83,813	411,603
Acquisition of investments	(124,223)	(85,828)
Proceeds from the sale of property and equipment	1,500	-
Purchases of property and equipment	<u>(67,296)</u>	<u>(34,016)</u>
Net Cash Provided (Used) By Investing Activities	<u>(106,206)</u>	<u>291,759</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments made	(4,091)	(3,711)
Loan repayments	<u>-</u>	<u>(120,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,091)</u>	<u>(123,711)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	192,858	(90,077)
Cash and cash equivalents at beginning of years	<u>130,069</u>	<u>220,146</u>
Cash and cash equivalents at end of years	<u><u>\$ 322,927</u></u>	<u><u>\$ 130,069</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u><u>\$ 1,405</u></u>	<u><u>\$ 1,785</u></u>
Non-cash investing and financing activity:		
Statement of Activities (Gain) loss on sale of property & equipment	\$ (15,070)	\$ -
Trade-in value of automobile	<u>15,000</u>	<u>-</u>
(Gain) loss on sale of property & equipment	<u><u>\$ (70)</u></u>	<u><u>\$ -</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. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 2016 or 2015.

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:

The organization had investments in the Church Extension Loan Fund. These investments are stated at cost, which approximates market value at December 31, 2016 and 2015.

**BOARD OF HOME MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
OF THE UNITED STATES OF AMERICA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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.

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 - 10 years
Equipment and trailers	5 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.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Board of Home Missions of the National Association of Free Will Baptists and its subsidiary. All significant intercompany balances and transactions have been eliminated in the consolidation.

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2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	129,927	90,126
Computer equipment	1,228	1,228
Equipment	2,980	2,980
Trailers	1,950	1,950
Office furniture & equipment	121,159	137,348
	<u>362,244</u>	<u>338,632</u>
Less: Accumulated depreciation	(129,629)	(131,346)
	<u><u>\$ 232,615</u></u>	<u><u>\$ 207,286</u></u>
 Depreciation for the year	 <u><u>\$ 40,537</u></u>	 <u><u>\$ 33,422</u></u>

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Missionaries	\$ 409,932	\$ 36,133
Build a House program	50,181	50,181
Disaster Relief Program	22,019	29,596
Haiti	146	146
Ridge Church	2,850	2,850
	<u><u>\$ 485,128</u></u>	<u><u>\$ 118,906</u></u>

Temporarily restricted net assets are available for the following purposes:

Life Member endowment	<u><u>\$ 101,250</u></u>	<u><u>\$ 101,250</u></u>
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These net assets are restricted due to donor restrictions. They are released when the donor restriction is satisfied.

**BOARD OF HOME MISSIONS OF THE
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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 \$528,000 (\$380,000 in 2015) 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 December 31, 2016 and 2015 was \$407,059 and \$360,869 respectively. 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.

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 years December 31, 2016 and 2015 amounted to \$64,015 and \$62,983.

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, 2016 and 2015, the excess amount over the federally insured limit was \$69,041 and \$-0-. 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 \$407,059 and \$360,869 invested in a demand note of the Church Extension Loan Fund at December 31, 2016 and 2015 respectively. This note is uninsured.

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8. 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, 2016 and 2015, 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.

9. FUNDRAISING EXPENSES

Fundraising expenses amounted to \$18,098 and \$22,192 for the years ended December 31, 2016 and 2015.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 22, 2017 which is the date the financial statements were available to be issued.

11. INVESTMENTS

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

	December 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 144,684</u>	<u>\$ 12,584</u>	<u>\$ (132,100)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 446</u>
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	December 31, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	<u>\$ 144,684</u>	<u>\$ 12,138</u>	<u>\$ (132,546)</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 1,111</u>
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12. INVESTMENT THE FREE WILL BAPTIST FOUNDATION

The Organization is invested in five trusts and one endowment established and maintained by the Free Will Baptist Foundation. The Foundation invests these type of trusts in debt and equity securities and values the trusts at fair market value.

A summary of investments in the Foundation are as follows:

	2016	2015
Build A House	\$ 5,497	\$ 5,477
Disaster Relief Trust	22,972	28,096
Ridge Trust	13,469	13,105
Build A House reserve	646	642
Master's Men	489	487
Life Member Endowment	97,318	96,966
	<u>\$ 140,391</u>	<u>\$ 144,773</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 1,398</u>	<u>\$ (5,199)</u>
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13. FAIR VALUE MEASUREMENTS

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

	Fair Value Measurements at December 31, 2016	
	Fair Value	(Level 1)
Equity securities	\$ 12,584	\$ 12,584
Investment in the FWB Foundation	140,391	140,391
	<u>\$ 152,975</u>	<u>\$ 152,975</u>

	Fair Value Measurements at December 31, 2015	
	Fair Value	(Level 1)
Equity securities	\$ 12,138	\$ 12,138
Investment in the FWB Foundation	144,773	144,773
	<u>\$ 156,911</u>	<u>\$ 156,911</u>

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DECEMBER 31, 2016 AND 2015**

13. FAIR VALUE MEASUREMENTS - CONTINUED

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 Fund 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. The Board has no Level 2 or Level 3 investments.

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.

14. 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 \$51,536 (\$57,168 in 2015). 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.

15. CAPITAL LEASE

The Board acquired office equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and included in property and equipment on the balance sheet. The leased equipment under capital lease as of December 31, 2016, has a cost of \$21,675. The lease agreement provides for minimum annual lease payments of \$5,496.

Future minimum payments under the lease are as follows:

2017	\$ 5,496
2018	5,496
2019	2,748
	<hr/> 13,740
Less amount representing interest	<hr/> (1,592)
Present value of net minimum lease payments	<hr/> \$ 12,148 <hr/>

The depreciation expense related to this office equipment amounted to \$4,335.

**BOARD OF HOME MISSIONS OF THE
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. ENDOWMENT

The Organization has an endowment with the Free Will Baptist Foundation. The endowment was established by the Organization for the benefit of the Organization. The Organization has no control over the type of investments in the endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Free Will Baptist Foundation pools its assets for investment purposes. Investment activity is allocated to funds based on the fund's percentage share of the total portfolio. The Organization is invested in the Free Will Baptist Foundation's Endowment Pool.

The Organization 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 Organization 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

The Organization has no control over the investments in the endowment. Accordingly, the Organization has not adopted an investment policy related to the endowment.

The income earned on the endowment is distributed to the Organization every six months. The money is spent for the operations of the Organization.

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16. ENDOWMENT - CONTINUED

The Endowment net asset composition by type of fund is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Net Assets
	December 31, 2016		
Board designated endowment funds	(\$ 3,932)	\$ -	(\$ 3,932)
Donor-restricted endowment funds	-	101,250	101,250
	<u>(\$ 3,932)</u>	<u>\$ 101,250</u>	<u>\$ 97,318</u>
	December 31, 2015		
Board designated endowment funds	(\$ 4,284)	\$ -	(\$ 4,284)
Donor-restricted endowment funds	-	101,250	101,250
	<u>(\$ 4,284)</u>	<u>\$ 101,250</u>	<u>\$ 96,966</u>

The activity in the endowment during the year is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Net Assets
	December 31, 2016		
Beginning balance	(\$ 4,284)	\$ 101,250	\$ 96,966
Total gains or losses (realized and unrealized) included in the Statement of Activities	352	-	352
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	-	-	-
Ending balance	<u>(\$ 3,932)</u>	<u>\$ 101,250</u>	<u>\$ 97,318</u>

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16. ENDOWMENT - CONTINUED

	December 31, 2015		
Beginning balance	\$ 7,294	\$ 101,250	\$ 108,544
Total gains or losses (realized and unrealized) included in the Statement of Activities	(6,076)	-	(6,076)
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(5,502)	-	(5,502)
Ending balance	<u>(\$ 4,284)</u>	<u>\$ 101,250</u>	<u>\$ 96,966</u>

17. 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.

	2016	2015
Total assets	<u>\$ 62,069,359</u>	<u>\$ 56,436,758</u>
Total liabilities	<u>\$ 60,590,119</u>	<u>\$ 54,794,911</u>
Net assets	<u>\$ 1,479,240</u>	<u>\$ 1,641,847</u>
Revenue	<u>\$ 3,010,973</u>	<u>\$ 2,571,720</u>
Expenses	<u>\$ 3,173,580</u>	<u>\$ 3,229,258</u>

**BOARD OF HOME MISSIONS OF THE
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OF THE UNITED STATES OF AMERICA, INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<i>ADMINISTRATIVE EXPENSES</i>		
Salaries and wages	\$ 431,459	\$ 453,086
Payroll taxes	12,459	14,781
Housing allowance and employee benefits	110,400	101,600
Retirement	6,508	9,278
Cost of literature	9,385	5,144
Promotion expense	142,828	190,757
Utilities	26,742	26,246
Office expense	37,296	37,101
Printing and postage	30,121	59,062
Rent expense	61,216	60,208
Professional fees	8,500	13,040
Auto and travel expense	251,507	278,136
Board meeting expense	24,847	22,645
Insurance expense	80,253	89,770
Telephone	5,740	5,046
Scholarships	7,832	3,000
Flowers and gifts	91,541	31,749
Miscellaneous	6,200	4,145
One magazine	71,022	71,022
Interest expense	1,405	1,785
Depreciation	39,306	32,646
Total administrative expenses	<u>1,456,567</u>	<u>1,510,247</u>
<i>MISSIONARY EXPENSES</i>		
Salary and wages	2,537,241	2,587,532
Retirement	45,028	47,890
Promotion expense	11,105	13,406
Printing and postage	116,541	81,484
Literature	208,334	63,822
Auto and travel expense	128,402	189,888
Insurance expense	42,142	53,060
Miscellaneous other expense	121,702	117,431
Total missionary expenses	<u>3,210,495</u>	<u>3,154,513</u>
<i>MISSIONARY LAND & BUILDINGS</i>	<u>162,750</u>	<u>178,730</u>

**BOARD OF HOME MISSIONS OF THE
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CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<i>MASTER'S MEN</i>		
Director's insurance	1,200	\$ 1,418
Office expense	7,469	8,929
Computer and internet	-	503
Rent expense	2,799	2,775
Professional fees	2,000	1,685
Automobile expense	573	1,163
Travel expense	14,300	7,211
Board meeting expense	1,416	3,003
Resource development	15	477
Fund-raising special events expense	18,098	22,192
Disaster relief expenses	15,386	15,978
Build a House Program expense	1,940	151,684
Project expense	10,200	-
One Magazine	8,416	8,382
Depreciation	1,231	776
Total Master's Men expenses	<u>85,043</u>	<u>226,176</u>
 Total Expenses	 <u><u>\$ 4,914,855</u></u>	 <u><u>\$ 5,069,666</u></u>

	2016	2017	2018
Executive Director: David Crowe			
Salary	\$67,764.76	\$67,764.76	\$67,764.76
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$4,552.30	\$4,600.00	\$4,600.00
Retirement	\$8,230.56	\$8,230.56	\$8,230.56
Insurance*	\$16,474.90	\$15,443.48	\$16,000.00
TOTALS	\$115,022.52	\$114,038.80	\$114,595.32
Office car furnished			

Director of Church Planting: Brad Ransom			
Salary	\$53,792.64	\$53,792.64	\$55,946.42
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$4,838.99	\$4,800.00	\$4,900.00
Retirement	\$1,435.80	\$1,435.80	\$1,478.93
Insurance*	\$16,474.90	\$15,443.48	\$16,000.00
TOTALS	\$94,542.33	\$93,471.92	\$96,325.35
Office car furnished			

Director of Church Revitalization: Jim McComas			
Salary	\$50,192.64	\$50,192.64	\$52,346.42
Housing	\$21,600.00	\$21,600.00	\$21,600.00
Utilities	\$3,324.69	\$3,500.00	\$3,600.00
Retirement	\$1,435.80	\$1,435.80	\$1,478.93
Insurance*	\$8,356.30	\$7,826.60	\$8,000.00
TOTALS	\$84,909.43	\$84,555.04	\$87,025.35
Office car furnished			

Master's Men Director: Ken Akers			
Salary	\$ 47,792.64	\$ 47,792.64	\$ 49,946.42
Housing	\$ 24,000.00	\$ 24,000.00	\$ 24,000.00
Utilities	\$ 3,022.28	\$ 3,200.00	\$ 3,300.00
Retirement	\$ 3,589.68	\$ 3,589.68	\$ 3,697.32
Insurance*	\$ 10,610.62	\$ 15,443.48	\$ 16,000.00
TOTALS	\$ 89,015.22	\$ 94,025.80	\$ 96,943.74
Office car furnished			

Insurance: Travel, Life, Health, Dental

Year 2016	Adm. Budget	Actual Expenses	Missionary Budget	Actual Expenses	Total Budget	Total Expenses
Salaries/Housing	\$525,000.00	\$541,858.67	\$2,800,000.00	\$2,537,240.85	\$3,325,000.00	\$3,079,099.52
Retirement	\$8,500.00	\$6,507.74	\$50,000.00	\$45,028.28	\$58,500.00	\$51,536.02
Insurance	\$120,000.00	\$80,253.69	\$60,000.00	\$42,142.40	\$180,000.00	\$122,396.09
Auto and Travel	\$275,000.00	\$251,506.89	\$250,000.00	\$128,401.61	\$525,000.00	\$379,908.50
Postage	\$20,000.00	\$15,751.79	\$30,000.00	\$24,885.83	\$50,000.00	\$40,637.62
Printing	\$25,000.00	\$14,368.87	\$50,000.00	\$91,655.05	\$75,000.00	\$106,023.92
Promotion/Advertising	\$110,000.00	\$142,828.29	\$5,000.00	\$11,105.39	\$115,000.00	\$153,933.68
Office Supplies/Maintenance	\$30,000.00	\$38,701.82			\$30,000.00	\$38,701.82
ONE Magazine	\$75,000.00	\$71,022.24			\$75,000.00	\$71,022.24
Utilities	\$20,000.00	\$26,741.70			\$20,000.00	\$26,741.70
Board Expense	\$15,000.00	\$24,847.18			\$15,000.00	\$24,847.18
Literature	\$5,000.00	\$9,384.72	\$100,000.00	\$208,333.77	\$105,000.00	\$217,718.49
Rent	\$60,000.00	\$61,216.54			\$60,000.00	\$61,216.54
Phone and FAX	\$5,000.00	\$5,739.72			\$5,000.00	\$5,739.72
Depreciation	\$30,000.00	\$39,305.67			\$30,000.00	\$39,305.67
Payroll Taxes	\$10,000.00	\$10,097.38			\$10,000.00	\$10,097.38
Medicare Taxes	\$2,500.00	\$2,361.49			\$2,500.00	\$2,361.49
Legal and Audit	\$7,500.00	\$8,500.00			\$7,500.00	\$8,500.00
Misc.	\$5,000.00	\$6,199.70	\$85,000.00	\$80,744.79	\$90,000.00	\$86,944.49
Scholarships	\$3,500.00	\$7,831.91			\$3,500.00	\$7,831.91
Flowers/Gifts	\$8,000.00	\$91,540.93			\$8,000.00	\$91,540.93
Misc. Receipts			\$ 5,000.00	\$20,963.62	\$5,000.00	\$20,963.62
Land/Building			\$ 200,000.00	\$162,750.53	\$200,000.00	\$162,750.53
Foreign Missions Exchange			\$5,000.00	\$19,993.47	\$5,000.00	\$19,993.47
TOTALS	\$1,360,000.00	\$1,456,566.94	\$3,640,000.00	\$3,373,245.59	\$5,000,000.00	\$4,829,812.53

2018 State Quotas

Alabama	\$550,000.00
Arizona	\$65,000.00
Arkansas	\$150,000.00
California	\$100,000.00
Canada	\$5,000.00
Colorado	\$50,000.00
Florida	\$150,000.00
FWB Foundation	\$15,000.00
Georgia	\$155,000.00
Hawaii	\$5,000.00
Idaho	\$2,000.00
Illinois	\$150,000.00
Indiana	\$60,000.00
Iowa	\$2,500.00
Kansas	\$10,000.00
Kentucky	\$125,000.00
Maine	\$2,500.00
Michigan	\$45,000.00
Mid-Atlantic	\$30,000.00
Mississippi	\$150,000.00
Missouri	\$275,000.00
Montana	\$1,000.00
New Hampshire	\$2,500.00
New Mexico	\$1,500.00
New York	\$5,000.00
North Carolina	\$850,000.00
Ohio	\$200,000.00
Oklahoma	\$200,000.00
Oregon	\$1,000.00
Other Income	\$350,000.00
Other States	\$30,000.00
Pennsylvania	\$60,000.00
South Carolina	\$150,000.00
Tennessee	\$525,000.00
Texas	\$110,000.00
Utah	\$8,000.00
Virgin Islands	\$60,000.00
Virginia	\$225,000.00
Washington	\$2,500.00
West Virginia	\$100,000.00
WNAC	\$20,000.00
Wyoming	\$1,500.00
 TOTAL	 \$5,000,000.00

2018 Budget

	Administrative	Missionary	Total
Salaries/Housing	\$525,000.00	\$3,000,000.00	\$3,525,000.00
Retirement	\$6,500.00	\$40,000.00	\$46,500.00
Insurance	\$60,000.00	\$40,000.00	\$100,000.00
Auto and Travel	\$225,000.00	\$125,000.00	\$350,000.00
Postage	\$15,000.00	\$25,000.00	\$40,000.00
Printing	\$10,000.00	\$85,000.00	\$95,000.00
Promotion/Adv.	\$125,000.00	\$5,000.00	\$130,000.00
Off. Supplies/Maint.	\$35,000.00		\$35,000.00
ONE Magazine	\$72,000.00		\$72,000.00
Utilities	\$25,000.00		\$25,000.00
Board Expense	\$15,000.00		\$15,000.00
Literature	\$3,000.00	\$175,000.00	\$178,000.00
Rent	\$60,000.00		\$60,000.00
Phone/Fax	\$5,000.00		\$5,000.00
Depreciation	\$40,000.00		\$40,000.00
Payroll Taxes	\$10,000.00		\$10,000.00
Medicare Taxes	\$2,500.00		\$2,500.00
Legal/Audit	\$8,000.00		\$8,000.00
Misc.	\$5,000.00	\$75,000.00	\$80,000.00
Scholarships	\$5,000.00		\$5,000.00
Flowers/Gifts	\$3,000.00		\$3,000.00
Misc. Receipts		\$10,000.00	\$10,000.00
Land/Building		\$150,000.00	\$150,000.00
FM Exchange		\$15,000.00	\$15,000.00
TOTALS	\$1,255,000.00	\$3,745,000.00	\$5,000,000.00



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Church Extension Loan Fund, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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, 2016 and 2015, 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 21, 2017

CHURCH EXTENSION LOAN FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 88,129	\$ 3,371,339
Certificates of deposit	-	244,517
Investment in the Free Will Baptist Foundation	1,308,169	2,224,613
Investment in the Free Will Baptist Ministries Partnership	750,000	-
Notes receivable, net of allowance for doubtful accounts of \$1,003,450 (\$779,050 in 2015)	59,636,196	50,358,531
Accrued interest receivable	286,865	229,966
Property & equipment, at cost less accumulated depreciation of \$55,130 (\$83,092 in 2015)	-	7,792
TOTAL ASSETS	<u>\$ 62,069,359</u>	<u>\$ 56,436,758</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accrued interest	\$ 601	\$ 538
Revocable and irrevocable trusts	1,334,867	1,330,814
Notes payable	59,208,966	53,457,874
Other accrued liabilities	45,685	5,685
Total liabilities	<u>60,590,119</u>	<u>54,794,911</u>
NET ASSETS		
Unrestricted	1,466,035	1,628,642
Board designated	13,205	13,205
Total net assets	<u>1,479,240</u>	<u>1,641,847</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,069,359</u>	<u>\$ 56,436,758</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING		
REVENUES		
Investment income	\$ 131,298	\$ 67,333
Interest income on notes receivable	2,885,038	2,504,387
Gain (loss) on sale of property and equipment	(5,363)	-
Total revenue	<u>3,010,973</u>	<u>2,571,720</u>
EXPENSES		
Interest expense	2,192,425	2,069,142
Office expense	12,557	5,515
Management fee - Note 4	528,000	380,000
Auto and travel	1,233	-
Promotion	79,660	100,377
Professional fees	17,424	10,200
Depreciation	2,429	10,619
Build My Church Project expense	40,000	40,000
Bad debt expense	299,852	613,405
Total expenses	<u>3,173,580</u>	<u>3,229,258</u>
Increase (decrease) in operating net assets	(162,607)	(657,538)
Net assets - beginning of year	<u>1,641,847</u>	<u>2,299,385</u>
Net assets - end of year	<u><u>\$ 1,479,240</u></u>	<u><u>\$ 1,641,847</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (162,607)	\$ (657,538)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,429	10,619
Bad debt expense	299,852	613,405
(Gain) loss on sale of property and equipment	5,363	-
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(56,899)	8,974
Increase (decrease) in other accrued liabilities	40,000	-
Increase (decrease) in accrued interest payable	63	52
Net Cash Provided (Used) By Operating Activities	<u>128,201</u>	<u>(24,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to notes and bonds receivable	(33,040,493)	(14,395,779)
Collection on notes receivable	23,462,976	11,437,279
Purchase of certificates of deposit	-	(146,080)
Redemption of certificates of deposit	244,517	400,000
Purchase of Free Will Baptist Foundation investment	(2,901,703)	(65,268)
Redemption of Free Will Baptist Foundation investment	3,818,147	-
Purchase of Free Will Baptist Ministries Partnership investment	<u>(750,000)</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>(9,166,556)</u>	<u>(2,769,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to trust	86,175	84,098
Terminations of trust	(82,122)	(81,704)
Additions to notes payable	8,606,521	8,118,538
Repayment of notes payable	<u>(2,855,429)</u>	<u>(3,265,934)</u>
Net Cash Provided (Used) by Financing Activities	<u>5,755,145</u>	<u>4,854,998</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,283,210)	2,060,662
Cash and cash equivalents at beginning of years	<u>3,371,339</u>	<u>1,310,677</u>
Cash and cash equivalents at end of years	<u><u>\$ 88,129</u></u>	<u><u>\$ 3,371,339</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest received	<u>\$ 2,828,169</u>	<u>\$ 2,513,331</u>
Interest paid	<u>\$ 2,192,362</u>	<u>\$ 2,069,090</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans written off	<u><u>\$ 75,452</u></u>	<u><u>\$ 12,985</u></u>

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

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 2016 (\$-0- for 2015).

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 management's 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, 2016 AND 2015

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:

	2016	2015
Automobile	\$ -	\$ 35,754
Office equipment	55,130	55,130
	55,130	90,884
Less: Accumulated depreciation	(55,130)	(83,092)
	<u>\$ -</u>	<u>\$ 7,792</u>

3. NOTES PAYABLE

Notes payable consist of 2.5 - 4% (2.5 - 4% in 2015) 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, 2016 AND 2015

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 \$528,000 (\$380,000 at December 31, 2015) 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 \$-0- (\$-0- at December 31, 2015).

Several directors and trustees were invested in the Church Extension Loan Fund's notes payable described in Note 3 at December 31, 2016. 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 \$40,000 (\$40,000 at December 31, 2015) 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, 2016 was \$187,750 (\$187,750 at December 31, 2015).

6. CONCENTRATION OF CREDIT RISK

The Fund maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2016, the excess amount over the federally insured limit was \$-0- (\$3,365,856 in 2015). 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 \$1,308,169 (\$2,224,613 at December 31, 2015) invested with the Free Will Baptist Foundation, Inc. at December 31, 2016.

7. CONCENTRATION

Included in notes receivable at December 31, 2016 are sixteen loans which total \$29,807,621 (twelve which total \$23,247,368 in 2015). This balance represents 49.09% (45.45% in 2015) of total notes receivable.

Notes payable include nineteen notes which total \$18,423,729 or 31.12% (sixteen notes which total \$15,904,094 or 29.78% in 2015) of total notes payable.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. REVOCABLE AND IRREVOCABLE TRUSTS

Seven 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, 2016 amounted to \$73,061 (\$76,512 at December 31, 2015).

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, 2016, 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 several years the Organization filed a form 990-T. Management believes that none of returns filed prior to the year ended December 31, 2011 are subject to examination.

10. DESIGNATION OF UNRESTRICTED NET ASSETS

In prior years the Board designated a monthly amount of unrestricted net assets for contingencies. The balance in the Board designated account at year end was \$13,205 (\$13,205 at December 31, 2015).

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 21, 2017 which is the date the financial statements were available to be issued.

12. INVESTMENT THE FREE WILL BAPTIST FOUNDATION

The Fund is invested in a trust established and maintained by the Free Will Baptist Foundation. The Foundation invests these type of trusts in debt and equity securities and values the trusts at fair market value.

A summary of investments in the Foundation are as follows:

	2016	2015
Investment in the Free Will Baptist Foundation	<u>\$ 1,308,169</u>	<u>\$ 2,224,613</u>
Income earned on the trust	<u>\$ 126,316</u>	<u>\$ 65,268</u>

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

13. INVESTMENT THE FREE WILL MINISTRIES PARTNERSHIP

The Fund is invested in the Free Will Baptist Ministries Partnership. The partnership owns land adjacent to Welch College.

A summary of investments in the Foundation are as follows:

	2016	2015
Investment in the FWB Ministries Partnership	\$ 750,000	\$ -
Income earned on the partnership	\$ -	\$ -

14. FAIR VALUE MEASUREMENTS

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

Fair Value Measurements at December 31, 2016			
	Fair Value	(Level 1)	(Level 2)
Investment in the FWB Foundation	\$ 1,308,169	\$ 1,308,169	\$ -
Invest. in the FWB Ministries Partnership	750,000	-	750,000
	<u>\$ 2,058,169</u>	<u>\$ 1,308,169</u>	<u>\$ 750,000</u>

Fair Value Measurements at December 31, 2015			
	Fair Value	(Level 1)	(Level 2)
Investment in the FWB Foundation	<u>\$ 2,224,613</u>	<u>\$ 2,224,613</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 have the lowest priority. The Fund 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. There were no Level 3 investments.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

15. 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 6.5% (6.5% in 2015) 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 \$1,003,450 (\$779,050 in 2015) 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	\$ 779,050
Loan written off	-
Current year provision	224,400
Ending balance	<u><u>\$ 1,003,450</u></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><u>\$ 1,003,450</u></u>
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The ending balance of notes evaluated individually as follows:

Loans evaluated individually	<u><u>\$ 10,432,352</u></u>
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CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

16. 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 one note that is 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 loans for the year ended December 31, 2016 was \$-0-.

The following tables provide informative data at December 31, 2016 and 2015 and for the years then ended on whether or not management had recognized an allowance for a doubtful account with respect to the impaired loan.

		For the Year Ended December 31, 2016			
		December 31, 2016		December 31, 2016	
		Unpaid	Allowance	Average	Interest
		Principal	for Doubtful	Recorded	Income
Recorded	Investment	Balance of	Accounts on	Investment	Recognized
In Impaired	Notes	Impaired	Impaired	In Impaired	While Notes
		Notes	Notes	Notes	Were Impaired
\$ 8,870,919		\$ 8,870,919	\$ 1,003,450	\$ 806,447	\$ -

Impaired loan for which an allowance
for doubtful accounts has been recognized
Notes receivable

		For the Year Ended December 31, 2015			
		December 31, 2015		December 31, 2015	
		Unpaid	Allowance	Average	Interest
		Principal	for Doubtful	Recorded	Income
Recorded	Investment	Balance of	Accounts on	Investment	Recognized
In Impaired	Notes	Impaired	Impaired	In Impaired	While Notes
		Notes	Notes	Notes	Were Impaired
\$ 9,932,196		\$ 9,932,196	\$ 779,050	\$ 764,015	\$ -

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, 2016 AND 2015

17. 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, 2016. 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 Financing Receivables	Total Financing Receivables on Nonaccrual Status	Financing Receivables Past Due 90 Days or Greater and Still Accruing Interest
Notes receivable	\$ 50,207,294	\$ 304,864	\$ 270,807	\$ 9,856,681	\$ 60,639,646	\$ 8,870,919	\$ 1,561,433

There are two notes in the nonaccrual status column where 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 these agreements. Accordingly, they are included in the past due amounts.



Master's Men

National Association of Free Will Baptists
Post Office Box 5002
ANTIOCH, TN 37011-5002

North American Ministries/Master's Men Department Ken Akers, Director of Men's Ministries

The year 2016 began much like 2015 ended. Master's Men Disaster Response Teams were in action assisting those affected by flooding. The difference was that we went from 80 degrees in South Carolina to below freezing in Missouri. We continue to work with different states to help them develop their own Disaster Response Teams.

I continue to attend state men's retreats to try to develop relationships with the pastors and men in our Free Will Baptist churches.

In addition to attending men's retreats, I was able to represent Master's Men at several state meetings. I was also able to participate in North American Ministries Church Growth and Leadership Conferences as well as the Power Conference in Pigeon Forge, Tennessee.

We were able to partner with North American Ministries in Wytheville, VA for Operation Saturation.

We continued our Sports Fellowship in 2016 with our Deep South Golf Tournament in March and our National Golf and Softball Tournaments in August.

I was able to go to Puerto Rico and St. Croix to look at future work projects.

After many years of working on the Ridge Church in New Durham, NH, we have entered into an agreement with the First Free Will Baptist Church in New Durham, NH to accept ownership of the building. This will ensure the preservation of this historic Free Will Baptist landmark.

As 2016 ended, we found ourselves in familiar surroundings. We spent time in Baton Rouge, Louisiana helping clean up after devastating flooding there.

As we entered 2017, we see the needs increasing for more volunteers to step up and for more men to take charge and assist with leadership. We need more pastors to see the need for men's ministry in their local church. We need you to help us help others.

2018 Proposed Budget		2018 Projected Income	
Office Operations		Dues	\$ 9,200.00
Rent	\$ 3,000.00	Softball	\$ 3,000.00
Equipment & Supplies	\$ 3,000.00	Golf	\$ 7,000.00
Telephone	\$ 400.00	Gifts	\$ 7,000.00
Misc.	\$ 1,320.00	Sales	\$ 1,420.00
Postage	\$ 2,500.00	Endowment Income	\$ 5,000.00
Total	\$ 10,220.00		
Accounting		TOTAL	\$ 32,620.00
Audit	\$ 2,000.00		
Resource Development			
ONE Magazine	\$ 8,400.00		
Printed Materials	\$ 1,000.00		
Total	\$ 9,400.00		
Department Travel	\$ 10,000.00		
National Association	\$ 1,000.00		
TOTAL	\$ 32,620.00		



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Free Will Baptist Master's Men
Antioch, Tennessee

I have audited the accompanying financial statements of the Free Will Baptist Master's Men, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statement 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 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 Master's Men, as of December 31, 2016 and 2015, 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 24, 2017

FREE WILL BAPTIST MASTER'S MEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

ASSETS	2016	2015
Cash	\$ 3,886	\$ 14,957
Investment in Free Will Baptist Foundation	43,073	47,807
Investment in Church Extension Loan Fund	51,870	50,101
Endowments	97,318	96,966
Property and equipment, at cost, net of accumulated depreciation of \$2,007 (\$776 in 2015)	<u>4,151</u>	<u>5,382</u>
TOTAL ASSETS	<u>\$ 200,298</u>	<u>\$ 215,213</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 129	\$ 1,476
Total Liabilities	<u>129</u>	<u>1,476</u>
NET ASSETS		
Unrestricted	23,723	29,714
Temporarily restricted	75,196	82,773
Permanently restricted	<u>101,250</u>	<u>101,250</u>
Total Net Assets	<u>200,169</u>	<u>213,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 200,298</u>	<u>\$ 215,213</u>

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

FREE WILL BAPTIST MASTER'S MEN
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<i>UNRESTRICTED</i>		
REVENUES		
Donations	\$ 30,235	\$ 30,038
Dues	9,300	15,245
Fund-raising special events income	20,633	29,122
Build a House Program income	330	176,343
Interest income	1,769	101
Investment gains (losses)	1,398	(5,199)
Gain (loss) on disposal of property and equipment	-	(5,100)
Contributed services received	68,095	61,165
Net assets released from restrictions:		
Restrictions satisfied by payments:	15,386	20,908
 Total revenue	 147,146	 322,623
 EXPENSES		
Salaries and wages	68,095	61,165
Director's insurance	1,200	1,418
Office expense	7,469	8,929
Computer and internet	-	503
Rent expense	2,799	2,775
Professional fees	2,000	1,685
Automobile expense	573	1,163
Travel expense	14,300	7,211
Convention expense	1,416	3,003
Resource development	15	477
Fund-raising special events expense	18,098	22,192
Disaster relief expenses	15,386	15,978
Build a House Program expense	1,940	151,684
Project expense	10,200	-
One Magazine	8,416	8,382
Depreciation	1,231	776
 Total expenses	 153,138	 287,341
 Increase (decrease) in unrestricted net assets	 (5,992)	 35,282
 <i>TEMPORARILY RESTRICTED</i>		
REVENUES		
Donations	7,810	4,803
Net assets released from restrictions:		
Restrictions satisfied by payments:	(15,386)	(20,908)
 Increase (decrease) in temporarily restricted net assets	 (7,576)	 (16,105)

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

FREE WILL BAPTIST MASTER'S MEN
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<i>PERMANENTLY RESTRICTED</i>		
REVENUES		
Donations	-	-
	-	-
Increase (decrease) in permanently restricted net assets	-	-
	-	-
Total increase (decrease) in net assets	(13,568)	19,177
Net assets - beginning of the year	<u>213,737</u>	<u>194,560</u>
Net assets - end of the year	<u><u>\$ 200,169</u></u>	<u><u>\$ 213,737</u></u>

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

FREE WILL BAPTIST MASTER'S MEN
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (13,568)	\$ 19,177
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,231	776
(Gain) loss on disposition of property and equipment	-	5,100
Investment (gains) losses	(1,398)	5,098
(Increase) decrease in:		
Build a House inventory	-	133,618
Increase (decrease) in:		
Accounts payable	(1,347)	628
Net Cash Used by Operating Activities	<u>(15,082)</u>	<u>164,397</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	-	(6,158)
Redemption of investment	5,780	21,603
Acquisition of investment	(1,769)	(65,203)
Net Cash Used by Investing Activities	<u>4,011</u>	<u>(49,758)</u>
Cash Flows From Financing Activities:		
Repayment of loan	-	(120,000)
Net Cash Used by Investing Activities	<u>-</u>	<u>(120,000)</u>
Net Increase (Decrease) in Cash	(11,071)	(5,361)
Cash - Beginning of Year	<u>14,957</u>	<u>20,318</u>
Cash - End of Year	<u>\$ 3,886</u>	<u>\$ 14,957</u>

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

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Free Will Baptist Master's Men is a nonprofit organization affiliated with the National Association of Free Will Baptists located in Antioch, Tennessee.

The Organization exists to accomplish five purposes: fellowship, discipleship, stewardship, soul winning and edification. The Organization mobilizes men out of spiritual passivity to influence their families, communities and workplaces with the life-changing message of Jesus Christ.

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 2016 or 2015.

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.

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

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

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

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Cash Equivalents:

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

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, 2016 and 2015.

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.

Property and Equipment:

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment with 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.

Computer equipment	5 years
Equipment	5 years
Trailers	5 years

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 1,228	\$ 1,228
Equipment	2,980	2,980
Trailers	<u>1,950</u>	<u>1,950</u>
	6,158	6,158
Less: Accumulated depreciation	<u>(2,007)</u>	<u>(776)</u>
	<u><u>\$ 4,151</u></u>	<u><u>\$ 5,382</u></u>

Depreciation for the year ended December 31, 2016 was \$1,231 (\$776 for December 31, 2015).

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Build a House Program	\$ 50,181
Disaster Relief Fund	22,019
Haiti	146
Ridge Church	<u>2,850</u>
	<u><u>\$ 75,196</u></u>

Permanently restricted net assets are available for the following purposes:

Lifetime Members endowment	<u><u>\$ 101,250</u></u>
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4. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows:

Disaster Relief Fund	<u><u>\$ 15,386</u></u>
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5. RELATED PARTY TRANSACTIONS

Free Will Baptist Home Missions provides personnel services to the Organization without charge. The Organization recognized revenue and related expenses of \$68,095 and \$61,165 for these services for the years ending December 31, 2016 and 2015 respectively.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

6. CONCENTRATION OF CREDIT RISK

The Organization maintains an account at a local financial institution. The Federal Deposit Insurance Corporation (FDIC) secures bank accounts up to \$250,000. At December 31, 2016 and 2015 the Organization had uninsured amounts in the amount of \$-0- and \$-0- respectively.

7. COMMITMENTS

The Organization's is renting storage space from the National Association of Free Will Baptists on a month to month lease. The rent expense for the year amounted to \$2,799 and \$2,775 for 2016 and 2015 respectively.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 24, 2017 which is the date the financial statements were available to be issued.

9. FUNDRAISING EXPENSES

Fundraising expenses amounted to \$18,098 and \$22,192 for the years ended December 31, 2016 and 2015 respectively.

10. ENDOWMENT

The Organization has an endowment with the Free Will Baptist Foundation. The endowment was established by the Organization for the benefit of the Organization. The Organization has no control over the type of investments in the endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Free Will Baptist Foundation pools its assets for investment purposes. Investment activity is allocated to funds based on the fund's percentage share of the total portfolio. The Organization is invested in the Free Will Baptist Foundation's Endowment Pool.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

10. ENDOWMENT - CONTINUED

The Organization 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 Organization 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

The Organization has no control over the investments in the endowment. Accordingly, the Organization has not adopted an investment policy related to the endowment.

The income earned on the endowment is distributed to the Organization every six months. The money is spent for the operations of the Organization.

The Endowment net asset composition by type of fund is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Net Assets
	December 31, 2016		
Board designated endowment funds	(\$ 3,932)	\$ -	(\$ 3,932)
Donor-restricted endowment funds	-	101,250	101,250
	<u>(\$ 3,932)</u>	<u>\$ 101,250</u>	<u>\$ 97,318</u>

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

10. ENDOWMENT - CONTINUED

	December 31, 2015		
Board designated endowment funds	(\$ 4,284)	\$ -	(\$ 4,284)
Donor-restricted endowment funds	-	101,250	101,250
	<u>(\$ 4,284)</u>	<u>\$ 101,250</u>	<u>\$ 96,966</u>

The activity in the endowment during the year is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Net Assets
	December 31, 2016		
Beginning balance	(\$ 4,284)	\$ 101,250	\$ 96,966
Total gains or losses (realized and unrealized) included in the Statement of Activities	352	-	352
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	-	-	-
Ending balance	<u>(\$ 3,932)</u>	<u>\$ 101,250</u>	<u>\$ 97,318</u>
	December 31, 2015		
Beginning balance	\$ 7,294	\$ 101,250	\$ 108,544
Total gains or losses (realized and unrealized) included in the Statement of Activities	(6,076)	-	(6,076)
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(5,502)	-	(5,502)
Ending balance	<u>(\$ 4,284)</u>	<u>\$ 101,250</u>	<u>\$ 96,966</u>

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

11. INVESTMENT THE FREE WILL BAPTIST FOUNDATION

The Organization is invested in five trusts and one endowment established and maintained by the Free Will Baptist Foundation. The Foundation invests these type of trusts in debt and equity securities and values the trusts at fair market value.

A summary of investments in the Foundation are as follows:

	2016	2015
Build A House	\$ 5,497	\$ 5,477
Disaster Relief Trust	22,972	28,096
Ridge Trust	13,469	13,105
Build A House reserve	646	642
Master's Men	489	487
Life Member Endowment	97,318	96,966
	<u>\$ 140,391</u>	<u>\$ 144,773</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ 1,398</u>	<u>\$ (5,199)</u>
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12. FAIR VALUE MEASUREMENTS

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

	Fair Value Measurements at December 31, 2016
	Fair Value (Level 1)
Investment in the FWB Foundation	<u>\$ 140,391</u>
	<u>\$ 140,391</u>
	Fair Value Measurements at December 31, 2015
	Fair Value (Level 1)
Investment in the FWB Foundation	<u>\$ 144,773</u>
	<u>\$ 144,773</u>

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

12. FAIR VALUE MEASUREMENTS - CONTINUED

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 Fund 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. The Board has no Level 2 or Level 3 investments.

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.



Executive Summary

Our 47th year is down and in the books. Since taking over as director in January of 2016, it has been an exciting journey to get where we are now. 2016 saw some major changes at the Board of Retirement with new leadership and staff coming into the office. These changes led to many other changes to the office in the way we communicate with our clients and the services that are available to our denomination.

In 2016, our office hit an all-time high of 124 new enrollees to our plan. This is exciting for two reasons: 1.) we are helping our denominational workers start on a path to financial security; 2.) we are reaching out to groups that did not realize they were eligible to be a part of our plan. Last year we focused our efforts on bringing the plan to the workers of our denomination, through plan presentations at churches, daycares, schools, and other FWB agencies. We found that many in our denomination did not realize they were even eligible to use our office in offering retirement benefits to their staff. We are still looking for more opportunities to share our plan with our churches and organizations. Offering retirement to your employees is one of the largest benefits you can provide to your staff. It shows your staff that you not only care for the work they are currently providing to your church or organization, but you care about their long-term future as well. The cost in offering a plan like ours to your employees is zero. We encourage each employer to offer a match or an automatic contribution for each of your employees, but if you are not able then the plan is still available to your employees through salary reductions, which helps reduce their taxable income now and allows them to save for their future.

Our website, www.boardofretirement.com, also got an update last year. While we did have an online portal on the old website, it was limited in the availability of access for things like submitting and retrieving account information for current clients and prospective clients. The new website allows you to retrieve statements from a secure login account as well as check current balances and current earnings on your accounts with the Board of Retirement. In addition, the new website features online enrollment for prospective clients as well as other online submission forms for things like investment allocation changes, beneficiary updates, and address changes. A recent study found that individuals that engage digitally with their retirement savings are more likely to save at an increased rate for retirement than those that do not. We also understand that the culture is changing when it comes to retirement and many people are looking to self-serve when it comes to signing up and getting started. We wanted to make sure our online presence would allow those that take that route the opportunity to do so, without ever calling into the office. We have also added a news/blog section with educational information about general finance and investing for the benefit of our clients and the denomination. If you have not already checked it out, please do so at www.boardofretirement.com.

The Lord has blessed the Board of Retirement over the last year and a half. So far, in 2017 we have continued to see an uptick in enrollment and contribution levels. We have started to rollout new programs in 2017 to help serve our denomination. One such program is our Institutional Investing options for any FWB organization as a way to help churches and organizations use their funds to their full advantage. This option is a way for churches and organizations to get a greater return on the funds they are holding for future projects and growth. These accounts over the long-term will provide a greater return on investment than the standard options available at a local bank. These investment accounts are not available for individuals, only to FWB organizations. If you have questions on how this investment option would benefit your church or organization, feel free to contact our office.

“Building for Your Future Ministry” has been the slogan for our office since 2016. We started with this simple thought that retirement is not the end of your ministry but the beginning of a new one; one that you are free to work in whatever way God can use you. You are free from time restrictions and schedules of punching a clock or having to get your time in. You are on your own time frame and you know that the Lord can use you fully even if it is different from what your career was for the past 35 to 40 years. However, getting ready for our future ministry does take some work on our part on the front end of our working career. Starting as early as possible allows you the easiest path to your future ministry. The longer you put off starting to save and building your retirement account the more work or you it will become.

There are few things we are able to control when it comes to saving for retirement. One is the amount of time we save. Start early or retire late, you have some control over the start and stop dates of your retirement savings. Second is how much we save and how often. While we may not be able to put large amounts into our retirement savings at first, we can build until we are saving the proper amount each month. Starting early and being constant in our savings is the best way to make sure we are ready for the future ministry God has for us during our retirement years. The Board of Retirement is here to help you get to that ministry. If you currently do not have an account, stop by our booth, contact our office, or visit the website and get started today. If you have an account but are not currently saving at a level that will get you prepared in time for your retirement date, then feel free to talk to us about adjustments you need to make in order to be ready for the ministry God has for you in the future.

Synopsis of Board Meetings 2016

Board of Retirement

April 18-19, 2016

All board members and staff members were present for the meeting. Audit, Financial, Proposed Budget, Communication Officer's and Director's reports were presented and approved. Reports from money managers were presented giving economic overviews and portfolio performance. Two managers presented through teleconference.

Several motions were made and accepted:

1. 100% of the 2017 annuity and monthly retirement benefit payments to a retired minister from Board of Retirement shall be designated as "housing allowance."
2. Keep annuity payments the same, giving no raise this year.
3. Retain Joel Collum as our auditor for the 2016 audit.
4. Amend the Planned Document to include auto enrollment and auto escalation.
5. Retain the same slate of officers.
6. Change the name of the Investment Committee to the Finance and Audit Committee.

Ron Barber gave a presentation on the fiduciary responsibilities of the board.

December 6, 2016

All board members and staff were present with the exception of Ron Barber and Randy Wilson.

The financial report and the Director's Report were presented and approved. Discussion presented for option of Institutional Investing.

Conference call with Manning & Napier discussing equities very positive in third quarter; fixed income rates rising; hourly earnings up; and emerging markets showing improvement. Fixed Income Managers called in and gave insight on fixed income sector of market and that interest rates and inflation to drift higher.



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 December 31, 2016 and 2015, 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.

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 December 31, 2016 and 2015, 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 11, 2017

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS

	2016	2015
OPERATING ASSETS		
Cash and cash equivalents	\$ 3,357	\$ 11,420
Funds invested with Free Will Baptist Foundation	124,232	148,567
Endowment	70,531	94,326
Total Operating Assets	<u>198,120</u>	<u>254,313</u>
RETIREMENT ASSETS		
Cash and cash equivalents	930,541	1,332,289
Investment in marketable securities and instruments, at fair market value	54,316,232	53,120,987
Prepaid annuitant benefits	(50)	1,000
Notes receivable, net of allowance for doubtful accounts	2,379	1,589
Total Retirement Assets	<u>55,249,102</u>	<u>54,455,865</u>
OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES		
at cost, net of accumulated depreciation	105,107	60,891
TOTAL ASSETS	<u><u>\$ 55,552,329</u></u>	<u><u>\$ 54,771,069</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 10,482,612	\$ 9,645,341
Accounts payable, accrued expenses and other liabilities	11,320	12,081
Capital lease payable	4,373	8,773
Total liabilities	<u>10,498,305</u>	<u>9,666,195</u>
NET ASSETS		
Unrestricted		
Operations:		
Operating funds (deficit)	(18,294)	(9,862)
Designated for future assets purchases	61,890	91,744
Designated for future payments to annuitants	139,488	153,719
Net invested in equipment	105,107	60,891
Total Operating Net Assets	<u>288,191</u>	<u>296,492</u>
Retirement Accounts:		
Net assets available for participants	44,773,650	44,787,565
Designated as reserve funds	(7,817)	20,817
Total Retirement Net Assets	<u>44,765,833</u>	<u>44,808,382</u>
Total net assets	<u>45,054,024</u>	<u>45,104,874</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 55,552,329</u></u>	<u><u>\$ 54,771,069</u></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, 2016 AND 2015**

	2016			2015		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
SUPPORT, REVENUE AND OTHER ADDITIONS						
Contributions from participants						
Contributions to participant accounts	\$ 2,571,331	\$ -	\$ 2,571,331	\$ 2,639,266	\$ -	\$ 2,639,266
Repayment of participant loans	348,343	-	348,343	399,176	-	399,176
	<u>2,919,674</u>	<u>-</u>	<u>2,919,674</u>	<u>3,038,442</u>	<u>-</u>	<u>3,038,442</u>
Investment income:						
Gains of investment portfolio:						
Net realized gains (losses)	(146,823)	-	(146,823)	995,823	-	995,823
Net unrealized gains (losses)	1,168,745	-	1,168,745	(3,364,179)	-	(3,364,179)
	<u>1,021,922</u>	<u>-</u>	<u>1,021,922</u>	<u>(2,368,356)</u>	<u>-</u>	<u>(2,368,356)</u>
Interest and dividends from investments (net investment fees)	448,342	-	448,342	1,092,103	-	1,092,103
Total investment income	<u>1,470,264</u>	<u>-</u>	<u>1,470,264</u>	<u>(1,276,253)</u>	<u>-</u>	<u>(1,276,253)</u>
Income earned from interest bearing notes:						
Interest income	23,825	4,044	27,869	22,830	(2,137)	20,693
Gain (loss) on sale of property and equipment	-	-	-	-	5,694	5,694
Total income earned from interest and sale of property	<u>23,825</u>	<u>4,044</u>	<u>27,869</u>	<u>22,830</u>	<u>3,557</u>	<u>26,387</u>
Gifts	-	64,000	64,000	-	81,136	81,136
Miscellaneous income	-	4,216	4,216	-	3,676	3,676
Total other income	<u>-</u>	<u>68,216</u>	<u>68,216</u>	<u>-</u>	<u>84,812</u>	<u>84,812</u>
Total additions	4,413,763	72,260	4,486,023	1,785,019	88,369	1,873,388
Allocation for Operations	(494,006)	494,006	-	(437,047)	437,047	-
Net additions after allocation for operations	<u>\$ 3,919,757</u>	<u>\$ 566,266</u>	<u>\$ 4,486,023</u>	<u>\$ 1,347,972</u>	<u>\$ 525,416</u>	<u>\$ 1,873,388</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, 2016 AND 2015**

	2016			2015		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
Net additions after allocation for operations	\$ 3,919,757	\$ 566,266	\$ 4,486,023	\$ 1,347,972	\$ 525,416	\$ 1,873,388
EXPENSES AND OTHER DEDUCTIONS						
Withdrawals from participants	2,438,217	-	2,438,217	1,678,358	-	1,678,358
Participant loans	227,750	-	227,750	519,190	-	519,190
Transfers to annuities by participants	892,359	-	892,359	925,828	-	925,828
Insurance deductions from participants accounts	25,755	-	25,755	27,245	-	27,245
Income allocated to annuitant obligations	375,040	-	375,040	382,664	-	382,664
Salaries	-	181,232	181,232	-	170,585	170,585
Housing	-	23,571	23,571	-	44,200	44,200
Fringe Benefits	-	120,739	120,739	-	83,771	83,771
Travel and promotional	-	43,578	43,578	-	41,779	41,779
Auto maintenance and expense	-	5,324	5,324	-	4,342	4,342
Office supplies and expense	2,743	81,876	84,619	2,746	67,438	70,184
Occupancy	-	33,325	33,325	-	33,250	33,250
Board members expense	-	15,388	15,388	-	24,952	24,952
Legal and accounting	-	23,466	23,466	-	19,635	19,635
Depreciation	-	24,482	24,482	-	15,645	15,645
Annuitant benefit payments	-	20,294	20,294	-	19,680	19,680
Miscellaneous	442	1,292	1,734	-	470	470
Total deductions	3,962,306	574,567	4,536,873	3,536,031	525,747	4,061,778
Increase (decrease) in net assets	(42,549)	(8,301)	(50,850)	(2,188,059)	(331)	(2,188,390)
NET ASSETS - beginning of year	44,808,382	296,492	45,104,874	46,996,441	296,823	47,293,264
NET ASSETS - end of year	\$44,765,833	\$ 288,191	\$45,054,024	\$44,808,382	\$ 296,492	\$45,104,874

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from:						
Contributions from participants and employers	\$ 2,919,674	\$ -	\$ 2,919,674	\$ 3,038,442	\$ -	\$ 3,038,442
Gifts	-	64,000	64,000	-	81,136	81,136
Income earned from interest and sale of loan property	23,825	-	23,825	22,830	-	22,830
Investment income	448,342	4,044	452,386	1,092,103	(2,137)	1,089,966
Miscellaneous income	-	4,216	4,216	-	3,676	3,676
Cash paid for:						
Supplies and employees	(29,375)	(549,361)	(578,736)	(30,236)	(509,615)	(539,851)
Withdrawal of funds by participants	(3,558,326)	-	(3,558,326)	(3,123,376)	-	(3,123,376)
Income allocated to annuitant obligations						
Net Cash Provided (Used)	(375,040)	-	(375,040)	(382,664)	-	(382,664)
By Operating Activities	(570,900)	(477,101)	(1,048,001)	617,099	(426,940)	190,159
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of office furniture, equipment and automobiles	-	(68,698)	(68,698)	-	(46,401)	(46,401)
Investments:						
Purchases of investment securities	(45,132,416)	-	(45,132,416)	(34,449,736)	-	(34,449,736)
Funds invested with Free Will Baptist Foundation	-	48,130	48,130	-	23,419	23,419
Proceeds from sale of investment securities	44,959,093	-	44,959,093	33,078,604	-	33,078,604
Notes receivable:						
New loans made	(227,750)	-	(227,750)	(519,190)	-	(519,190)
Collection of notes receivable	226,960	-	226,960	519,007	-	519,007
Net Cash Provided (Used)	(174,113)	(20,568)	(194,681)	(1,371,315)	(22,982)	(1,394,297)
By Investing Activities						

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, 2016 AND 2015**

	2016			2015		
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
CASH FLOWS FROM FINANCING ACTIVITIES:						
Allocation for operations	\$ (494,006)	\$ 494,006	\$ -	\$ (437,047)	\$ 437,047	\$ -
Net to additions to (withdrawals from) annuities payable	837,271	-	837,271	96,536	-	96,536
Repayments on capital lease	-	(4,400)	(4,400)	-	(4,042)	(4,042)
Net Cash Provided (Used) By Financing Activities	343,265	489,606	832,871	(340,511)	433,005	92,494
INCREASE (DECREASE) IN CASH	(401,748)	(8,063)	(409,811)	(1,094,727)	(16,917)	(1,111,644)
Cash and cash equivalents at beginning of years	1,332,289	11,420	1,343,709	2,427,016	28,337	2,455,353
Cash and cash equivalents at end of years	\$ 930,541	\$ 3,357	\$ 933,898	\$ 1,332,289	\$ 11,420	\$ 1,343,709

RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS

TO CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$ (42,549)	\$ (8,301)	\$ (50,850)	\$ (2,188,059)	\$ (331)	\$ (2,188,390)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization	-	24,482	24,482	-	15,645	15,645
Allocation for operations	494,006	(494,006)	-	437,047	(437,047)	-
Loss (gains) on investment transactions	(1,021,922)	-	(1,021,922)	2,368,356	2,368,356	2,368,356
Loss (gain) on sale of property and equipment	-	-	-	-	(5,694)	(5,694)
Decrease (increase) in prepaid expenses	1,050	-	1,050	(50)	-	(50)
Increase (decrease) in accounts payable, accrued expenses and other	(1,485)	724	(761)	(195)	487	292
Total adjustments	(528,351)	(468,800)	(997,151)	2,805,158	(426,609)	2,378,549
Net Cash Provided (Used) By Operating Activities	\$ (570,900)	\$ (477,101)	\$ (1,048,001)	\$ 617,099	\$ (426,940)	\$ 190,159

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING

AND FINANCING ACTIVITIES:

Purchase of property and equipment	\$ -	\$ 68,698	\$ 68,698	\$ -	\$ 52,095	\$ 52,095
Gain on trade-in	-	-	-	-	(5,694)	(5,694)
Cash paid for property and equipment	-	\$ 68,698	\$ 68,698	\$ -	\$ 46,401	\$ 46,401

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, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization:

The Board of Retirement and Insurance of the National Association of Free Will Baptists, Inc. (the “Board”) is operated under the auspices of the National Association of Free Will Baptists, Inc. The purpose of the Board is to maintain contributory retirement accounts for licensed or ordained ministers, Free Will Baptist missionaries and lay employees of churches, schools and Free Will Baptist agencies. 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, 2015 to allow Roth contributions to the plan. Additionally, the amounts in the plan were updated to reflect the latest Internal Revenue Service amounts.

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, 2016 AND 2015**

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, 2016 and 2015.

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, 2016 AND 2015**

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 2016 amounted to \$14,003 (\$13,782 for 2015).

2. OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES

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

	2016	2015
Office furniture and fixtures	\$ 50,607	\$ 50,607
Computer hardware and software	176,298	157,286
Automobiles	88,318	71,573
	<u>315,223</u>	<u>279,466</u>
Less: Accumulated depreciation	(210,116)	(218,575)
	<u><u>\$ 105,107</u></u>	<u><u>\$ 60,891</u></u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. NOTES RECEIVABLE

Following is a summary of notes receivable:

	<u>2016</u>	<u>2015</u>
Participant notes (net) secured by retirement account balances	\$ 2,379	\$ 1,589

The notes bear interest at 3.0% and mature at various dates from 2017 through 2021.

4. INVESTMENTS IN MARKETABLE SECURITIES AND INSTRUMENTS

	<u>2016</u>		
	<u>Market Value</u>	<u>Cost</u>	<u>(Depreciation) Appreciation</u>
Investments:			
Common Stocks	\$ 27,674,996	\$ 24,471,298	\$ 3,203,698
U.S. Government Issues	18,287,621	18,722,131	(434,510)
Corporate Bonds	7,789,982	7,900,301	(110,319)
Asset Back Securities	563,633	565,089	(1,456)
Total Investments	<u>\$ 54,316,232</u>	<u>\$ 51,658,819</u>	<u>\$ 2,657,413</u>

For 2016, total investment gain (loss) relating to marketable securities and instruments amounted to \$1,470,264 and consisted of investment gains (losses) of \$1,021,922 and interest and dividends of \$448,342 (net of investment fees of \$443,300). Investment income (loss) represented yields of 2.74% and 2.85% based on the average market value and average cost of such investments.

	<u>2015</u>		
	<u>Market Value</u>	<u>Cost</u>	<u>(Depreciation) Appreciation</u>
Investments:			
Mutual Funds	\$ 9,054,598	\$ 9,956,572	\$ (901,974)
Common Stocks	23,560,240	20,921,904	2,638,336
U.S. Government Issues	14,544,511	14,707,820	(163,309)
Corporate Bonds	5,765,569	5,856,504	(90,935)
Real Estate Investment Trusts	196,069	190,522	5,547
Total Investments	<u>\$ 53,120,987</u>	<u>\$ 51,633,322</u>	<u>\$ 1,487,665</u>

For 2015, total investment gain (loss) relating to marketable securities and instruments amounted to (\$1,276,253) and consisted of investment gains (losses) of (\$2,368,356) and interest and dividends of \$1,092,103 (net of investment fees of \$422,777). Investment income (loss) represented yields of (2.38%) and (2.53%) 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, 2016 AND 2015**

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 \$1.16 (\$1.16 in 2015) per square foot per month. The Board shares a portion of the space with the Free Will Baptist Foundation. Total lease payments were \$33,325 and \$32,350 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, the recorded liability amounted to \$10,482,612 and \$9,645,341 respectively. At the recommendation of the actuary the Board changed from using the Mortality Table 1983 to using the Mortality Table 2012 IAM. Using this new mortality table the actuary has determined that the reserve account exceeded the current periodic benefit at December 31, 2016 by \$99,819 (by \$242,305 at December 31, 2015 using the previous mortality table). Management will not request a pension benefit increase for 2017.

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, 2016 and 2015:

	Account Balance	2016	
		Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 2,379	\$ 2,379	\$ -
Cash and cash equivalents	237,392	237,392	-
Funds invested with the Free Will Baptist Foundation	124,232	124,232	-
Short-term liquid investments	696,506	696,506	-
Endowment	70,531	70,531	-
Corporate bonds	7,789,982	-	7,789,982
Common stocks	27,674,996	-	27,674,996
U.S. Treasury notes and bills	18,287,621	18,287,621	-
Asset backed securities	563,633	563,633	-
	<u>\$ 55,447,272</u>	<u>\$ 19,982,294</u>	<u>\$ 35,464,978</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

7. INFORMATION REGARDING FINANCIAL INSTRUMENTS - CONTINUED

	Account Balance	2015	
		Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 1,589	\$ 1,589	\$ -
Cash and cash equivalents	287,953	250,000	37,953
Funds invested with the Free Will Baptist Foundation	148,567	148,567	-
Endowment	94,326	94,326	-
Short-term liquid investments	1,055,756	802,040	253,716
Corporate bonds	5,765,569	-	5,765,569
Mutual funds	9,054,598	-	9,054,598
Common stocks	23,560,240	-	23,560,240
U.S. Treasury notes and bills	14,544,511	14,544,511	-
Real Estate Investment Trusts	196,069	-	196,069
	<u>\$54,709,178</u>	<u>\$15,841,033</u>	<u>\$38,868,145</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, 2016 Using			
	Quoted Prices		Significant	
	In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stocks	\$27,674,996	\$27,674,996	\$ -	\$ -
U.S. Government Issues	18,287,621	4,711,964	13,575,657	-
Corporate Bonds	7,789,982	1,234,879	6,555,103	-
Asset Back Securities	563,633	563,633	-	-
	<u>\$54,316,232</u>	<u>\$34,185,472</u>	<u>\$20,130,760</u>	<u>\$ -</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2015 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	\$ 9,054,598	\$ 9,054,598	\$ -	\$ -
Common Stocks	23,560,240	23,560,240	-	-
U.S. Government Issues	14,544,511	5,455,131	9,089,380	-
Corporate Bonds	5,765,569	1,403,121	4,362,448	-
Real Estate Investment Trusts	196,069	196,069	-	-
	<u>\$53,120,987</u>	<u>\$39,669,159</u>	<u>\$13,451,828</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, 2016 AND 2015**

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:

2017	\$ 4,561
	<hr/>
	4,561
Less amount representing interest	<hr/> (188) <hr/>
Present value of net minimum lease payments	<hr/> \$ 4,373 <hr/>

The depreciation expense related to this office equipment amounted to \$3,365.

The imputed interest included in the payments for this equipment amounted to \$576.

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 11, 2017 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, 2016, 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 OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

13. ENDOWMENT

The Board has an endowment with the Free Will Baptist Foundation. The endowment was established by the Board for the benefit of the Board. The Board has no control over the type of investments in the endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Free Will Baptist Foundation pools its assets for investment purposes. Investment activity is allocated to funds based on the fund's percentage share of the total portfolio. The Board is invested in the Free Will Baptist Foundation's Endowment Pool.

The Board 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 Board 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Board, and (7) the Board's investment policies.

The Board has no control over the investments in the endowment. Accordingly, the Board has not adopted an investment policy related to the endowment.

The income earned on the endowment is distributed to the Board every six months. The money is spent to provide extra benefits for Board annuitants..

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

13. ENDOWMENT - CONTINUED

The Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Total Net Endowment Net Assets</u>
Board designated endowment funds	\$ 70,531	\$ 70,531
	<u>\$ 70,531</u>	<u>\$ 70,531</u>

The activity in the endowment during the year is as follows:

	<u>Unrestricted</u>	<u>Total Net Endowment Net Assets</u>
Beginning balance	\$ 94,326	\$ 94,326
Total gains or losses (realized and unrealized) included in the Statement of Activities	405	405
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(24,200)	(24,200)
Ending balance	<u>\$ 70,531</u>	<u>\$ 70,531</u>

14. PRIOR PERIOD ADJUSTMENTS

During the year it was determined that certain accounts held by the Foundation were accounts of Board and accordingly, should be included in the financial statements of the Board. An adjustment totaling \$100,951 was made to the Endowment Account and an adjustment totaling \$56,253 was made to the Funds Invested with Free Will Baptist Foundation to restate net assets at December 31, 2014. Additionally, Accrued Liabilities of \$2,490 were reclassified to Net Assets at December 31, 2014.

Board of Retirement and Insurance Proposed Budget for 2018

	2016 Budget	2016 Actual	2017 Budget	2018 Proposed
Revenue				
Service Fees From Retirement	491,000.00	494,006.14	491,900.00	570,500.00
Insurance Administrative Fees	1,500.00	372.00	1,000.00	500.00
The Together Way	70,000.00	57,446.69	70,000.00	58,000.00
Other State Gifts	500.00	380.00	500.00	510.00
Rest Of The Family Offering	2,000.00	2,128.10	2,000.00	2,000.00
Interest Income Future Purchases	2,000.00	2,026.31	2,000.00	2,000.00
Gain Loss on Sale of Assets				
Miscellaneous Income	<u>1,500.00</u>	<u>4,024.90</u>	<u>1,500.00</u>	<u>3,000.00</u>
Total Revenue	<u>568,500.00</u>	<u>560,384.14</u>	<u>568,900.00</u>	<u>636,510.00</u>
Expenses				
Salaries and Wages	188,155.00	181,232.45	188,319.00	207,075.26
Fringe Benefits	79,217.00	118,699.80	91,545.00	120,000.00
Housing	21,000.00	25,609.58	24,000.00	23,000.00
Travel and Promotion	60,000.00	43,577.74	55,000.00	55,000.00
Auto Maintance and Expense	7,500.00	5,323.58	5,500.00	5,500.00
Future Purchases	24,000.00	33,249.75	24,000.00	38,659.74
Plant Fund	36,000.00	33,325.39	37,000.00	37,000.00
Office Expense	40,000.00	34,911.35	36,000.00	36,000.00
Equipment	10,000.00	2,645.00	10,230.00	10,000.00
Equipment Lease	2,000.00	5,364.88	2,000.00	2,000.00
Education/Training	8,000.00	9,597.59	8,000.00	10,000.00
Publications	27,000.00	23,287.56	27,500.00	27,500.00
Board Memeber Expense	15,000.00	15,388.18	15,000.00	15,000.00
Website Development/Maintance	10,000.00	13,705.50	7,500.00	7,500.00
Legal Expense	12,000.00	8,065.97	12,000.00	12,000.00
Auditing Expense	18,000.00	15,400.00	17,500.00	17,500.00
Offsite Backup Storage	1,200.00	546.24	1,200.00	1,200.00
Software Support	5,000.00	5,981.02	5,000.00	5,500.00
Depreciation Expense				
Miscellaneous Expense	<u>4,428.00</u>	<u>1,764.04</u>	<u>1,606.00</u>	<u>6,075.00</u>
Total Expenses	<u>568,500.00</u>	<u>577,675.62</u>	<u>568,900.00</u>	<u>636,510.00</u>

Board of Retirement and Insurance

Compensation Package Detail
2018 Proposed

President and CEO: John Brummitt	2016 Approved	2017 Approved	2018 Proposed
Salary	71,500.00	75,075.00	83,000.00
SS and Med	5,469.75	5,743.24	6,349.50
Christmas	1,375.00	1,443.75	1,596.15
Retirement	5,101.25	5,356.31	5,810.00
Insurance	11,350.52	12,354.08	14,517.00
Note: Office Car Furnished			
Total	94,796.52	99,972.38	111,272.65
Accounting Administrator: Joshua Eidson			
Salary	48,000.00	50,400.00	52,416.00
SS and Med	3,672.00	3,855.60	4,099.82
Christmas	923.08	969.23	1,008.00
Retirement	3,424.62	3,595.85	3,669.12
Insurance	16,413.32	17,872.52	22,358.76
Note: Office Car Furnished			
Total	72,433.01	76,693.20	83,551.70
Communication Officer: Chris Compton			
Salary/Housing	45,000.00	47,250.00	49,140.00
SS and Med	3,442.50	3,614.63	3,759.21
Christmas	865.38	908.65	945.00
Retirement	3,210.58	3,371.11	3,439.80
Insurance	16,413.32	17,872.52	16,293.00
Note: Office Car Furnished			
Total	68,931.78	73,016.90	73,577.01
Admin. Assistant: Sara Poston			
Salary	37,709.00	39,594.45	41,178.23
SS and Med	2,884.74	3,028.98	3,150.13
Christmas	725.17	761.43	791.88
Retirement	2,690.39	2,824.91	2,882.48
Insurance	11,350.52	12,354.08	17,353.32
Total	55,359.82	58,563.85	65,356.04



**Report to the Delegates
National Association of Free Will Baptists
July 2017**

I have been informing you and our board for the past few years about the challenges of the publishing industry. Contributing factors to the decline in the industry include free resources on the Internet, allowing Life Group or Sunday School classes to teach elective style lessons in place of planned discipleship studies, more options for churches, and churches who attempt to write their own curriculum. Churches have high expectations and reinvesting in printed and digital curriculum is a must. The combined industry factors require wise stewardship in managing resources and trends.

Although last year's sizable loss was difficult for our board and organization to accept, these trends have perplexed every denominational publisher in the industry. When looking at 2015, the loss of \$455,000 forces difficult but necessary decisions. Tough calls were made because the denomination counts on its publishing house. While Randall House operates as a non-profit, we balance ministry with business principles and adjusted carefully to insure our future viability. We depend on sales of products instead of donations. The results were abundantly successful as we experienced a \$650,000 turn around in just eight months, finishing this year with a \$224,000 surplus.

While this financial rebound has been positive and the trend appears to continue, my first concern is securing the future of our publishing house. It is imperative that ongoing decisions build back into the financial and strategic health of Randall House. In the still unstable publishing climate, wise decisions have never been more critical. My first concern is securing a viable path rather than just surviving.

The future of both Free Will Baptist churches and Randall House depends solely on the discipleship strategy each church decides to adopt. If pastors believe that discipleship is an event and occurs only at church, then we ignore how Christ intended to walk with us each day—discipleship is not an event; it is a lifestyle.

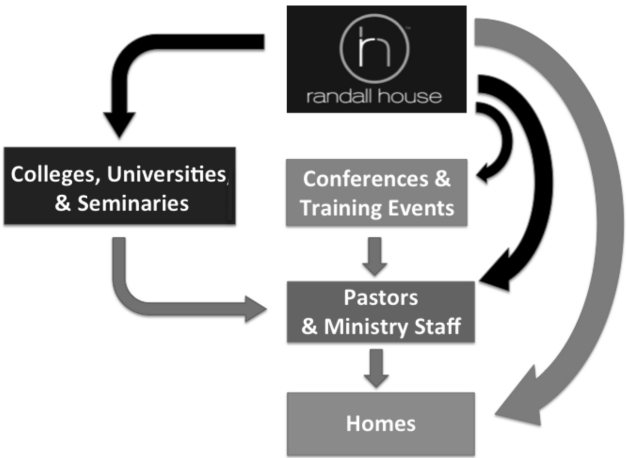
Many of you have recognized the value of the church equipping the home and, as a result, parents and grandparents serve as disciple-makers along with the teachers and pastors of the church. Your intentionality to change the trend has strengthened your church and reinforced

Randall House’s existence. To all of you who take evangelism and discipleship as one command—reach and teach—the way Christ commissioned us, we say, “Thank you!” Without discipleship there is no growth, and with no growth, there is no future. You have said the future matters. We agree.

Should Randall House cease to exist—all studies and historical trends indicate that the denomination whose publishing house ceases, the denomination, likewise, has a limited lifespan. Please allow me to share the key growth benchmarks for our longevity.

Strategic Directions

Knowing the strength of our D6 brand, we must continue to build the church and home foundation. The absence of generational discipleship continues to plague the health of churches. An engrained mindset exists among pastors and ministry staff that health is measured by the excellence of Sunday mornings at church. The shift to equipping the saints for ministry (Ephesians 4) is necessary to build disciples, which will then lead to Ephesians 5 and the admonition to husbands and wives so they (parents) can raise their children up in the discipline and instruction of the Lord (Ephesians 6:4). Somehow, ministry leaders seem to believe that equipping the saints is all about the roles at church; in the context of Scripture that is only the starting point. To use a monopoly term, the ministry leader discipleship mindset is stuck on "Go," and they are not acquiring homes for future growth.



Note: The solid black arrows on the right of the illustration show primary influences. Since the origination of Randall House, direct influence on churches through Pastors and Ministry Staff has been our strength. Since 2003, we used Team Church, the D6 Conference, and other regional or local training events. More recently, our strategic effort to train through academic institutions has become a reality. It is through such institutions that future leaders will emerge without the myopic view of a church-only focus.

Academic Strategy

The left black arrow shows Randall House's reach to academia. This reach did not merely begin in 2016 with the launch of the *D6 Family Ministry Journal*. The significant connection occurred in September 2009 when several higher education institutions attended or exhibited at the first D6 Conference. These bastions of educational excellence attended, sponsored, exhibited, provided speakers, offered credit for their students, and even changed how their majors engaged the family ministry as part of all ministry majors. From the very first year, Hillsdale College (now Randall University), Southwestern Seminary, Southern Baptist Theology Seminary, Dallas Theological Seminary, and Dallas Baptist University have been with us and now use our titles as textbooks. Several other colleges and universities have come along in following years and now offer family ministry majors and require core course work in family ministry.

The launch of the D6 Family Ministry Journal provided a needed resource to the new direction. It will take time to introduce the journal to the various colleges and universities, but it is earning its rightful place among other peer-reviewed resources. The journal was the next natural step in growing the academic audience that the D6 Conference attracted. In the inaugural edition of the journal, we were able to publish several professors, including Eddie Moody and Chris Talbot, from various colleges and universities. Professors from numerous denominational academic institutions have attended the conference and are now friends. As a result, we have published books by Dr. Richard Ross and Dr. David Booth from Southwestern Seminary; Dr. Timothy Paul Jones of Southern Seminary; Dr. John Trent of Moody Bible Institute, Dr. Ken Coley from Southeastern Baptist Theological Seminary; and soon from Dr. Chris Shirley from Dallas Baptist University. We are proud to have journal board members serving from Welch College, Randall University, and Southeastern Free Will Baptist College. As of 2017, Chris Talbot, Youth and Family Ministry Program Coordinator at Welch College, will serve as the assistant managing editor of the journal and will begin working on the third volume.

Home Strategy

As indicated earlier in this report, a serious weakness exists on the "home" side of church and home. Even our most ardent supporters of the D6 philosophy still have deficiencies in implementing discipleship at home. Breaking routines of how things have always been done are difficult. Some publishers or ministries pragmatically give in to what is rather than what should or could be. Randall House sees the need to correct unbiblical behavior. We champion the biblical directive to live out discipleship every day, not just as an event at church or a conference. Every pastor should desire for parents and grandparents to continue talking about their sermon and the small group lesson. The D6 Curriculum helps provide the tools to keep that conversation alive all week long.

International Growth

One of the fastest growing numbers of requests to use D6 as a model and philosophy comes from international opportunities. While numbers of requests and opportunities grow, the return on that investment will not correspond to similar efforts here in the states. Publishing a book in the United States typically provides a return on investment, whereas releasing books overseas yield little to no revenue. The vast majority of international publishing is done for

serving the culture, helping with author acquisitions, and branding rather than for income. We rarely receive income on titles we have licensed to international publishers. The reasons for international publishing are probably obvious—the authors love it and we extend the reach of the gospel message with minimal work.

Numerous Randall House titles have been published abroad. We have many titles that have released in France and Southeast Asia, with a growing interest in Brazil and Cuba. We desire to use the invitations to partner with D6 as a chance to give back as we have been blessed. We must do so with a balance of knowing this is from our overflow.

Randall House is pursuing four key avenues we hope will show eternal dividends. The first is a more recent investment of two doctrinal titles published by Randall House in Spanish, made possible by a grant from the Free Will Baptist Foundation. The second grew from the first when Dr. Kenneth Eagleton connected us to a Portuguese publisher in Brazil with a desire for Arminian texts. The third is a leader within a Korean church movement residing both in America and Korea who desires to represent D6 in all three outlets: books, curriculum, and conferences. The fourth comes from the significant investment of time made with leaders within Southeast Asia. This last one is a result of nearly three years of work, coaching, and the 2016 D6 Conference in Singapore followed by a speaking tour in Indonesia and Malaysia. The Bible Society of Singapore published seven Randall House titles just before the conference. Tests are being conducted regarding the possibility of the Bible Society publishing the D6 Curriculum.

Vertical Three

You will note the change of the title of the annual youth conference name from the National Youth Conference to the Vertical Three conference. This change was predicated by the fact that NYC yields poor search results on social media and that our event is not a truly open national event. The efforts of the Events Department continue to see growth in various aspects under their responsibility. Most notably is Truth and Peace, which has more than three decades of playing a vital role in leadership training of high school students, many of whom have gone on to significant careers as leaders. The recent addition of Truth and Peace Weekends offered abbreviated training to those who are unable to commit two weeks to the regular event. The two regional locations saw great attendance as many students and parents received instruction from the Truth and Peace staff.

The Randall House and D6 Balance

It is unfortunate that the early history of D6 caused difficulties for understanding the ancient history of Deuteronomy 6. A closer investigation might reveal a biblical path to denominational health and viability. D6 is recognized and patterned by larger evangelical denominations and publishing houses. At its heart, D6 connects ministry leaders to that core passage of Scripture in Deuteronomy chapter 6 where real discipleship occurs and worldviews are formed. The balance of our mission is inextricably connected to God's command from this *Shema* passage.

As specified before, Randall House works under the biblical framework of D6 as a matrix for how we should serve pastors. As Paul stated, the church shares the gospel by equipping the laypeople for ministry. Every layperson fits somewhere in a generational influence and requires

The way Randall House works is no different. We require excellence in publishing: curriculum, books, and other studies. We offer the very best in training: online, in products, in the church, and at conferences. However, like the Word says, we must teach our families to consume the meat of the word as students of Scripture. Someone asked recently where would Free Will Baptist publishing be if Randall House had never created the D6 Conference nor championed the D6 brand. I can say with absolute certainty that we would be half our size, reprinting older curriculum or re-purposing someone else's curriculum, and hastening our demise.

How then do we weigh the results? In the chart below the right side depicts the three actions that serve churches. The left side shows D6 Ministries where the scriptural strategy is taught on multiple levels and provides a way to give back what God has given us with a global initiative.

D6

RH

D6 Ministries

- The D6 Conference
engaging ministry leaders and higher
education influencers
- &
- The D6 Journal
graduate level influencers
- &
- D6 International
(God's church globally)

RH Publishing

- Curriculum
(for Church and Home -
weekly/daily discipleship)
- &
- Books
(topical discipleship)
- &
- Events
(training of disciple-makers)

The publishing side provides the funds and staff to operate the D6 ministry side, but the D6 ministry side provides the branding, platform, marketing, and author acquisition for the publishing side. One side cannot survive long without the other.

Watch the Canary

The recent political campaigns drew attention to an industry of laborers often overlooked—the coal miners. This group of workers clock in each day ready to descend deep into the cavernous hills to find chunks of resources that provide energy, heat, sustenance, and more. The coal miners dig not for themselves but entire regions, in fact the country as whole, and labor so others can benefit.

Ask any miner from the mid 20th Century about the most important tool he used daily and he will tell you his canary. Since around 1911, miners took canaries with them, in cages, down into the mines. The canaries served as an early alarm system for the miners. If the canaries died, their death warned the miners the atmosphere had changed and become toxic with carbon monoxide. When this occurred, the miners knew they had limited time before they too would succumb to the deadly gas.

The canary metaphor tells larger groups of people what to watch for before their fate is in the balance. If you are a student of any denomination's history, you will note the loss of their publisher was an early step to the denomination's demise. Most church historians agree that publishers are the canaries in the denominational mines. Randall House is your canary in the mine for Free Will Baptists.

We are thankful for how you value Randall House and how we serve you in daily discipleship along with excellence in your church. **Changing the culture starts with changing our generational habits.**

Leading is Serving,

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

Ron Hunter Jr.
Executive Director & CEO



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, 2016, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2016, and 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.

Report on Summarized Comparative Information

We have previously audited Randall House Publications of the National Association of Free Will Baptists, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Hill Harper & Associates

Franklin, Tennessee
February 28, 2017

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

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
	<u>Assets</u>	
Current assets:		
Cash and cash equivalents:		
Cash and interest bearing deposits	\$ 117,071	102,982
Cash invested with the Free Will Baptist Foundation	58,995	57,399
Total cash and cash equivalents	<u>176,066</u>	<u>160,381</u>
Accounts receivable:		
Trade, net of allowance for doubtful accounts and returns	101,974	271,209
Total receivables	<u>101,974</u>	<u>271,209</u>
Inventory	579,112	455,026
Prepaid expenses	68,692	96,857
Total current assets	<u>925,844</u>	<u>983,473</u>
Property, plant and equipment, at cost:		
Land	110,341	110,341
Building	709,187	699,243
Printing service equipment	1,197,582	1,192,828
Office and administrative equipment	166,212	161,146
Automobiles and trucks	70,859	70,859
	2,254,181	2,234,417
Less accumulated depreciation and amortization	1,712,426	1,622,221
Net property, plant and equipment	<u>541,755</u>	<u>612,196</u>
	<u>\$ 1,467,599</u>	<u>1,595,669</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 163,217	176,068
Line of credit	-	106,324
Current portion of long term debt	97,104	90,020
Deferred revenues	58,624	240,757
Accrued expenses	54,233	52,669
Total current liabilities	<u>373,178</u>	<u>665,838</u>
Long term debt	<u>239,693</u>	<u>299,262</u>
Total liabilities	<u>612,871</u>	<u>965,100</u>
Unrestricted net assets	<u>854,728</u>	<u>630,569</u>
	<u>\$ 1,467,599</u>	<u>1,595,669</u>
Commitments		

See accompanying notes to financial statements.

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

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Sales:		
RHP product lines (including curriculum)	\$ 3,231,018	3,120,277
RHP books	186,099	200,480
D6 Conference	336,900	374,379
National Convention	13,724	22,482
Printing sales	261,124	270,378
Third party sales	74,499	83,841
Total sales	4,103,364	4,071,837
Cost of sales	2,242,433	2,615,742
Gross Profit	1,860,931	1,456,095
Other operating revenues:		
Freight and handling	215,289	200,269
Commissions	42,981	45,294
Interest income	1,597	1,591
Gifts and grants	39	10,525
Gain (loss) on disposition of plant assets	(2,573)	165
Miscellaneous events, net of related costs and other revenues	3,774	2,584
Total revenues	2,122,038	1,716,523
Expenses:		
Selling, general and administrative:		
Administrative / Accounting	386,211	386,279
Sales / Marketing / Events	763,607	917,525
Distribution center	317,044	370,098
IT division	58,478	60,192
Plant maintenance	118,146	128,098
General	114,380	125,837
One Magazine	46,575	46,575
Depreciation	59,425	61,371
Interest expense, including finance charges	22,105	16,635
Total selling, general and administrative expenses	1,885,971	2,112,610
Increase (decrease) in net assets from operations	236,067	(396,087)
Other expense:		
Vertical 3	3,092	(44,032)
Printing contributed to the denomination	(15,000)	(15,000)
Net other expense	(11,908)	(59,032)
Increase (decrease) in net assets	224,159	(455,119)
Net assets, beginning of year	630,569	1,085,688
Net assets, end of year	\$ 854,728	630,569

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, 2016 and 2015

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Increase (decrease) in net assets	\$ 224,159	(455,119)
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	101,029	152,097
Loss on disposition of equipment	2,573	-
(Increase) decrease in:		
Receivables	169,235	(40,696)
Inventories	(124,086)	81,733
Prepaid expenses	28,165	7,706
Increase (decrease) in:		
Accounts payable	(12,851)	2,933
Line of credit	(106,324)	(50,397)
Deferred revenues	(182,133)	14,646
Accrued expenses	1,564	(61,808)
Net operating activities	<u>101,331</u>	<u>(348,905)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from disposition of equipment	4,634	-
Purchase of property, plant and equipment	(15,010)	(28,121)
Net investing activities	<u>(10,376)</u>	<u>(28,121)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from long term debt	-	370,567
Repayments of long term debt	(75,270)	(93,087)
Net financing activities	<u>(75,270)</u>	<u>277,480</u>
Increase (decrease) in cash and cash equivalents	15,685	(99,546)
Cash and cash equivalents:		
Beginning of year	<u>160,381</u>	<u>259,927</u>
End of year	<u>\$ 176,066</u>	<u>160,381</u>
Cash and cash equivalents, as reported on statement of financial position, as follows:		
Cash and interest bearing deposits	\$ 117,071	102,982
Cash invested with the Free Will Baptist Foundation	58,995	57,399
	<u>\$ 176,066</u>	<u>160,381</u>
Supplemental disclosures:		
Interest paid	<u>\$ 22,105</u>	<u>16,635</u>
Financing agreements through equipment dealer	<u>\$ 22,785</u>	<u>30,385</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, 2016 and 2015

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, 2016 and 2015, amounted to \$10,000 \$18,000, respectively. Changes in the valuation account have not been material to the financial statements.

In the years ending December 31, 2015 and prior, participants in youth activities at the National Convention were billed in the year preceding the event. This procedure was changed during 2016 whereby the billings are made in the year of the event. The effect of this change in procedure caused the balance in accounts receivable and deferred revenues (immediately described below) to be substantially reduced as follows:

	2016	2015
Accounts receivable, net of allowances	\$ 101,974	271,209
Deferred revenues	\$ 58,624	240,757

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:

	2016	2015
D6 Conference registrations	\$ 40,153	48,365
Truth and Peace leadership training registrations	18,471	192,392
	\$ 58,624	240,757

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

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.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or at fair value as of the date contributed. Expenditures for acquisition of assets in excess of \$500 are capitalized and depreciated over their usable lives on the straight line method. Expenditures for maintenance and repairs, renewals, and betterments that do not significantly extend the useful lives of assets are expensed as incurred.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 2016 and 2015. 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 \$68,137 in 2016 and \$137,731 in 2015.

Subsequent Events

Subsequent events were evaluated through February 28, 2017 which is the date these financial statements were available to be issued.

Changes in Presentation

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

(2) Concentration of Credit Risk

Randall House is a distributor of Bible based Sunday school and Church training curriculum, and other denominational publications. Randall House extends credit to its customers which consist primarily of Free Will Baptist churches and religious bookstores. These accounts are not collateralized and are subject to risk of loss amounting to the outstanding balance at any point in time. Further, funds invested with the Free Will Baptist Foundation in the amount of \$58,995 in 2016 and \$57,399 in 2015 are subject to risk of accounting loss. Cash held in local bank are insured to FDIC limits. Management does not anticipate nonperformance by the financial institutions.

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

Notes to Financial Statements, continued

(3) Inventory

Inventory consists of the following:

	2016	2015
Current assets:		
Print inventory:		
Finished curriculum	\$ 220,237	142,413
Work in progress	145,527	107,190
Printing raw materials	55,677	38,561
Hymnals	25,114	38,985
Warehoused other books and merchandise	\$ 189,557	189,877
Less allowance for loss	57,000	62,000
	<u>\$ 579,112</u>	<u>455,026</u>

(4) Long - Term Debt

	2016	2015
4.5% monthly installment obligation payable to Free Will Baptist Foundation with monthly payments of \$8,323 (beginning March 2016) including interest and principal, which matures February 2020. Note is secured by production equipment and inventory.	\$ 296,482	365,000
13.43% monthly installment obligation payable to financing institution with monthly payments of \$523 including interest and principal, which matures June 2021. Note is secured by digital press.	21,245	-
3.99% monthly installment obligation payable to financing institution with monthly payments of \$475 including interest and principal, which matures August 2020. Note is secured by automobile.	19,070	24,282
	336,797	389,282
Current portion of long-term debt	97,104	90,020
Long - term debt	<u>\$ 239,693</u>	<u>299,262</u>

Scheduled retirements of long-term debt are \$97,104 in 2017; \$101,891 in 2018; \$106,947 in 2019; \$27,842 in 2020; and \$3,013 in 2021.

(5) Line of Credit

Variable interest rate lines of credit due on demand with local banks as follows:

	2016	2015
Regions Bank - maximum amount of \$200,000 expiring July 2019	\$ -	46,324
First Tennessee Bank - maximum amount of \$100,000 revolving account	-	60,000
	<u>\$ -</u>	<u>106,324</u>

(6) Related Party Transaction

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 \$57,413 in 2016 and \$65,177 in 2015. 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.

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

Notes to Financial Statements, continued

(6) Related Party Transactions, continued

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 2016 and 2015, respectively. Further, Randall House designs, prints and provides mailing services for One Magazine, and reported revenues of \$203,289 and \$210,055 for these services during 2016 and 2015, respectively.

Free Will Baptist Foundation

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

	<u>2016</u>	<u>2015</u>
Interest bearing accounts	\$ 58,995	57,399
Indebtedness	\$ 296,482	365,000

(7) Commitments and Contingencies

Leased Equipment

Randall House has entered into noncancelable lease arrangements relating to mailing and copy equipment. Total rent expense amounted to \$28,517 in 2016 and \$32,483 in 2015. The minimum payments required are \$21,357 for 2017; \$18,383 for 2018; \$14,220 for 2019 and \$10,600 for 2020.

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.

(8) 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>2016</u>	<u>2015</u>
Revenue from conferences and related services	\$ 339,540	309,258
Expenditures:		
Conferences and related services	261,587	272,174
Expenses for facility use and other services	16,000	16,000
General and administrative expenses	58,861	65,116
	<u>336,448</u>	<u>353,290</u>
Excess of revenues over (under) expenses	\$ 3,092	(44,032)

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
Income				ACTUAL
300 · RHP Product Lines	\$3,290,750	\$3,189,250	\$3,191,000	3,231,018.39
303 · RHP Books	\$199,750	\$209,750	\$245,000	186,098.88
305 · Event/ Off Site Sales	\$392,500	\$447,500	\$563,000	375,879.41
307 · Third Party Sales (Non RHP)	\$76,250	\$81,500	\$83,500	74,499.09
308 · Other Revenue	\$491,000	\$492,000	\$493,750	476,855.54
309 · Commission Income	\$43,000	\$44,000	\$48,000	42,980.81
TOTAL REVENUE	\$4,493,250	\$4,464,000	\$4,624,250	4,387,332.12
Cost of Goods Sold				
310 · COS - RHP Product Lines	\$211,000	\$130,000	\$73,850	154,269.34
313 · COS - RHP Books	\$35,300	\$37,250	\$54,250	23,186.40
315 · COS - Events/ Off Site	\$372,750	\$435,750	\$441,000	371,459.15
317 · COS - 3rd Party Sales (Non RHP)	\$47,750	\$50,250	\$43,750	46,072.07
318 · COS - Other	-\$500	-\$500	-\$11,000	-134,962.55
Total COGS	\$666,300	\$652,750	\$601,850	460,024.41
350 · Printing Production	\$861,100	\$857,100	\$930,100	851,691.40
355 · Depreciation Printing Equipment	\$35,000	\$95,000	\$101,000	41,604.24
360 · Editorial	\$529,650	\$511,600	\$584,100	523,075.74
400 · Administrative/Accounting	\$423,000	\$402,000	\$390,750	386,210.99
410 · Sales	\$327,750	\$298,500	\$339,250	311,100.13
420 · Design	\$299,500	\$306,000	\$302,250	285,914.09
425 · RHP Book Division	\$108,250	\$105,500	\$103,000	102,986.26
430 · Distribution Center	\$319,250	\$327,250	\$365,250	317,043.92
435 · IT Division	\$63,950	\$62,550	\$60,000	58,477.55
440 · Plant Maintenance	\$118,000	\$133,000	\$134,500	118,146.41
460 · Marketing	\$358,750	\$337,250	\$343,250	337,282.66
490 · General	\$203,750	\$206,250	\$173,950	195,907.61
495 · Events	\$125,250	\$105,750	\$123,500	115,223.86
Total Departmental Expense	\$3,773,200	\$3,747,750	\$3,950,900	3,644,664.86
Youth Department - Vertical Three				
9100 · Vertical Three Revenue	\$364,000	\$333,500	\$326,000	339,539.70
450 · Vertical Three Expense	-\$360,000	-\$344,000	-\$334,500	-336,448.83
	\$4,000	-\$10,500	-\$8,500	3,090.87
Denominational Ministries				
445 · Denominational Ministries Expense	-\$54,250	-\$53,000	-\$63,000	-61,575.12
	-\$54,250	-\$53,000	-\$63,000	-61,575.12
TOTAL EXPENSE	\$4,853,750	\$4,797,500	\$4,950,250	4,502,713.22
Annual Profit/Loss	\$3,500	\$0	\$0	224,158.60
Income				
300 · RHP Product Lines				
300.03 · Dated Studies/ SS-Curriculum	\$3,125,000	\$3,050,000	\$3,100,000	3,121,732.47
300.09 · Mid Week Teens	\$0	\$0	\$0	40.02
300.15 · Children's Church Sales	\$75,000	\$75,000	\$65,000	65,226.22
300.18 · Online Non Dated Studies-(A)	\$1,500	\$2,000	\$3,000	1,428.57
300.21 · D6 Leader Network	\$75,000	\$50,000	\$0	28,749.47
300.24 · Church Supplies	\$1,500	\$1,500	\$3,000	1,150.57
300.27 · RHP/D6 T-Shirts/Merchandise	\$750	\$750	\$3,000	289.31
300.30 · Vertical 3 Resources	\$12,000	\$10,000	\$17,000	12,226.26
300.33 · Miscellaneous Sales	\$0	\$0	\$0	175.50
Total 300 · RHP Product Lines	\$3,290,750	\$3,189,250	\$3,191,000	3,231,018.39
303 · RHP Books				
303.03 · Pastoral/Church Leadership	\$35,000	\$25,000	\$15,000	34,163.75
303.06 · Family/Parenting	\$70,000	\$62,500	\$95,000	57,746.75
303.09 · Drama/Plays	\$250	\$1,000	\$1,000	161.34
303.12 · Missions	\$250	\$500	\$1,000	159.95
303.15 · Small Group Studies	\$5,000	\$5,000	\$7,500	4,277.52

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
303.18 · Biblical Studies	\$10,000	\$10,000	\$6,000	6,687.25
303.21 · Theology/Doctrine	\$22,500	\$27,500	\$30,000	22,948.88
303.27 · Christian Living	\$22,500	\$30,000	\$35,000	22,933.94
303.30 · Fiction	\$250	\$0	\$0	443.20
303.36 · International Languages	\$1,000	\$750	\$500	1,535.78
303.39 · Rejoice FWB Hymnal Sales	\$20,000	\$30,000	\$40,000	22,756.88
303.42 · Rejoice Worship Hymnal Sales	\$25,000	\$27,500	\$25,000	26,054.65
303.48 · (Off Site RH Book Sales)	-\$20,000	-\$17,500	-\$17,500	-23,718.81
303.54 · RHP Titles in Software	\$3,000	\$3,500	\$2,500	2,595.39
303.60 · Miscellaneous	\$5,000	\$4,000	\$4,000	7,352.41
Total 303 · RHP Books	\$199,750	\$209,750	\$245,000	186,098.88
305 · Event/ Off Site Sales				
305.03 · D6 Conference Registration	\$225,000	\$250,000	\$380,000	201,631.26
305.06 · D6 Conference Sponsorship	\$110,000	\$110,000	\$95,000	96,900.00
305.09 · D6 Conference Sales	\$40,000	\$70,000	\$70,000	38,368.86
305.15 · National Sales	\$17,000	\$17,000	\$17,000	13,723.68
305.21 · Misc. Event Sales	\$500	\$500	\$1,000	25,255.61
Total 305 · Event/ Off Site Sales	\$392,500	\$447,500	\$563,000	375,879.41
307 · Third Party Sales (Non RHP)				
307.03 · Curriculum (Dated)	\$55,000	\$60,000	\$50,000	54,636.43
307.06 · VBS	\$2,500	\$2,500	\$3,000	2,955.81
307.12 · Church Supplies	\$6,000	\$6,000	\$6,500	5,454.37
307.15 · Bibles (Non RHP Imprint)	\$250	\$500	\$2,000	244.00
307.18 · Books (Non RHP Imprint)	\$10,000	\$10,000	\$17,000	8,498.92
307.24 · Miscellaneous	\$2,500	\$2,500	\$5,000	2,709.56
Total 307 · Third Party Sales (Non RHP)	\$76,250	\$81,500	\$83,500	74,499.09
308 · Other Revenue				
308.03 · Printing/Design Services	\$260,000	\$275,000	\$290,000	261,124.20
308.06 · Freight and Handling Income	\$225,000	\$210,000	\$192,500	215,288.87
308.09 · Interest Income	\$1,500	\$1,500	\$3,000	1,596.64
308.12 · Service Charges	\$1,000	\$2,000	\$2,000	957.62
308.15 · Sale/Disposal of Assets	\$2,500	\$2,500	\$5,000	-2,573.04
308.18 · In House Functions	\$1,000	\$1,000	\$1,250	422.00
308.21 · Construction/Gifts/Grants	\$0	\$0	\$0	39.25
Total 308 · Other Revenue	\$491,000	\$492,000	\$493,750	476,855.54
309 · Commission Income				
309.03 · Bulletins	\$22,000	\$22,000	\$26,000	21,806.83
309.06 · Signs	\$500	\$500	\$500	0.00
309.09 · Furniture/Steeple/etc.	\$500	\$500	\$500	735.98
309.12 · Advertising/Other	\$20,000	\$21,000	\$21,000	20,438.00
Total 309 · Commission Income	\$43,000	\$44,000	\$48,000	42,980.81
al Income	\$4,493,250	\$4,464,000	\$4,624,250	4,387,332.12
it of Goods Sold				
50000 · Cost of Goods Sold				
310 · COS - RHP Product Lines				
310.03 · COS - Dated Studies/ SS-Cur	\$125,000	\$84,000	\$52,000	84,815.84
310.15 · COS - Children's Church Sales	\$30,000	\$12,000	\$12,000	11,400.34
310.18 · COS - Onlline Non Dated Studies	\$1,000	\$1,000	\$4,500	709.20
310.21 · COS - D6 Leader Network	\$50,000	\$30,000	\$0	53,294.25
310.24 · COS - Church Supplies	\$650	\$650	\$1,000	637.24
310.27 · COS - RHP/D6 T-shirt Merch.	\$350	\$350	\$350	0.00
310.30 · COS - Vertical Three Resources	\$4,000	\$4,000	\$6,500	3,408.21
310 · COS - RHP Product Lines - Other	\$0	-\$2,000	-\$2,500	4.26
Total 310 · COS - RHP Product Lines	\$211,000	\$130,000	\$73,850	154,269.34

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
313 · COS - RHP Books				
313.03 · COS - Pastoral/Ch. Leadership	\$8,000	\$7,500	\$5,000	8,187.47
313.06 · COS - Family/Parenting	\$20,000	\$18,500	\$27,000	15,759.55
313.09 · COS - Drama/Plays	\$100	\$500	\$500	80.98
313.12 · COS - Missions	\$100	\$250	\$500	45.84
313.15 · COS - Small Group Studies	\$2,500	\$2,500	\$3,500	2,092.49
313.18 · COS - Biblical Studies	\$4,500	\$4,500	\$3,000	2,713.91
313.21 · COS - Theology/Doctrine	\$8,000	\$8,500	\$10,000	7,254.39
313.27 · COS - Christian Living	\$8,000	\$8,500	\$15,000	8,363.59
313.30 · COS - Fiction	\$100	\$0	\$0	252.85
313.36 · COS - International Language	\$500	\$500	\$250	638.47
313.39 · COS - Rejoice FWB Hymnals	\$10,000	\$12,500	\$20,000	9,294.18
313.42 · COS - Rejoice Workshop Hymnals	\$12,500	\$12,500	\$12,500	12,392.26
313.60 · COS - Miscellaneous	\$1,000	\$1,000	\$2,000	817.72
313 · COS - RHP Books - Other	-\$40,000	-\$40,000	-\$45,000	-44,707.30
Total 313 · COS - RHP Books	\$35,300	\$37,250	\$54,250	23,186.40
315 · COS - Events/ Off Site				
315.03 · COS - D6 Conf Registration	\$350,000	\$395,000	\$400,000	327,904.37
315.09 · COS - D6 Conf Sales	\$20,000	\$35,000	\$35,000	19,662.90
315.15 · COS - National Sales	\$2,500	\$5,500	\$5,500	1,029.97
315.21 · COS - Misc. Event Sales	\$250	\$250	\$500	22,861.91
Total 315 · COS - Events/ Off Site	\$372,750	\$435,750	\$441,000	371,459.15
317 · COS - 3rd Party Sales (Non RHP)				
317.03 · COS - Curriculum (Dated)	\$35,000	\$37,500	\$28,000	34,493.40
317.06 · COS - VBS	\$1,500	\$1,500	\$1,500	1,753.45
317.12 · COS - Church Supplies	\$3,000	\$3,000	\$4,000	3,000.05
317.15 · COS - Bibles (Non RHP)	\$500	\$500	\$1,000	259.64
317.18 · COS - Books (Non RHP)	\$7,500	\$7,500	\$9,000	6,266.40
317.24 · COS - Miscellaneous	\$250	\$250	\$250	42.58
317 · COS - 3rd Party Sales (Non RHP) - Other	\$0	\$0	\$0	256.55
Total 317 · COS - 3rd Party Sales (Non RHP)	\$47,750	\$50,250	\$43,750	46,072.07
318 · COS - Other				
318.03 · Freight in RHP	\$4,500	\$4,500	\$4,000	4,123.94
318.09 · COS - Yearbook	-\$5,000	-\$5,000	-\$15,000	-15,000.00
318.15 · COS - Change In Inventory	\$0	\$0	\$0	-124,086.49
Total 318 · COS - Other	-\$500	-\$500	-\$11,000	-134,962.55
Total COGS	\$666,300	\$652,750	\$601,850	460,024.41
Gross Profit	\$3,826,950	\$3,811,250	\$4,022,400	3,927,307.71
Expense				
350 · Printing Production				
350.02 · PP - Salaries	\$295,000	\$295,000	\$300,000	290,336.93
350.06 · PP - Supplies	\$1,500	\$3,000	\$5,000	590.47
350.07 · PP - Equipment Maint.	\$250	\$0	\$0	390.91
350.12 · PP - Dues & Subscriptions	\$250	\$250	\$250	349.89
350.16 · PP - Entertainment	\$100	\$100	\$100	0.00
350.18 · Outside Printing	\$190,000	\$215,000	\$215,000	181,455.53
350.19 · Outside Bindery	\$45,000	\$40,000	\$37,500	44,116.32
350.26 · PP - FICA	\$20,000	\$19,000	\$20,000	19,206.31
350.29 · PP - Retirement	\$11,000	\$10,750	\$10,750	10,829.54
350.32 · PP - Insurance	\$27,500	\$30,000	\$20,000	25,138.85
350.34 · Pressroom Supplies	\$10,000	\$7,500	\$9,000	11,984.14
350.36 · Pressroom Maintenance	\$2,000	\$2,000	\$4,000	398.84
350.38 · Pressroom Parts	\$5,000	\$6,000	\$6,500	4,504.21
350.40 · Pressroom Stock	\$150,000	\$122,500	\$185,000	160,954.83
350.42 · Pressroom Ink	\$7,000	\$9,000	\$8,000	6,137.08
350.44 · Bindery Supplies	\$500	\$500	\$500	370.85
350.46 · Bindery Maintenance	\$250	\$500	\$500	0.00
350.48 · Bindery Parts	\$250	\$500	\$500	111.23

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
350.50 · Pre-Press Supplies	\$2,500	\$4,000	\$4,000	1,691.40
350.52 · Proofing Supplies	\$2,500	\$3,000	\$3,000	866.76
350.54 · CTP Maintenance	\$1,500	\$1,500	\$1,500	0.00
350.56 · Digital Press Supplies	\$250	\$500	\$0	0.00
350.62 · Plates	\$12,500	\$15,000	\$23,500	10,454.60
350.88 · Outside Purchases-Ess. Pkts	\$6,000	\$6,000	\$10,000	6,386.16
350.89 · Digital Press Maintenance	\$70,000	\$65,000	\$65,000	75,394.55
350.90 · PP - Miscellaneous	\$250	\$500	\$500	22.00
Total 350 · Printing Production	\$861,100	\$857,100	\$930,100	851,691.40
355.00 · Depreciation Printing Equipment	\$35,000	\$95,000	\$101,000	41,604.24
360 · Editorial				
360.02 · Edit - Salaries	\$325,000	\$287,000	\$315,000	308,250.10
360.03 · Edit - Housing Allowance	\$31,800	\$48,000	\$49,000	33,100.00
360.04 · Edit - Travel	\$3,500	\$3,500	\$3,500	3,618.51
360.06 · Edit - Supplies	\$2,000	\$2,000	\$2,000	1,274.29
360.09 · Digital Development	\$5,000	\$25,000	\$60,000	22,108.16
360.10 · Edit - Conventions & Seminars	\$1,500	\$1,500	\$1,500	1,602.00
360.11 · Software Supply	\$250	\$250	\$250	0.00
360.12 · Edit - Dues & Subscriptions	\$4,000	\$4,000	\$3,500	3,248.78
360.15 · National Expense	\$100	\$100	\$100	0.00
360.16 · Edit - Entertainment	\$2,000	\$1,500	\$1,500	2,298.42
360.23 · Edit - Telephone	\$1,000	\$500	\$500	964.86
360.26 · Edit - FICA	\$25,000	\$17,000	\$20,500	20,385.36
360.29 · Edit - Retirement	\$12,000	\$12,000	\$12,000	9,802.08
360.32 · Edit - Insurance	\$38,500	\$36,000	\$31,000	35,016.83
360.34 · Curriculum Development	\$1,000	\$1,000	\$1,000	278.95
360.35 · Product Improvement	\$250	\$250	\$250	71.97
360.36 · Writer's Fees	\$70,000	\$65,000	\$75,000	78,031.64
360.37 · Register of Copyrights	\$1,500	\$1,500	\$2,000	0.00
360.88 · Outside Editing/Proofing	\$5,000	\$5,000	\$5,000	3,023.79
360.90 · Edit - Miscellaneous	\$250	\$500	\$500	0.00
Total 360 · Editorial	\$529,650	\$511,600	\$584,100	523,075.74
400 · Administrative/Accounting				
400.02 · AD/AC - Salaries	\$250,000	\$230,000	\$232,500	222,594.12
400.03 · AD/AC - Housing Allowance	\$37,000	\$37,000	\$34,000	36,300.00
400.04 · AD/AC - Travel Expense	\$35,000	\$35,000	\$30,000	31,817.21
400.06 · AD/AC - Supplies	\$6,000	\$8,000	\$10,000	4,427.94
400.10 · AD/AC - Conventions & Seminars	\$1,500	\$2,500	\$5,500	349.00
400.12 · AD/AC - Dues & Subscriptions	\$4,000	\$5,000	\$4,500	2,947.14
400.16 · AD/AC - Entertainment	\$6,000	\$7,000	\$7,000	6,001.90
400.20 · AD/AC - Postage	\$250	\$250	\$250	100.00
400.23 · AD/AC - Telephone	\$1,750	\$1,750	\$1,750	1,800.45
400.26 · AD/AC - FICA	\$16,000	\$15,500	\$15,250	14,720.21
400.29 · AD/AC - Retirement	\$11,000	\$11,000	\$11,000	10,872.94
400.32 · AD/AC - Insurance	\$38,500	\$33,000	\$33,000	34,973.77
400.70 · AD/AC - Automobile Expense	\$3,500	\$3,500	\$3,500	3,754.78
400.88 · D6 International Travel/Expense	\$10,000	\$10,000	\$0	5,115.55
400.90 · AD/AC - Miscellaneous	\$2,500	\$2,500	\$2,500	10,435.98
Total 400 · Administrative/Accounting	\$423,000	\$402,000	\$390,750	386,210.99
410 · Sales				
410.02 · Sales - Salaries	\$200,000	\$187,500	\$225,500	202,719.06
410.03 · Sales - Housing Allowance	\$24,000	\$18,000	\$17,750	17,280.00
410.04 · Sales - Travel Expense	\$12,000	\$15,000	\$18,000	8,567.36
410.06 · Sales - Supplies	\$3,000	\$5,500	\$7,500	2,124.45
410.08 · Sales - Equipment Rental	\$1,500	\$1,500	\$750	1,409.78
410.11 · Sales - Conventions & Seminars	\$1,500	\$2,000	\$2,000	379.00
410.12 · Sales - Dues & Subscriptions	\$4,500	\$4,500	\$4,500	3,323.55

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
410.20 · Sales - Postage	\$2,500	\$2,500	\$500	2,085.37
410.23 · Sales - Telephone	\$20,000	\$14,500	\$14,000	20,698.39
410.26 · Sales - FICA	\$13,000	\$12,500	\$14,750	13,348.73
410.29 · Sales - Retirement	\$7,500	\$5,000	\$5,500	5,468.32
410.32 · Sales - Insurance	\$36,000	\$27,000	\$25,000	32,280.82
410.88 · Sales - Entertainment	\$2,000	\$2,500	\$3,000	1,515.30
410.90 · Sales - Miscellaneous	\$250	\$500	\$500	0.00
Total 410 · Sales	\$327,750	\$298,500	\$339,250	311,100.13
420 · Design				
420.02 · Design - Salaries	\$218,000	\$221,500	\$225,500	209,854.44
420.04 · Design - Travel Expense	\$250	\$250	\$500	93.96
420.06 · Design - Supplies	\$1,000	\$1,000	\$1,000	955.84
420.07 · Design - Equipment Maintenance	\$0	\$0	\$0	119.95
420.10 · Design - Conventions & Seminars	\$250	\$250	\$250	0.00
420.12 · Design - Dues & Subscriptions	\$250	\$250	\$250	482.87
420.14 · Art Services	\$18,000	\$18,000	\$18,000	18,646.37
420.16 · Design - Entertainment	\$1,500	\$1,500	\$1,500	1,591.51
420.26 · Design - FICA	\$15,000	\$15,000	\$14,750	13,880.10
420.29 · Design - Retirement	\$8,000	\$8,000	\$8,000	6,886.10
420.32 · Design - Insurance	\$37,000	\$40,000	\$32,000	33,402.95
420.90 · Design - Miscellaneous	\$250	\$250	\$500	0.00
Total 420 · Design	\$299,500	\$306,000	\$302,250	285,914.09
425 · RHP Book Division				
425.02 · RB - Salaries	\$65,000	\$62,500	\$62,500	61,866.87
425.04 · RB - Travel Expense	\$500	\$500	\$750	600.00
425.06 · RB - Supplies	\$250	\$250	\$250	131.42
425.10 · RB - Conventions & Seminars	\$500	\$750	\$1,000	0.00
425.11 · Royalty Payments	\$18,000	\$20,000	\$17,500	16,888.33
425.12 · RB - Dues & Subscriptions	\$750	\$750	\$750	568.19
425.23 · RB - Telephone	\$1,000	\$500	\$500	811.53
425.26 · RB - FICA	\$4,000	\$4,000	\$4,000	3,985.63
425.29 · RB - Retirement	\$3,000	\$3,000	\$3,000	2,928.90
425.32 · RB - Insurance	\$5,000	\$5,000	\$4,500	4,609.52
425.66 · Editing/Proofing	\$7,500	\$6,000	\$6,000	7,888.47
425.88 · RB - Entertainment	\$250	\$250	\$250	193.40
425.89 · Product Development	\$2,500	\$2,000	\$2,000	2,357.00
425.90 · RB - Miscellaneous	\$0	\$0	\$0	157.00
Total 425 · RHP Book Division	\$108,250	\$105,500	\$103,000	102,986.26
430 · Distribution Center				
430.02 · DC - Salaries	\$80,000	\$79,500	\$125,000	88,286.16
430.06 · DC - Supplies	\$20,000	\$22,000	\$25,000	17,824.46
430.07 · DC - Equipment Maintenance	\$250	\$250	\$250	0.00
430.08 · DC - Equipment Rental	\$8,000	\$8,500	\$8,500	7,690.29
430.09 · DC - Software Fees and Services	\$0	\$0	\$0	175.00
430.12 · DC - Dues & Subscriptions	\$1,000	\$2,000	\$1,000	343.00
430.16 · DC - Entertainment	\$500	\$500	\$500	331.97
430.20 · DC - Postage	\$20,000	\$22,500	\$20,000	18,373.75
430.26 · DC - FICA	\$5,500	\$5,500	\$8,000	5,838.93
430.29 · DC - Retirement	\$4,000	\$5,000	\$6,000	3,685.44
430.32 · DC - Insurance	\$10,000	\$21,500	\$25,000	16,215.90
430.40 · DC - Freight Expense	\$170,000	\$160,000	\$146,000	158,279.02
Total 430 · Distribution Center	\$319,250	\$327,250	\$365,250	317,043.92
435 · IT Division				
435.02 · IT - Salaries	\$44,000	\$42,750	\$42,750	41,503.38
435.04 · IT - Travel	\$100	\$100	\$250	0.00
435.06 · IT - Supplies	\$1,500	\$1,500	\$1,500	1,086.85
435.08 · IT - Software Services	\$100	\$100	\$250	0.00

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
435.10 · IT - Conventions/Seminars	\$100	\$100	\$250	0.00
435.12 · IT- Dues & Subscriptions	\$7,000	\$7,500	\$5,000	6,137.57
435.23 · IT - Telephone	\$400	\$250	\$250	366.19
435.26 · IT - FICA	\$3,500	\$3,000	\$3,000	2,745.22
435.29 · IT- Retirement	\$2,250	\$2,250	\$2,250	2,036.32
435.32 · IT - Insurance	\$5,000	\$5,000	\$4,500	4,602.02
Total 435 · IT Division	\$63,950	\$62,550	\$60,000	58,477.55
440 · Plant Maintenance				
440.02 · PM - Salaries	\$17,000	\$20,000	\$23,000	16,110.61
440.04 · PM - Travel Expense	\$0	\$0	\$0	14.58
440.06 · PM - Supplies	\$7,500	\$9,000	\$10,500	5,676.62
440.07 · PM - Equipment Maintenance	\$500	\$500	\$500	0.00
440.08 · PM - Overhead (Youth Department)	-\$16,000	-\$16,000	-\$16,000	-16,000.00
440.23 · PM - Telephone	\$1,000	\$0	\$0	1,727.50
440.26 · PM - FICA	\$1,500	\$1,500	\$1,500	1,243.72
440.34 · PM - Building Maintenance	\$27,500	\$34,000	\$32,500	26,662.14
440.40 · Utilities	\$52,000	\$52,000	\$50,000	51,394.24
440.45 · Building Insurance	\$27,000	\$32,000	\$32,500	31,317.00
Total 440 · Plant Maintenance	\$118,000	\$133,000	\$134,500	118,146.41
460 · Marketing				
460.02 · Mkt - Salaries	\$140,000	\$125,000	\$132,500	127,726.61
460.04 · Mkt - Travel Expense	\$5,000	\$7,500	\$4,500	3,897.70
410.05 · Mkt - Conventions & Seminars	\$500	\$500	\$1,500	199.00
460.06 · Mkt - Supplies	\$3,500	\$3,500	\$2,500	3,212.30
460.07 · Mkt - Equipment Maintenance	\$250	\$250	\$0	0.00
460.08 · Mkt - Equipment Rental	\$250	\$250	\$0	398.24
460.12 · Mkt - Dues & Subscriptions	\$6,000	\$6,000	\$6,000	5,130.65
460.20 · Mkt - Postage	\$250	\$500	\$500	150.00
460.23 · Mkt - Telephone	\$1,000	\$750	\$750	861.21
460.26 · Mkt - FICA	\$11,000	\$8,000	\$10,000	8,447.87
460.29 · Mkt - Retirement	\$1,000	\$1,000	\$1,000	0.00
460.32 · Mkt - Insurance	\$28,000	\$23,000	\$23,000	25,127.46
460.34 · Mkt - Advertising	\$77,500	\$80,000	\$77,500	68,137.16
460.35 · Mkt - Wholesale Mkt	\$5,000	\$5,000	\$5,000	0.00
460.36 · Mkt - Promotion	\$77,500	\$75,000	\$77,500	92,118.30
460.40 · Mkt - Entertainment	\$2,000	\$1,000	\$1,000	1,876.16
Total 460 · Marketing	\$358,750	\$337,250	\$343,250	337,282.66
490 · General				
490.06 · GE - Supplies	\$1,000	\$1,000	\$200	470.67
490.08 · GE - Equipment Rental	\$20,000	\$21,000	\$20,000	18,190.18
490.14 · Depreciation	\$59,000	\$65,000	\$57,000	59,425.02
490.15 · Interest Expense	\$22,500	\$17,500	\$5,000	22,105.26
490.18 · Bank Service Charges	\$40,000	\$35,000	\$32,000	41,453.55
490.20 · Insurance	\$250	\$250	\$250	120.00
490.25 · RHP - Board Expense	\$17,500	\$23,000	\$20,000	16,573.75
490.30 · Legal & Audit	\$16,000	\$16,000	\$16,000	15,169.95
490.35 · GE - Automobile Expense	\$3,000	\$2,000	\$2,000	3,250.05
490.40 · Bad Debts	\$1,000	\$1,000	\$2,000	-4,828.99
490.45 · In House Functions	\$15,000	\$15,000	\$10,000	14,069.47
490.50 · Taxes	\$3,500	\$3,500	\$3,500	3,312.02
490.55 · Payroll Services	\$4,000	\$5,000	\$5,000	4,847.82
490.90 · GE - Miscellaneous	\$1,000	\$1,000	\$1,000	1,748.86
Total 490 · General	\$203,750	\$206,250	\$173,950	195,907.61
495 · Events				
495.02 · Events - Salaries	\$72,000	\$53,500	\$64,000	64,464.30
495.04 · Events - Travel Expense	\$2,500	\$4,000	\$4,000	1,232.75
410.06 · Events - Supplies	\$2,500	\$2,500	\$2,500	3,295.37

Randall House Proposed 2018 Budget

	Budget 2018	Budget 2017	Budget 2016	Jan - Dec 16
495.11 · Events - Conventions & Seminars	\$1,000	\$1,250	\$1,000	199.00
495.12 · Events - Dues & Subscriptions	\$2,000	\$2,000	\$3,500	2,259.23
495.15 · National Expense	\$25,000	\$25,000	\$33,500	25,914.58
495.20 · Events - Postage	\$250	\$250	\$250	0.00
495.23 · Events - Telephone	\$1,000	\$750	\$750	944.14
495.26 · Events - FICA	\$5,500	\$3,250	\$4,250	4,303.29
495.29 · Events - Retirement	\$4,000	\$3,500	\$4,250	3,982.66
495.32 · Events - Insurance	\$8,500	\$8,500	\$4,500	7,748.07
495.70 · Events - Miscellaneous	\$250	\$500	\$250	0.00
495.88 · Events - Entertainment	\$750	\$750	\$750	880.47
Total 495 · Events	\$125,250	\$105,750	\$123,500	115,223.86
9000 · Verticle Three				
9100 · V3 Revenue				
300.62 · V3 Conference Income	\$115,000	\$110,000	\$120,000	111,426.29
300.64 · Truth & Peace Fees	\$215,000	\$190,000	\$172,500	197,491.88
300.66 · NYET Fees	\$31,500	\$31,500	\$31,500	27,410.00
300.70 · Youth Collections	\$1,500	\$1,500	\$1,500	1,216.64
300.73 · Buck-A-Week Revenues	\$1,000	\$500	\$500	1,994.89
Total 9000 · Verticle 3 Revenue	\$364,000	\$333,500	\$326,000	339,539.70
450 · Verticle Three Expense				
450.02 · V3 - Salaries	\$43,000	\$37,000	\$44,500	37,709.06
450.04 · V3 - Travel Expense	\$2,500	\$4,000	\$5,000	1,064.66
450.06 · V3 - Supplies	\$3,000	\$2,500	\$1,000	3,034.90
450.07 · V3 - Equipment Maint.	\$250	\$250	\$250	0.00
450.08 · V3 - Overhead	\$16,000	\$16,000	\$16,000	16,000.00
450.10 · V3 - Conventions & Seminars	\$250	\$250	\$250	0.00
450.12 · V3 - Dues & Subscriptions	\$1,000	\$1,500	\$500	359.82
450.16 · V3 - Entertainment	\$750	\$750	\$750	556.36
450.23 · V3 - Telephone	\$1,000	\$500	\$500	842.99
450.26 · V3 - FICA	\$3,250	\$2,250	\$3,250	2,495.32
450.29 · V3 - Retirement	\$1,000	\$1,000	\$1,000	920.40
450.32 · V3 - Insurance	\$13,500	\$11,500	\$12,500	11,877.92
450.34 · V3 Conf. Expense	\$115,000	\$100,000	\$110,000	122,313.81
450.36 · Truth & Peace Expense	\$127,500	\$135,000	\$107,500	110,731.14
450.38 · NYET Expense	\$31,500	\$31,500	\$31,500	27,773.37
450.88 · Buck-A-Week Expenses	\$500	\$0	\$0	544.08
450.90 · V3 - Miscellaneous	\$0	\$0	\$0	225.00
Total 450 · Verticle 3 Expense	\$360,000	\$344,000	\$334,500	336,448.83
445 · Denominational Ministries Expense				
445.65 · Yearbook Printing	\$5,000	\$5,000	\$15,000	15,000.00
445.66 · ONE Magazine	\$48,250	\$47,000	\$47,000	46,575.12
445.93 · Scholarships	\$1,000	\$1,000	\$1,000	0.00
Total 445 · Denominational Ministries	\$54,250	\$53,000	\$63,000	61,575.12

Executive Director & CEO Ronald Hunter Jr.	2017 Package	2018 Projected Package*
Salary	\$50,221	\$64,000
Housing Allowance	\$36,300	\$45,260
Retirement	<u>\$7,674</u>	<u>\$13,840</u>
COMPENSATION TOTAL	\$94,195	\$123,100
Christmas Bonus	<u>\$1,811</u>	<u>\$1,900</u>
TOTAL PAY PACKAGE	\$96,006	\$125,000

Medical, Dental, Vision and Life insurance in 2017 is \$12,367 A slight increase is projected for 2018.

* Salary is subject to change dependent on the performance of the company

Editorial Director Danny Conn	2017 Package	2018 Projected Package*
Salary	\$45,198	\$46,554
Housing Allowance	<u>\$18,000</u>	<u>\$18,540</u>
COMPENSATION TOTAL	\$63,198	\$65,094
Retirement	\$3,160	\$3,255
Christmas Bonus	<u>\$948</u>	<u>\$976</u>
	\$4,108	\$4,231
TOTAL PAY PACKAGE	\$67,306	\$69,325

Medical, Dental, Vision and Life insurance in 2017 is \$8,840. A slight increase is projected for 2018.

* Salary is subject to change dependent on the performance of the company

Director of Events/Vertical Three Brandon Roysden	2017 Package	2018 Projected Package*
Salary	<u>\$42,900</u>	<u>\$46,000</u>
COMPENSATION TOTAL	\$42,900	\$46,000
Retirement	\$2,145	\$2,300
Christmas Bonus	<u>\$644</u>	<u>\$690</u>
	\$2,789	\$2,990
TOTAL PAY PACKAGE	\$45,689	\$48,990

Medical, Dental, Vision and Life insurance in 2017 is \$11,588. A slight increase is projected for 2018.

* Salary is subject to change dependent on the performance of the company

Summary of the Minutes
For the Randall House Board
2016-2017

The Randall House Board met at the National Association of Free Will Baptists on Wednesday Evening, July 20, 2016, in Kansas City, MO. Committees for the coming year were assigned. A financial update for 2016 was received as information.

The Randall House Board met in Nashville at Randall House Publishing on December 7, 2016 after the Leadership Conference. Reports were received from the Executive Director and the various departments. Each committee presented their reports. We approved the speakers and theme for Vertical Three 2017.

The final meeting of the Board of Randall House Publishing was in Nashville on April 24, 2017. The board heard from the Executive Director and the various departments. The Committees met and the Board received their reports. The Board approved a replacement speaker for Vertical Three 2017. The board thanked CEO, Ron Hunter, and his staff for the great financial turnaround of the last two years.



REPORT OF THE GENERAL DIRECTOR

The IM staff (home and field) consistently speak of and demonstrate an untiring commitment to *"labor with the Body of Christ to fulfill the Great Commission."* The past year has offered a constant diet of challenges and opportunities, and we have faced each one with a steadfastness that portrays an image of God's people working together for His glory.

It has been a relief to not be under the dark cloud of financial uncertainty that hovered over us for more than five years. Though we may not be totally back on track, beyond question, we are better off than we were a year ago.

Heartfelt thanks are in order for the whole IM family, for working diligently to contribute to this trend. However, the IM family could not have made progress without all those within the denomination who have given, sometimes sacrificially, to get us to this point.

HIGHLIGHTS

It is impossible to recount every good thing IM has experienced over the last year. However, I find myself sharing these blessings every chance I can:

Missionary Account Deficits Erased—At the 2016 National Association of Free Will Baptists, I promised if general fund giving exceeded general fund needs, missionary accounts would reap the benefits.

As a result of the denomination's generosity to general fund giving, ***deficit missionary accounts received a total of \$376,697.54 across 17 accounts.*** Erasing missionary account deficits allowed missionaries to begin 2017 with a clean slate. However, ***these accounts were in deficit because they are underfunded. We can prevent future deficits.*** Ask God what He would have you do, and do it.

Tears Of Compassion For A People They've Never Met—In February, I attended the National Association of Free Will Baptists in Cuba. While there, Dr. Kenneth Eagleton and I met with the Cuban doctor and her husband who feel called to work at the hospital in Doropo, Côte d'Ivoire. This hospital, founded in 1962 by Dr. LaVerne Miley, is presently under the administration of BERACA, a FWB Ivorian NGO (non-government organization).

Kenneth and I spent over three hours talking with the couple. Eager to know about life in Africa, they asked questions about food, schools, religion, etc.

The doctor asked Kenneth to tell about a normal workday in the hospital. He told how each patient passes through a triage then takes his place on a bench in the waiting room. As patients wait to see medical personnel, they hear a gospel message.

Tears formed in her eyes and rolled down her cheeks. She could hardly get the words out, but she asked, *"You mean we can witness at work?"* Kenneth explained workers at the hospital speak openly about their faith. When patients are hospitalized, a pastor or someone else prays with them and shares more about Christ. What an absolutely wonderful moment that was!

A Gentle Word Of Encouragement—Occasionally, we receive a greatly needed and immensely appreciated e-mail, phone call, or word of encouragement.

A few weeks ago, I was pleased, but a bit surprised, to receive an email from an associate pastor and friend. But, I was floored by the content. Each week he leads a group in the church to pray for the world. They choose a person in missions and spend a good bit of time praying for him or her. For that particular week, I was the recipient of the prayers of these caring people. He shared a list of 17 specific matters for which they prayed. It was amazing to see how “spot on” those prayers were.

A sincere “thank you” to all who speak or send encouragement or who pray regularly for us.

New Partnerships—Our commitment to “labor with the Body of Christ to fulfill the Great Commission” has unmistakably broadened our ministry horizons. God has brought many wonderful people and opportunities before us. It behooves us to carefully consider each new opportunity to ensure it is of God and not of the Evil One trying to create a distraction.

The leadership team goes to great ends to safeguard the theological and methodological purity and integrity of the Mission. This certainly applies to our openness, not open door, to new partnerships. It is imperative each partnership exhibits a mutual passion for truth, holy living, and fulfilling the Great Commission. We are thankful for the partnerships God has allowed us to establish.

The Go Global Seminar—One of our strategic **20 by 2020** goals is to see at least a 20% increase in the number of churches giving to IM within the next five years. One of the big questions before us is, how do we do this?

Our response falls in line with our communications motto for this year: **Inform – Inspire – Engage**. We are convinced if our FWB constituency is properly *informed*, they will be *inspired*, and this will lead to their *engagement* in our efforts.

We now have a program designed to follow that mantra. We call this effort *Go Global*. Fundamentally, it shows a bird’s-eye view of what IM is all about.

We saw an increase of over 100 churches giving to IM in 2016. We believe many of these churches were influenced by the *Go Global* initiative and other intentional actions to share our vision with you.

Peace In The Sandbox—I cannot articulate the joy I find in working with our office staff. Each one brings a unique temperament, personality, perspective, hopes, and dreams to the office ministry, and we combine them to make a formidable team. For this, I am eternally grateful!

20 BY 2020 GOALS AND OBJECTIVES: A BRIEF LOOK AT PROGRESS

1. Increase the number of churches giving to IM by 20%— The goal is to increase the number of churches giving by 20%, or from 1,104 to 1,324 by 2020.

Progress: We have seen an increase of 131 new churches making a contribution to IM in 2016. This translates into **8.4% increase** in donor churches.

2. Increase reserves to 20%—As of February 28, 2017, our reserves were at 24.9% of the 2017 budget. In 2016 the reserves rose to over 19% at one point, but were not sustained at that level.

Progress: As of February, projections show reserves staying **above the 20% watermark** for the remainder of 2017.

3. Increase the number of missionaries (IM and FWB with IM Partner) by 20%—We added two new partners in 2015, and one new partner in 2016 (RCE). We are grateful to God for bringing us together with other like-minded believers to advance His Kingdom.

Progress: Even with several resignations, we have an increase of 22 IM and IM partnership missionaries supported by FWB churches in the States and internationally, equalling a net gain of **30% increase**.

4. Increase the number of believers (FWB/Partners) by 20%—The 2015 statistical report shows 25,524 believers (weekly attendance in our overseas churches).

Progress: The new number for 2016 is 27,612 in weekly attendance. This is a **7.5% increase** over 2015. (We have not received new figures from France or India yet).

5. Increase the number of churches (FWB) internationally by 20%—Last year (2015) our statistical reports showed 314 overseas churches listed.

Progress: Our statistical reports for 2016 list 346 churches. This is an increase of **10.04 %!**

LOOKING UPWARD AND LOOKING OUTWARD

Each year I give the office staff a Bible verse to serve as a focal point of our service to Him through our ministry for Free Will Baptists. Our verse this year is Ephesians 6:7, *“Serve wholeheartedly, as if you were serving the Lord, not people.”* Our major focus should be on Christ. This enables us to better serve others.

In praying about the future of IM, my heart has been stirred to ask God to send IM a new group of missionary pioneers. I am convinced we still need pioneers, because we still have frontiers.

As of October 31, 2011, the world population topped seven billion. Estimates indicate over 7.2 billion people inhabit the earth today. Approximately three billion of those 7.2 billion live in what is categorized as an “unreached people group” (UPG). What a heartbreaking reality! Most missiologists identify a UPG as an ethnolinguistic group with a shared language, history, and customs, with less than 2% who are followers of Christ.

Over 16,500 distinct ethno-linguistic groups exist, with more than 7,000 of them classified as a UPG. Of this number, around 3,000 fall into an even more disturbing classification known as an *“unengaged unreached people group”* (UUPG).

Billions of people on our planet have no church, no missionary, and no mission agency who has taken the responsibility to tell them about Jesus Christ. But, the real travesty is that less than 3% of the evangelical missionary workforce is focused on these UPGs.

Unfortunately, in the past, IM has been as guilty of this negligence as other evangelical mission organizations. Thankfully, we have taken a straightforward look at this need and are on a corrective course. The vast majority of our missionary field staff works among unreached people.

IM is on the right side of the fence in taking the gospel to unreached peoples. But the daunting question is, “Are we doing all He expects of us in reaching the unreached?”

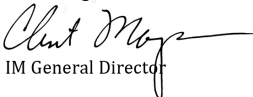
If we are to carry out His command, we cannot in all good conscience neglect the 7,000+ unreached people groups still needing the gospel. An even greater challenge is the 3,000 groups classified as UUPGs. Should we as a Mission be taking a serious look at one of these groups? Absolutely! Let’s pray and ask God’s guidance in this selection.

We readily recognize we are not called to do this outreach alone. In a previous report for the National Association I stated, “We are too small to do it all, but big enough to do more.” As our mission statement declares, we are committed to “laboring with the Body of Christ to fulfill the Great Commission.”

We absolutely must find our place in laboring with the Body of Christ to reach the least-reached peoples on earth. We must be fully engaged in preaching His name where it has not been preached. This is a matter that calls for a lot of prayer, planning, and action if we are to impact the nations with the transformational truths of God’s Word.

Any thoughts about strategies must begin by looking upward...to discern His plan. May He be our constant guide, provider, and protector as we plunge headlong into the next steps He has for us.

Clint Morgan,



IM General Director

FINANCIAL SUMMARIES

God works through our collective and cooperative support of cross-cultural missions. Each and every gift makes it possible for the gospel to be taken to people who have never held a Bible in their hands or even heard the name of Jesus.

Consistent, monthly giving provides the bulk of support for those who evangelize, disciple new believers, plant churches, and train leaders and pastors overseas. “Thank you” to all those who demonstrate their commitment to overseas ministry through consistent contributions!

2016 Total Unaudited Income: \$6,666,470.77

In 2016, **89 churches gave \$10,000 or more to send the gospel to the ends of the earth.** The number of churches reaching this milestone is up from 82 churches last year. Some of these top-givers are large churches, but many represent smaller fellowships committed to sacrificial obedience. We are thankful for every church that gives consistently.

Church Name	City	State	2016 Giving
Unity FWB Church	Greenville	NC	\$164,878.31
Donelson FWB Church	Nashville	TN	\$93,956.38
Horse Branch FWB Church	Turbeville	SC	\$79,415.11
Bethany FWB Church	Broken Arrow	OK	\$67,550.00
Bethel FWB Church	Kinston	NC	\$66,733.15
Fellowship FWB Church	Bryan	TX	\$57,220.45
First FWB Church	Albany	GA	\$53,647.90
Connect Church	Russellville	AR	\$39,992.74
New Hope FWB Church	Joelton	TN	\$37,847.38
Westside FWB Church	Johnsonville	SC	\$33,816.48
Grace FWB Church	Lake City	SC	\$33,036.95
First FWB Church	Pocahontas	AR	\$32,829.19
Faith FWB Church	Carrollton	VA	\$31,976.21
Cofer's Chapel FWB Church	Nashville	TN	\$31,825.07
Cross Timbers FWB Church	Nashville	TN	\$30,911.88
Union Grove FWB Church	Atkins	AR	\$30,795.20
Zephyr Hills FWB Church	Asheville	NC	\$30,150.00
First FWB Church	O'Fallon	MO	\$29,164.39
Ina FWB Church	Ina	IL	\$28,279.00
Lebanon FWB Church	Effingham	SC	\$27,321.87
Central Oaks Community Church	Royal Oak	MI	\$26,814.28
The Vertical Church	Yuma	AZ	\$26,600.00
First FWB Church	Washington	NC	\$25,610.07
Peace FWB Church	Wilson	NC	\$25,595.20

Sherwood Forest FWB Church	New Bern	NC	\$25,330.47
First FWB Church	Star City	AR	\$24,951.70
Blue Point FWB Church	Cisne	IL	\$24,237.50
Grace For The World Ministries	Dickson	TN	\$23,750.00
Mt. Zion FWB Church	Pell City	AL	\$23,140.92
Cavanaugh FWB Church	Fort Smith	AR	\$22,767.70
Macedonia FWB Church	Purdy	MO	\$22,200.00
Ebenezer FWB Church	Glennville	GA	\$21,900.33
First FWB Church	Mountain Grove	MO	\$21,692.15
New Hope FWB Church	Ewing	IL	\$20,846.00
First FWB Church	Gastonia	NC	\$19,433.31
Sutton FWB Church	Pocahontas	AR	\$19,421.79
First FWB Church	N. Little Rock	AR	\$19,420.25
Good Springs FWB Church	Pleasant View	TN	\$19,325.44
Bethany FWB Church	Timmons ville	SC	\$19,237.10
Calvary Fellowship FWB Church	Fenton	MO	\$18,922.18
Tippett's Chapel FWB Church	Clayton	NC	\$18,766.51
Allen Chapel FWB Church	Batesville	AR	\$18,439.91
Phillips Chapel FWB Church	Springdale	AR	\$17,601.26
West Tulsa FWB Church	Tulsa	OK	\$17,562.60
Winfield First FWB Church	Winfield	AL	\$17,456.89
Liberty FWB Church	Lawley	AL	\$16,395.37
Faith Chapel Baptist Church	Jacksonville	NC	\$16,367.71
Faith FWB Church	Lubbock	TX	\$15,890.00
Canaan FWB Church	Creston	OH	\$15,501.04
Oak Grove FWB Church	Greeneville	TN	\$15,500.68
Sherwood Forest FWB Church	El Sobrante	CA	\$15,229.62
Head's FWB Church	Cedar Hill	TN	\$15,209.01
First FWB Church	Walnut Ridge	AR	\$15,195.13
Temple FWB Church	Winterville	NC	\$15,073.00
Canyon Country FWB Church	Canyon	TX	\$15,041.29
Philadelphia FWB Church	Folkston	GA	\$14,785.95
Red Bay FWB Church	Red Bay	AL	\$14,763.43
Thomaston Community Church	Thomaston	TX	\$14,288.00
Temple FWB Church	Darlington	SC	\$14,212.35
Bethel FWB Church	Chapmansboro	TN	\$14,111.52
Gilead FWB Church	Scranton	SC	\$14,106.42

North Warren FWB Church	Warren	MI	\$14,015.72
Garner FWB Church	Garner	NC	\$13,622.75
Fayette First FWB Church	Fayette	AL	\$13,432.16
Bethlehem FWB Church	Ashland City	TN	\$12,983.00
Hannon FWB Church	Liberal	MO	\$12,859.05
First FWB Church	Beaufort	NC	\$12,446.25
Crossroads FWB Church	Jenks	OK	\$12,385.97
Piney Grove FWB Church	Guin	AL	\$12,297.76
Mullins-Marion FWB Church	Mullins	SC	\$12,090.00
Porter FWB Church	Wheetersburg	OH	\$11,914.46
New Liberty FWB Church	Bankston	AL	\$11,810.50
Fellowship FWB Church	Park Hills	MO	\$11,535.98
Sand Hill FWB Church	Coward	SC	\$11,486.65
Gospel Light FWB Church	Bonne Terre	MO	\$11,439.36
Colquitt FWB Church	Colquitt	GA	\$11,409.14
First FWB Church	Tuckerman	AR	\$11,325.84
Harrison FWB Church	Minford	OH	\$11,053.79
First FWB Church	Darlington	SC	\$10,980.00
Hilltop FWB Church	Fuquay-Varina	NC	\$10,850.00
First FWB Church	Northport	AL	\$10,800.04
First FWB Church	Sulligent	AL	\$10,716.77
Black River FWB Church	Andrews	SC	\$10,657.16
Calvary FWB Church	Salem	IL	\$10,361.04
New Life Fellowship FWB Church	Statesboro	GA	\$10,350.30
Emmanuel FWB Church	Wabash	IN	\$10,268.99
Mt. Olive FWB Church	Guin	AL	\$10,166.11
Cramerton FWB Church	Cramerton	NC	\$10,112.00
Eagle Heights FWB Church	Richmond	TX	\$10,000.00

In 2016, we recorded **367 churches contributing \$577,278.60** to the World Missions Offering (WMO). Forty-five churches, each giving over \$2,500, donated more than half of that total.

Church Name	City	State	2016 WMO Giving
Bethel FWB Church	Kinston	NC	\$36,333.71
First FWB Church	Pocahontas	AR	\$26,480.89
Unity FWB Church	Greenville	NC	\$24,867.42

Zephyr Hills FWB Church	Asheville	NC	\$20,000.00
Ebenezer FWB Church	Glennville	GA	\$10,385.85
Head's FWB Church	Cedar Hill	TN	\$10,231.63
Sutton FWB Church	Pocahontas	AR	\$10,000.00
Macedonia FWB Church	Purdy	MO	\$10,000.00
Harrison FWB Church	Minford	OH	\$9,178.79
Fellowship FWB Church	Bryan	TX	\$9,085.15
Oak Grove FWB Church	Greeneville	TN	\$8,760.68
Bethany FWB Church	Broken Arrow	OK	\$8,515.00
Sulphur FWB Church	Sulphur	OK	\$6,900.00
First FWB Church	Albany	GA	\$6,821.00
Mineral Springs FWB Church	Muldrow	OK	\$6,543.00
Central FWB Church	Huntington	WV	\$6,191.13
Grace FWB Church	Lake City	SC	\$6,115.93
Peace FWB Church	Florence	SC	\$5,321.00
Macedonia FWB Church	Millport	AL	\$5,000.00
Peace FWB Church	Wilson	NC	\$5,000.00
Trinity FWB Church	La Grange	NC	\$4,822.17
Calvary Fellowship FWB Church	Fenton	MO	\$4,774.74
First FWB Church	Mountain Grove	MO	\$4,729.00
Lakeview FWB Church	Bowling Green	KY	\$4,613.00
New Hope FWB Church	Joelton	TN	\$4,332.43
Travelers Rest FWB Church	Colquitt	GA	\$4,000.00
Fellowship FWB Church	McAlester	OK	\$3,874.00
Philadelphia FWB Church	Folkston	GA	\$3,741.13
Sherwood Forest FWB Church	El Sobrante	CA	\$3,323.09
Hazel Dell FWB Church	Sesser	IL	\$3,289.00
First FWB Church	Dickson	TN	\$3,251.00
Cane Ridge FWB Church	Nolensville	TN	\$3,185.88
Porter FWB Church	Wheelersburg	OH	\$3,084.96
Allen Chapel FWB Church	Batesville	AR	\$3,021.00
Grace For the World Ministries	Dickson	TN	\$3,000.00
Sherwood Forest FWB Church	New Bern	NC	\$2,971.00
Cross Creek FWB Church	Olive Branch	MS	\$2,858.50
Brush Creek FWB Church	Argillite	KY	\$2,835.00
Fayette First FWB Church	Fayette	AL	\$2,756.00
Free Will Baptist Church	Christiansted	VI	\$2,753.33
Double Branch FWB Church	Hawkinsville	GA	\$2,686.50

Keefeton FWB Church	Muskogee	OK	\$2,631.13
Heritage FWB Church	Columbus	OH	\$2,630.00
Union Chapel FWB Church	Chuckey	TN	\$2,605.04
New Zion FWB Church	Headland	AL	\$2,586.00

BOARD MEETINGS SUMMARY

The Board of International Missions met three times and held two e-votes from May 1, 2016, to April 25, 2017. Board members for the period were Dr. Jeff Manning (NC, chairman), Jeff Nichols (TN, vice-chairman), Mark Price (OH, secretary), Jan Banks (TX), Nelson Henderson (AR), Robert Posner (TX), Will Harmon (AR), Dr. Cameron Lane (AR), and Rodney Yerby (AL). Outgoing board members Danny Williams (AL) and Tom McCullough (MI) participated in the July 2016 meeting occurring prior to the election of Will Harmon, Dr. Cameron Lane, and Rodney Yerby.

Board actions throughout the year included:

- Accepting the resignation of Josh and Alicia Crowe from service in Japan.
- Accepting the resignation of Jennifer Stogsdill due to health issues.
- Appointing Lázaro and Ariadna Riesgo as career missionaries.
- Appointing Victoria Little (R.N.) as a two-year intern to the Samburu People Group, serving with Eddy and Amanda Simmons.
- Appointing Allison Caudill as a two-year intern to serve under The Hanna Project in France with Shane and Joy Davison.
- Seconding Darren and Dana Portell to RCE in Taiwan.
- Adopting a framework budget of \$7 million for 2018.
- Changing Matt and Halie Deckard's status from IM intern to ministry with partner Jungle Kids for Christ.
- Reinstated Dr. Neil Gilliland to full-time status as director of member care.
- Recognizing Manu Garcia and Noemí Parrón as members of The Hanna Project's Malaga team.
- Giving a partnership blessing to Reese and Charity Brown to serve with ELIC.
- Recognizing Tyler and Kellie Penn as THP workers, while maintaining presence on IM's website.

Free Will Baptist International Missions

2018 Operational Budget Summary

Category	2016 Proposed Budget		2016 Actuals		2017 Proposed Budget	2018 Proposed Budget
Field Ministries & Projects	\$	\$1,311,000.00	\$	\$922,441.86	\$1,311,000.00	\$1,120,000.00
Missionary Compensation & Benefits	\$	3,450,000.00	\$	2,961,652.16	\$3,450,000.00	\$3,500,000.00
Missionary Travel/Transportation	\$	690,000.00	\$	842,492.43	\$690,000.00	\$980,000.00
Mobilization & Development	\$	552,000.00	\$	377,283.13	\$552,000.00	\$420,000.00
Administration	\$	897,000.00	\$	780,575.41	\$897,000.00	\$980,000.00
Grand Totals	\$	6,900,000.00	\$	5,884,444.99	\$6,900,000.00	\$7,000,000.00

Does not include: Non-Governmental Organization Projects, Impact, or other "Potential" Budgets approved by the Board of International Missions

2018 Operational Budget Representative Breakout

Functional Description	2018 Amt	Functional Description	2018 Amt
Salary - Field	\$ 1,218,641.20	Books and Subscriptions	\$ 637.26
COLA - Field	\$ 189,216.42	Intl Missions Retreat	\$ 2,223.58
Housing & Utilities - Field	\$ 459,251.79	Reentry	\$ 6.35
Housing & Utilities - States	\$ 267,488.40	Seminar/Training Expense	\$ 45,935.93
Christmas Bonus - Field	\$ 23,272.25	National Convention	\$ 27,641.75
Social Security Taxes - Field	\$ 319,259.70	FWB Joint Publication	\$ 61,980.18
Transportation - Field	\$ 199,357.07	Board Members	\$ 13,160.81
Cell Phone - Field	\$ 41,807.95	Honorariums	\$ 5,022.85
Medical Insurance - Field	\$ 569,850.29	Office Travel Domestic	\$ 36,803.27
Ins Non-Med	\$ 31,363.45	Travel Insurance	\$ 231.77
Travel O'seas - Field	\$ 373,818.61	Department Insurance	\$ 2,794.92
MK School Expense - Field	\$ 62,560.47	Candidate Expenses	\$ 621.70
Language/Cont Ed - Field	\$ 26,873.97	Mobilization Expenses	\$ 304.49
Furniture/Appliances - Field	\$ 37,623.65	Employee Recognition	\$ 2,894.02
College MK Allowance - Field	\$ 16,365.39	COLA Indexes	\$ 6,868.60
Retirement - Field	\$ 59,966.18	Benevolence	\$ 4,352.53
Taxes (Non-US) - Field	\$ 31,245.06	Leadership Team Retreat	\$ 2,380.43
Special Projects - Field	\$ 162,220.48	Cell Phone Usage	\$ 6,038.40
Newsletters - Field	\$ 24,242.76	Meals/Enter/Lodge Others	\$ 4,579.06
Miscellaneous - Field	\$ 42,997.19	Orientation for New Miss.	\$ 99.59
Equipment - Field	\$ 22,213.68	Mission Community Dev	\$ 327.71
Meeting Places - Field	\$ 96,461.29	Donor Development	\$ 8,998.61
Maintenance on Property - Field	\$ 50,513.70	Office Travel Intl	\$ 101,390.33
Community Development - Field	\$ 57,079.12	Field Supporting Ministries	\$ 1,320.54
National Workers - Field	\$ 163,347.83	Missionary S.A. Fuel	\$ 62.04
Other Supporting Efforts - Field	\$ 169,348.90	Missionary S.A. Re-Entry	\$ 886.92
Overseas Shipping - Field	\$ 40,557.39	WMO Ambassador Travel	\$ 5,460.31
Dental & Optical - Field	\$ 43,475.07	WMO Ambassador Honorariums	\$ 243.35
Customs Charges - Field	\$ 6.18	WMO Campaign Expenses	\$ 13,390.27
COLA Equalization - Field	\$ 30,440.85	WMO Coin Bank Expenses	\$ 8,903.63
Other Insurance - Field	\$ 27,976.84	Professional Services	\$ 3,406.92
Field Chairman Expenses - Field	\$ 685.61	Auditing Expenses	\$ 12,167.58
Exchange Rate Variance - Field	\$ 7,080.20	Rent - 5233 Mt View Rd	\$ 110,473.14
Stateside - Lodging	\$ 27,800.26	Software Expense	\$ 10,556.92
Stateside - Airfare	\$ 3,996.38	Office/Computer Equipment	\$ 8,977.81
Stateside - Travel (Fuel,Parking,Tolls,etc)	\$ 47,319.23	Office Supplies	\$ 9,038.77
Stateside - Meals	\$ 17,626.19	Bad Debts Written Off	\$ 56.62
Stateside - Cell Phone	\$ 13,085.49	Miscellaneous	\$ 389.01
Stateside - Promotional/Misc	\$ 7,945.34	Bank Service Charges	\$ 7,431.93
Office Salary	\$ 540,682.20	Depreciation Expense	\$ 193,217.63
Office Housing	\$ 94,907.11	Credit Card Process Fees	\$ 22,823.07
Employer Social Security	\$ 117,710.33	Website	\$ 4,830.09
Christmas Bonus	\$ 11,824.72	Internet Service Provider	\$ 1,893.62
Office Insurance	\$ 140,446.65	Project Disbursements	\$ 198,019.77
Office Retirement	\$ 25,580.16	Vehicle Fuel	\$ 8,947.71
Film and Art	\$ 6,189.67	Vehicle Maintenance	\$ 9,982.20
Video	\$ 6,606.59	Vehicle Repairs	\$ 16,393.11
Promotional Materials	\$ 10,784.81	Vehicle Registration	\$ 1,501.20
Services and Dues	\$ 416.13	Vehicle Insurance	\$ 4,867.03
Info Services Materials	\$ 8,342.12	Missionary Vehicles Specific	\$ 16,558.75
Telephone	\$ 3,958.53		
Copier Expense	\$ 9,886.36		
Regular Postage	\$ 11,185.97		
Miscellaneous Mailings	\$ 2.74		
		Totals	\$ 7,000,000.00

Compensation Detail - FWBIM Directors/Office Staff

	2016 Actual	2017 Actuals	2018 Proposed
General Director - Clint Morgan			
Salary	43,720.67	45,752.29	52,727.52
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	11,357.39	11,698.11	12,867.92
Retirement	3,386.03	3,487.61	3,836.38
Insurance	16,427.28	17,659.33	16,366.80
Christmas Bonus	1,302.32	1,341.39	1,475.53
Total Cost of Employment	100,193.69	103,938.73	111,274.15
Director of Financial Operations - Robert Conley			
Salary	60,714.58	62,536.01	64,412.09
Social Security	10,252.27	10,559.84	10,876.63
Retirement	3,035.73	3,126.80	3,220.60
Insurance	24,382.44	26,211.12	22,267.32
Christmas Bonus	1,167.59	1,202.62	1,238.69
Total Cost of Employment	99,552.60	103,636.39	102,015.34
Director of Church Relations - Sam McVay			
Salary	32,887.50	30,500.00	32,315.00
Housing and Utilities	24,000.00	30,000.00	30,000.00
Social Security	9,540.56	10,146.41	10,450.80
Retirement	2,844.38	3,025.00	3,115.75
Insurance	8,308.68	8,931.83	8,298.96
Christmas Bonus	1,093.99	1,163.46	1,198.37
Total Cost of Employment	78,675.11	83,766.70	85,378.88
Director of Mobilization - Curt Holland			
Salary	26,887.50	32,536.01	34,412.09
Housing and Utilities	30,000.00	30,000.00	30,000.00
Social Security	9,540.56	10,487.87	10,802.51
Retirement	2,844.38	3,126.80	3,220.60
Insurance	23,354.52	25,106.11	21,185.88
Christmas Bonus	1,093.99	1,202.62	1,238.69
Total Cost of Employment	93,720.95	102,459.41	100,859.78
Director of Member Care - Neil Gilliland			
Salary	39,930.15	60,500.00	62,315.00
Social Security	3,113.40	10,216.03	10,522.52
Retirement	-	3,025.00	3,115.75
Insurance	-	8,931.83	8,244.84
Christmas Bonus	767.89	1,163.46	1,198.37
Total Cost of Employment	43,811.44	83,836.33	85,396.47

**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, 2016 AND 2015**

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

Report on the Financial Statements

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, 2016 and 2015, 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, (collectively, 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 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 auditors' 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 Organization'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 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of International Missions of the National Association of Free Will Baptists and Subsidiary as of December 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 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 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blankenship CPA Group, PLLC

March 25, 2017

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS		
	2016	2015
Cash	\$ 1,732,848	\$ 1,133,039
Investments in trusts	103,089	100,300
Investments	7,504	7,238
Prepaid expenses	43,384	41,114
Receivables from employees and missionaries	299,057	315,415
Property and equipment, net	<u>952,149</u>	<u>1,023,639</u>
Total assets	<u><u>\$ 3,138,031</u></u>	<u><u>\$ 2,620,745</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 162,140	\$ 158,436
Notes payable	131,310	156,323
Accrued severance payable	<u>80,336</u>	<u>84,474</u>
Total liabilities	<u>373,786</u>	<u>399,233</u>
Net assets:		
Unrestricted	753,504	583,804
Temporarily restricted	1,984,500	1,611,467
Permanently restricted	<u>26,241</u>	<u>26,241</u>
Total net assets	<u>2,764,245</u>	<u>2,221,512</u>
Total liabilities and net assets	<u><u>\$ 3,138,031</u></u>	<u><u>\$ 2,620,745</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 ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Unrestricted:		
Revenue:		
Contributions	\$ 1,655,927	\$ 2,581,903
(Loss) gain on disposal of property and equipment	(13,964)	12,338
Other income	1,598	3,907
Investment income	3,055	3,365
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>4,647,621</u>	<u>2,746,977</u>
 Total revenue and reclassification	 <u>6,294,237</u>	 <u>5,348,490</u>
Functional expenses:		
General fund, net	985,287	1,332,835
Missionary/field ministry	5,104,302	4,592,282
IMpact	<u>38,399</u>	<u>24,657</u>
 Total functional expenses	 <u>6,127,988</u>	 <u>5,949,774</u>
 Increase (decrease) in unrestricted net assets	 <u>166,249</u>	 <u>(601,284)</u>
Temporarily restricted:		
Revenue:		
Contributions	5,024,105	3,574,739
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(4,647,621)</u>	<u>(2,746,977)</u>
 Increase in temporarily restricted net assets	 <u>376,484</u>	 <u>827,762</u>
 Total increase in net assets	 542,733	 226,478
Net assets, beginning of year	<u>2,221,512</u>	<u>1,995,034</u>
Net assets, end of year	<u><u>\$ 2,764,245</u></u>	<u><u>\$ 2,221,512</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, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 542,733	\$ 226,478
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	172,838	166,489
Unrealized gain on investments	(3,055)	(3,365)
Loss (gain) on disposal of property and equipment	13,964	(12,338)
(Increase) decrease in		
Prepaid expenses	(2,270)	(6,812)
Receivables from employees and missionaries	16,358	(51,114)
Increase (decrease) in		
Accounts payable and accrued expenses	3,704	9,247
Accrued severance payable	(4,138)	(334)
Net cash provided by operating activities	<u>740,134</u>	<u>328,251</u>
Cash flows from investing activities:		
Purchases of property and equipment	(211,218)	(347,716)
Proceeds from sale of property and equipment	<u>95,906</u>	<u>101,905</u>
Net cash used in investing activities	<u>(115,312)</u>	<u>(245,811)</u>
Cash flows from financing activities:		
Payments on notes payable	<u>(25,013)</u>	<u>(23,344)</u>
Net cash used in financing activities	<u>(25,013)</u>	<u>(23,344)</u>
Increase in cash	599,809	59,096
Cash, beginning of year	<u>1,133,039</u>	<u>1,073,943</u>
Cash, end of year	<u><u>\$ 1,732,848</u></u>	<u><u>\$ 1,133,039</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u><u>\$ 8,987</u></u>	<u><u>\$ 10,589</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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016, 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 2013.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted 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.

During the year, missionary projects are funded with a combination of unrestricted and restricted contributions. At the end of the year, specific missionary funding accounts with remaining, unspent funds are classified by the Organization as temporarily restricted as they are deemed to be designated for those specific missionary project purposes.

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 estimated useful lives of the assets generally as follows: Buildings 39 years, Automobiles 3-5 years, Office furniture and equipment 3-10 years, Cameras and projectors 3-5 years, and Computer equipment and software 3-5 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, 2016 AND 2015**

NOTE 3 - INVESTMENTS IN TRUSTS

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

	2016	2015
General Reserves Trust	\$ 69,166	\$ 67,294
Support Services Endowment	27,098	26,365
St. Sebastian Trust	4,334	4,217
Scholarship Endowment	<u>2,491</u>	<u>2,424</u>
	<u>\$ 103,089</u>	<u>\$ 100,300</u>

The total investment income was \$2,789 and \$2,702 for 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 consisted of equity securities. Unrealized gains were \$266 and \$663 for 2016 and 2015, 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 \$298,386 and \$300,204 in 2016 and 2015, respectively for funds advanced to missionaries. When a missionary goes to the field they are given advance funds to establish their missionary work. These funds are normally netted with future expense reimbursements. Any funds still outstanding are due back from the missionary when the missionary resigns or retires.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2016	2015
Land	\$ 187,213	\$ 187,213
Buildings	561,638	561,638
Office furniture and equipment	37,542	37,542
Cameras and projectors	83,446	52,064
Automobiles	955,032	995,601
Computer equipment and software	<u>44,204</u>	<u>44,204</u>
	1,869,075	1,878,262
Less accumulated depreciation	<u>(916,926)</u>	<u>(854,623)</u>
Total	<u>\$ 952,149</u>	<u>\$ 1,023,639</u>

Depreciation expense amounted to \$172,838 and \$166,489 for 2016 and 2015, respectively. Depreciation expense in the amount of \$38,338 and \$152,448 is included in the general fund expenses for 2016 and 2015, respectively, while the remainder is included in missionaries' expenses.

(Losses) gains on disposal of property and equipment totaled (\$13,964) and \$12,338 for 2016 and 2015 and is primarily from the sale of automobiles.

NOTE 7 - 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.

NOTE 8 - LINE OF CREDIT

On March 12, 2014, the Organization entered into a maximum \$500,000 line of credit arrangement with Free Will Baptist Foundation secured by the Organization's cash, investments in trusts, and investments. Interest on any outstanding borrowings are payable monthly at The Wall Street Journal published prime rate plus 1.25 percent per annum. No borrowings on the line were outstanding at December 31, 2016 or 2015. The arrangement expires March 12, 2019.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following as of December 31:

	2016	2015
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.	\$ 34,055	\$ 47,555
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>97,255</u>	<u>108,768</u>
	<u>\$ 131,310</u>	<u>\$ 156,323</u>

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

Year ending December 31,

2017	\$ 27,125
2018	28,950
2019	16,547
2020	14,625
2021	15,527
Thereafter	<u>28,536</u>
	<u>\$ 131,310</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 \$95,709 and \$87,228 for 2016 and 2015 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.

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 \$90,793 and \$89,537 for 2016 and 2015, respectively.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 - CONCENTRATIONS

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$1,250,000 at December 31, 2016. 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:

	2016	2015
Missionary/field ministry	\$ 1,430,890	\$ 1,156,381
IMpact	381,447	279,472
Subsidiary	<u>172,163</u>	<u>175,614</u>
	<u>\$ 1,984,500</u>	<u>\$ 1,611,467</u>

These net assets are restricted due to donor restrictions and reclassifications as described below and in Note 2.

During December 2015, the Organization adopted a new funding approach that places a greater emphasis on designated giving rather than unrestricted appeals. At December 31, 2015, the Organization reclassified \$2,134,290 of unrestricted net assets to various designated accounts which are now deemed to be temporarily restricted since they are designated for specific mission accounts. In 2016, an additional \$874,578 was transferred from unrestricted net assets to designated accounts/temporarily restricted net assets to further assist in this transition to a designated appeal environment.

During 2016, the Organization reinstated a policy of allocating certain indirect missionary costs to missionary/field net assets. The administrative allocation totaled \$353,257 and was transferred from temporarily restricted net assets to unrestricted net assets. Also, a missionary expense allocation totaling \$122,669 was transferred from temporarily restricted net assets to unrestricted net assets by a missionary expense offset.

Permanently restricted net assets are restricted to:

	2016	2015
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 March 25, 2017 which is the date the financial statements were available to be issued.

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
General fund:		
Salaries	\$ 399,335	\$ 400,616
Health insurance	115,427	109,172
Office rent	90,793	89,537
Housing	78,000	78,000
Employer payroll taxes	58,252	58,717
One Magazine	50,939	50,939
Department travel	38,465	31,157
Depreciation	38,338	152,448
Office supplies and equipment	31,739	51,767
Department auto	23,383	57,111
Retirement	21,023	19,500
Fees and service charges	20,518	17,233
Convention	19,873	18,603
Board members	12,320	9,947
WMO campaign	11,005	13,679
Video and audio visual	10,517	4,924
Publicity and promotion	10,394	10,581
Legal and professional	10,200	12,139
Telephone and internet	9,607	13,239
Postage	9,073	10,648
WMO coin banks	7,318	-
Seminars, training and retreats	6,313	4,234
Donor development	6,203	7,607
COLA indexes	5,645	5,980
WMO Ambassador travel and training	4,488	8,795
Visitor meals, entertainment and lodging	3,603	5,082
Benevolence	3,577	4,419
Website	2,901	3,683
Recruiting and candidate	2,554	472
Department insurance	2,541	2,729
Staff recognition	2,379	1,718
Missionary stateside assignment	1,033	76,849
WMO Ambassador honorariums	200	1,310
	<hr/>	<hr/>
Total general fund	1,107,956	1,332,835
	<hr/>	<hr/>
Missionary expense offset	(122,669)	-
	<hr/>	<hr/>
Total general fund, net	985,287	1,332,835
	<hr/>	<hr/>

**BOARD OF INTERNATIONAL MISSIONS OF THE
NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Missionary/field ministry:		
Japan	\$ 1,258,189	\$ 1,113,321
France	637,274	634,836
Subsidiary	627,962	624,100
Spain	536,051	424,288
India	394,422	372,334
Student ministries	390,151	337,726
Bulgaria	310,729	265,510
Uruguay	266,922	231,697
Other projects	168,667	160,455
Africa	138,111	33,746
Brazil	134,857	82,675
Interns	131,411	53,453
U.S. Educational specialists	82,994	41,457
Unreached people	29,264	19,443
Panama	28,418	74,209
Russia	25,600	30,300
Field operations	-	68,875
Missionary vehicle	(14,574)	-
Missionary medical	(42,146)	23,857
	<u>5,104,302</u>	<u>4,592,282</u>
Total missionary/field ministry		
	<u>5,104,302</u>	<u>4,592,282</u>
IMpact:		
Project expenses	<u>38,399</u>	<u>24,657</u>
Total functional expenses	<u>\$ 6,127,988</u>	<u>\$ 5,949,774</u>

Women Nationally Active for Christ

During the 2016 fiscal year, the ladies gave **\$508, 848** to missions and ministry causes. The **Steward Provision Closet** ministry totaled \$26,747, including \$12,741 in non-cash gifts. This ministry met the specific needs of **178** international missionaries and church planters.

Last year WNAC established a scholarship to meet the needs of our international students studying here in America. This year's recipients are: Keren Delgado (Cuba/Panama) and Deborah Trifonov (Bulgaria). Both are studying at Welch College. This scholarship has been officially named, **The Miley International Student Scholarship**, in honor of the LaVergne Miley family. Dr. and Mrs. Miley served 19 years in Doropo, Côte d'Ivoire establishing our medical ministry that continues to thrive today. Their oldest son, Lynn, and his wife, Ramona, served seven years in Côte d'Ivoire and six years in France. Their daughter, Lynette, and her husband, Clint, served 29 years in Côte d'Ivoire, six years in France, and have served from 2011 to the present as General Director of International Missions. To date, this family has invested 73 years in international service.

The **Cleo Pursell Foreign Student Scholarship** money has been awarded to the students at the Cedars of Lebanon Seminary in Cuba. The **Mary R. Wiseshart Scholarships** have been awarded to Natalie Crumpler (Southeastern) and Lizzie Stevanus (Welch). What a privilege to invest in the next generation of FWB leaders.

An estate gift enabled us to host the third **Shine! Conference** in November 2016. It is exciting to see God at work among these young girls. We have a new website with resources and blogs targeted to encourage both these young ladies and their moms/youth leaders. (www.shinefwb.com) We received a grant from the FWB Foundation and will be hosting two more conferences this fall. The first will be held at Randall University (Moore, OK) and will include an alumni track. The second will meet at Seffner Christian Academy (FL) and will include a special chapel for their young ladies. Please pray consistently for this ministry.

WNAC hosted a national retreat for 400 Cuban sisters May 18-21. We met at the Cedars of Lebanon Seminary. Several of our Panamanian sisters joined us and shared in the speaking opportunities. WNAC members raised the funds to underwrite the conference.

Our **theme** for the coming year of Bible studies is "When Plans Change." We will be studying various character traits and attitudes exhibited by biblical characters during various changes in their lives. May our heart's cry be like that of Jesus as seen in our theme verse Luke 22:42, "...Not my will, but Thine, be done."

Serving together until He comes,



Elizabeth C. Hodges, Ed.S., CMP
Executive Director



WNAC
Synopsis of Board Minutes

January 28, 2016

MSC to reschedule the February 19th state officers' meeting during the National Convention in July. The place and time will be announced at a later date.

April 14, 2016

MSC to approve the 2015 WNAC Audit as presented by Terry Hill.

MSC to change the proposed 2017 budget including a 4% increase in salary for the executive director and a 2% increase for the administrative assistant/editor.

April 17, 2016

MSC to approve the original budget presented by Elizabeth Hodges at our April 14 meeting.

May 5, 2016

MSC to authorize pursuing the possibility of a Shine! Conference in the fall of 2016.

June 2, 2016

MSC to have another Shine! Conference in November in Columbus, Ohio.

MSC to receive an offering at the Celebration Service.

July 20, 2016

MSC to elect the following board officers to serve a two-year term: Diana Bryant, chairman, Amy Johnson, vice chairman, and Janie Campbell, secretary.

October 6-8, 2016

MSC to add the *WNAC Protocol for Hiring a New Director* document to the board manual.

MSC to suspend the WNAC loan repayment for the remainder of 2016.

MSC beginning in 2017 the WNAC loan repayment be no more than \$625 monthly when funds are available.

MSC if WNAC ends the 2016 fiscal year showing a positive income, we will proceed with salaries at the 2017 budget level. If WNAC ends the 2016 fiscal year showing a negative net income, salaries will be frozen at the 2016 level. The board will revisit this decision in April 2017.

MSC to change our regular monthly board conference call to the third Tuesday night of each month at 8 pm central/ 9 pm eastern.

December 13, 2016

MSC to approve the recommendation from the Finance Committee to bring \$8300, representing monies paid on our loan from the Scholarship Fund during 2015, back into our checking account to alleviate the current financial situation. This amount represents the difference in what was repaid and what would have been repaid if the adopted repayment plan had been followed the entire calendar year.



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

**Board of Trustees of the
Women Nationally Active for Christ
of the National Association of Free Will Baptists, Inc.**

Report on the Financial Statements

We have audited the statements of financial position of the Women Nationally Active for Christ of the National Association of Free Will Baptists, Inc. (thereafter WNAC) (a nonprofit organization) as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that WNAC will continue as a going concern. As discussed in Note 7 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 7. 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.

Terry A. Hill
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P O Box 680788
Franklin, Tennessee 37068

Ernest R. Harper
615 417 - 6358
e.harper@comcast.net

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WNAC as of December 31, 2016, and 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.

Report on Summarized Comparative Information

We had previously audited WNAC's 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

A handwritten signature in cursive script that reads "Harp & Associates".

Franklin, Tennessee

April 11, 2017

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statements of Financial Position

December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents:		
Cash in bank	\$ 32,289	54,387
Funds held by Free Will Baptist Foundation (including \$101,645 in 2016 and \$96,068 in 2015 of temporarily restricted funds)	102,844	97,191
	<u>135,133</u>	<u>151,578</u>
Accounts receivable	3,337	247
Inventory and prepaid expenses	6,142	2,465
Office equipment and furniture:		
Cost basis	24,422	24,422
Less accumulated depreciation	24,190	23,728
	<u>232</u>	<u>694</u>
Funds held by Free Will Baptist Foundation for endowments	52,388	53,987
	<u>\$ 197,232</u>	<u>208,971</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 12,875	5,416
Funds held for other organizations and agencies	282	693
Deferred revenues related to magazine subscriptions	14,871	15,286
Total current liabilities	<u>28,028</u>	<u>21,395</u>

Net assets:

Unrestricted	(34,187)	(17,709)
Temporarily restricted	153,099	155,993
Permanently restricted	50,292	49,292
Total net assets	<u>169,204</u>	<u>187,576</u>

	<u>\$ 197,232</u>	<u>208,971</u>
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See accompanying notes to financial statements.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2016 and 2015

	Funds Held for Others	Operations	Publications	Convention and Retreats	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2016 Total	2015 Total
Revenue and Support:									
Funds for other agencies and departments:									
Amount received	\$ 48,226	-	-	-	48,226	-	-	48,226	41,411
Amount incurred	(48,226)	-	-	-	(48,226)	-	-	(48,226)	(41,411)
Gifts, grants and offerings	-	48,631	-	18,527	67,158	9,797	1,000	77,955	108,118
Mission trips revenue	-	12,122	-	-	12,122	-	-	12,122	-
Together Way Plan distribution	-	80,703	-	-	80,703	-	-	80,703	77,009
Magazine subscriptions	-	-	29,030	-	29,030	-	-	29,030	36,081
Literature sales	-	572	-	-	572	-	-	572	552
Dues / delegate fees	-	53,010	-	-	53,010	-	-	53,010	55,395
Convention revenues	-	-	-	6,317	6,317	-	-	6,317	3,485
Retreat revenues	-	-	-	-	-	-	-	-	7,545
Interest income	-	834	-	-	834	2,546	-	3,380	3,527
Loss (gain) from investment assets	-	-	-	-	-	209	-	209	-
Distributions - endowment income	-	2,808	-	-	2,808	(2,808)	-	-	(3,382)
Total revenue and support	-	198,680	29,030	24,844	252,554	9,744	1,000	263,298	288,330
Cost of publications:									
Magazine printing	-	-	22,833	-	22,833	-	-	22,833	22,682
Editor / employee compensation	-	-	31,023	-	31,023	-	-	31,023	29,012
Postage and other	-	-	1,068	-	1,068	-	-	1,068	1,505
Net revenue and support	-	-	54,924	-	54,924	-	-	54,924	53,199
Net assets released from restrictions	-	198,680	(25,894)	24,844	197,630	9,744	1,000	208,374	235,131
Operating expenses:									
Operations	-	211,318	(25,894)	24,844	210,268	(2,894)	1,000	208,374	235,131
Convention	-	201,232	-	-	201,232	-	-	201,232	188,198
Retreats	-	-	-	20,368	20,368	-	-	20,368	20,036
	-	-	-	5,146	5,146	-	-	5,146	43,007
Increase (decrease) in net assets	-	201,232	-	25,514	226,746	-	-	226,746	251,241
Net assets beginning of the year	-	10,086	(25,894)	(670)	(16,478)	(2,894)	1,000	(18,372)	(16,110)
Net assets end of the year	-	-	-	-	(17,709)	155,993	49,292	187,576	203,686
				\$	(34,187)	153,099	50,292	169,204	187,576

See accompanying notes to financial statements.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statement of Functional Expenses

For the year ended December 31, 2016 and 2015

	2016	2015
Expenses:		
Operations:		
Salaries	\$ 57,158	57,158
Employee benefits, payroll taxes, and health insurance	23,060	19,865
Rent	26,061	23,322
Travel	14,511	12,304
Mission trip	19,728	-
Office expense and other	16,802	14,690
Scholarships from operations	6,150	-
Legal and audit	4,995	4,875
Postage and shipping	3,693	3,023
WNAC Board of Trustees	4,283	4,326
Promotion	1,842	2,754
Dues, subscriptions and continuing education	1,467	2,234
Depreciation	462	679
Support for One Magazine	8,382	9,081
Restricted expenditures:		
C. Purcell Foreign Scholarship Fund	850	1,775
Mary Wisehart Student Scholarship Fund	5,000	5,000
Steward Provision Closet	6,788	27,112
Total expenses of operations	201,232	188,198
Convention:		
Annual convention	20,368	20,036
Retreat:		
Retreat	5,146	43,007
Total expenses	\$ 226,746	251,241

See accompanying notes to financial statements.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Statement of Cash Flows

For the year ended December 31, 2016 and 2015

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Decrease in net assets	\$ (18,372)	(16,110)
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	461	679
Loss (gain) on endowment funds held by Free Will Baptist Foundation	(209)	3,382
(Increase) decrease in:		
Receivables	(3,090)	1,529
Inventory and prepaid expenses	(3,677)	4,375
Increase (decrease) in:		
Deferred revenues related to magazine subscriptions	(415)	(9,508)
Funds held for other denominational agencies and organizations	(411)	(3,460)
Accounts payable and accrued expenses	7,460	(1,149)
Net operating activities	<u>(18,253)</u>	<u>(20,262)</u>
<u>Cash Flows from Investing Activities</u>		
Net change in endowment investments held by Free Will Baptist Foundation	<u>1,808</u>	<u>3,020</u>
Net investing activities	<u>1,808</u>	<u>3,020</u>
Decrease in cash and cash equivalents	(16,445)	(17,242)
Cash and cash equivalents:		
Beginning of year	<u>151,578</u>	<u>168,820</u>
End of year	<u>\$ 135,133</u>	<u>151,578</u>
Cash and cash equivalents consist of:		
Cash in bank	\$ 32,289	54,387
Funds held by Free Will Baptist Foundation	<u>102,844</u>	<u>97,191</u>
	<u>\$ 135,133</u>	<u>151,578</u>

See accompanying notes to financial statements.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements

December 31, 2016 and 2015

Women Nationally Active For Christ (hereafter WNAC) was approved by the National Association of Free Will Baptists, Inc. to become a department of the organization and is governed by a Board of Trustees. WNAC was incorporated under the laws of the State of Tennessee effective October 2015, after approval was granted by the voting body of the National Association of Free Will Baptists, Inc. at its national convention in July 2015.

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, 2016 and 2015, 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
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

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:

	2016	2015
Permanently restricted net asset:		
Original donor investment (corpus)		
Balance at beginning of year	\$ 49,292	49,257
Donor gifts	1,000	35
	<u>\$ 50,292</u>	<u>49,292</u>
Temporarily restricted net assets:		
Balance at beginning of year	\$ 4,695	11,132
Investment earnings, including investment gains and losses	209	(3,382)
Distributions of earnings up to 5% of account balance	(2,808)	(3,055)
	<u>\$ 2,096</u>	<u>4,695</u>
Total invested funds with Free Will Baptist Foundation as endowment	<u>\$ 52,388</u>	<u>53,987</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 2016 and 2015. Further, management believes that WNAC has no activities which will lead to income taxes being levied.

Compensated Absences

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

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through April 11, 2017, the date these financial statements were available to be issued.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

(2) Temporarily Restricted Net Assets

Net assets were released from donor restrictions during the year ended December 31, 2015 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

Mary Wisehart Student Scholarship Fund	\$ 5,000
C. Purcell Foreign Scholarship Fund	850
Steward Provision Closet	6,788
	<hr/>
Net assets released	12,638
M. Workman Endowment funds distributed	2,808
	<hr/>
Net assets released after distributions	\$ 15,446

	2016	2015
Remaining balances of temporarily restricted net assets are as follows:		
Mary Wisehart Student Scholarship Fund	\$ 96,326	98,186
C. Purcell Foreign Scholarship Fund	164	226
Steward Provision Closet	54,513	52,886
M. Workman Endowment funds available for distributions	2,096	4,695
	<hr/>	<hr/>
	\$ 153,099	155,993

(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 2016 and 2015. 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 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 \$26,061 in 2016 and \$23,322 in 2015.

(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 \$8,382 in 2016 and, \$9,081 through a grant from Free Will Baptist Foundation in 2015.

**WOMEN NATIONALLY ACTIVE FOR CHRIST
OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.**

Notes to Financial Statements, continued

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

WNAC continues to experience losses from operations. We reported that beginning in 2013 adverse conditions have caused substantial losses from operations and cash deficits, and have continued through 2016 which has forced operating net assets into a deficit of \$34,187. The following summarizes the reported losses from operations and cash deficits.

		<u>Losses from Operations</u>	<u>Cash Deficits from Operations</u>
2013	\$	32,662	37,099
2014		11,820	17,144
2015		16,145	20,262
2016		19,372	18,253

Management's Plan

The Board of Directors is continually considering how to generate other sources of revenue and cost reductions.

In its April 11, 2017 conference call meeting, the Board of Directors approved and resolved the following corrective actions:

To be implemented immediately is the on-line only availability of "The Program Plan" book, a resource for the magazine, Treasure. The estimated cost savings is \$1,700.

WNAC will reduce its magazine - Treasure - from 48 pages to 32 pages. The varnish will be removed from all pages except the outside cover, further the paper quality of the inside pages will be downgraded. The estimated cost savings for these changes is \$12,000. These changes will go in effect with subscriptions renewals for 2018 and will be realized beginning in the winter issue (December 2017 - February 2018).

WOMEN NATIONALLY ACTIVE FOR CHRIST 2018 Proposed Budget

Projected Revenue	2016 Budget	2016 Actuals	2017 Budget	2018 Budget
Gifts, grant, and offerings	63,000.00	48,631.00	65,000.00	65,000.00
International Retreat Revenues		12,122.00		
Together Way Funds	70,000.00	80,703.00	76,500.00	76,500.00
Dues	65,000.00	53,010.00	57,000.00	53,000.00
Magazine Subscriptions	47,000.00	29,030.00	37,000.00	30,000.00
Literature	1,500.00	572.00	1,000.00	1,000.00
Convention Revenues	35,000.00	24,844.00	26,000.00	26,000.00
Interest Income	500.00	834.00	500.00	500.00
Endowment Income	3,000.00	2,808.00	3,000.00	3,000.00
Restricted Funds Reimbursement		12,638.00		
Miscellaneous Income	1,000.00			
Total	286,000.00	265,192.00	266,000.00	255,000.00
Projected Operating Expenses				
Salaries and Wages	56,053.00	57,158.00	58,465.00	58,465.00
Payroll Taxes and Employee Benefits	22,866.00	23,060.00	24,250.00	22,750.00
Rent	23,100.00	26,061.00	24,000.00	27,000.00
Travel	15,000.00	14,511.00	15,000.00	15,000.00
International Retreat		19,728.00		
Auto Expense	3,000.00		3,000.00	3,000.00
Promotion	3,000.00	1,842.00	3,000.00	3,000.00
Office Expense	18,000.00	16,802.00	15,785.00	16,000.00
Professional Service	5,200.00	4,995.00	5,200.00	5,200.00
Postage and shipping	4,200.00	3,693.00	4,000.00	4,000.00
WNAC Board	12,000.00	4,283.00	5,000.00	4,000.00
Dues, Subscriptions, Cont. Education	2,000.00	1,467.00	2,000.00	2,000.00
Depreciation	1,105.00	462.00		
Conventions & Retreats	40,000.00	25,514.00	25,000.00	25,000.00
Scholarships From Donations		6,150.00		
Restricted Fund Expenses		12,638.00		
Contingency Fund	15,000.00		12,000.00	12,000.00
Support for One Magazine	10,000.00	8,382.00	10,000.00	10,000.00
	230,524.00	226,746.00	206,700.00	207,415.00
Cost of Publications:				
Magazine Printing	22,000.00	22,833.00	24,025.00	10,325.00
Editor and Employee Compensation	23,200.00	23,200.00	23,900.00	23,900.00
Payroll Taxes and Employee Benefits	8,276.00	7,823.00	9,375.00	7,875.00
Postage	2,000.00	1,068.00	2,000.00	1,500.00
	55,476.00	54,924.00	59,300.00	43,600.00
Total	286,000.00	281,670.00	266,000.00	251,015.00
Income Surplus/(Deficit)				3,985.00

2017 WNAC SALARIES AND BENEFITS BREAKDOWN

	2016	2017	2018
Executive Director			
Salary	\$ 44,437.00	\$ 46,500.00	\$ 46,500.00
Social Security/Medicare	\$ 3,400.00	\$ 3,560.00	\$ 3,560.00
Retirement	\$ 2,222.00	\$ 2,325.00	\$ 2,325.00
Insurance (Travel/Key Man,Health/Life, Dental)	\$ 9,000.00	\$ 9,500.00	\$ 9,500.00
Christmas Bonus	\$ 855.00	\$ 1,000.00	\$ 1,000.00
Total Salary and Benefits	\$ 59,914.00	\$ 62,885.00	\$ 62,885.00
Administrative Assistant			
Salary	\$ 11,616.00	\$ 11,965.00	\$ 11,965.00
Social Security/Medicare	\$ 888.00	\$ 915.00	\$ 915.00
Retirement	\$ 581.00	\$ 600.00	\$ 600.00
Insurance (Health/Life & Dental)	\$ 5,670.00	\$ 6,000.00	\$ 4,500.00
Christmas Bonus	\$ 250.00	\$ 350.00	\$ 350.00
Total Salary and Benefits	\$ 19,005.00	\$ 19,830.00	\$ 18,330.00
Editor Salary			
Salary	\$ 23,200.00	\$ 23,900.00	\$ 23,900.00
Social Security/Medicare	\$ 1,775.00	\$ 1,830.00	\$ 1,830.00
Retirement	\$ 581.00	\$ 1,195.00	\$ 1,195.00
Insurance	\$ 5,670.00	\$ 6,000.00	\$ 4,500.00
Christmas Bonus	\$ 250.00	\$ 350.00	\$ 350.00
Total Salary and Benefits	\$ 31,476.00	\$ 33,275.00	\$ 31,775.00

Grand Total of Salaries and Benefits	\$	110,395.00	\$	115,990.00	\$	112,990.00
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WNAC Receipts 2016

General Fund (Operating)										FWB Foundation Accts.					Pass Through Money						
State	Dues	Gen Fund	Faith Promise	Emphasis	Rest of Family Portion	Together Way	Provision Closet Gift Cards	Provision Closet Cash	Workman Endowment	Wishart Student Scholarship	Purcell Foreign Scholarship	Mission Objectives Africa	International Missions	Christmas Joy	Home Missions	State Programs	Children's Homes	Colleges	Total		
AL	3,285.00	1,091.40		450.00	49.99	273.79	985.00			25.00	50.00	720.00							6,930.18		
AR	9,510.00	2,903.74		700.00	86.75	14,974.70	500.00	415.00		20.00	50.00	1,100.00							30,260.19		
AZ	210.00	50.00			28.19	47.08		120.00											455.27		
CA	510.00	140.00	40.00			565.65					75.00	971.08	354.00				354.00		3,009.73		
CN		24.50				81.18													105.68		
CO																			-		
DE																			-		
FL	645.00	922.00		200.00	33.83	1,037.44													2,838.27		
GA	4,005.00	1,241.60		1,250.00	80.14	2,621.23	545.00	557.50	1,000.00	129.00	276.50	300.00	9,106.15	370.76	11,123.55	100.00	1,335.00	1,361.00	35,402.43		
HI																			-		
IL	1,485.00	1,011.00	120.00	116.74		2,282.47	645.00												6,615.37		
IN		910.00				302.81		500.00				555.16	400.00						1,712.81		
KS		250.00				15.08													265.08		
KY	1,815.00	2,826.25				940.36		350.00					481.16		410.00	50.00	150.00		7,022.77		
MD						17.60													17.60		
MI	1,725.00	1,170.00				756.02	3,615.00	1,270.00					120.00						8,656.02		
MO	4,500.00	22,960.42		162.00	49.65	20,918.23		163.42		75.00		80.00	529.00	161.00		25.00			49,623.72		
MS	1,455.00	230.00				861.49						1,360.00	141.00		328.00				4,375.49		
NC	5,955.00	4,568.64		633.00	323.25	4,117.22	865.00	612.00		30.00		1,240.00					30.00		18,374.11		
NH																			-		
NM	105.00	79.95				314.83							13.10						512.88		
NJ		15.00																	15.00		
NH	1,800.00	959.08	500.00		56.38	4,103.07	450.00	75.00				860.00							8,803.33		
OK	5,940.00	1,642.21	240.00	155.00	54.83	16,554.70	165.00	732.08		25.00	35.00	427.86							25,971.68		
OR						190.08													190.08		
PAINY	60.00						300.00												360.00		
SC	3,135.00	295.00		250.00	47.69	48.40		525.00				160.00	15,407.05			75.00	176.00		20,119.14		
TN	3,270.00	3,297.32	1,325.00	683.00	97.95	4,229.68	125.00	183.00		660.75	300.00	5,447.50	550.00			50.00			20,219.20		
TX	765.00	247.77	110.00	50.00	58.49	152.37	140.00	168.00				677.01							2,368.64		
UT																			-		
VA	1,230.00	254.00		30.00		219.24						200.00	69.50		3,154.50	1,561.00			6,718.24		
VI						72.82													72.82		
WA																			-		
WV	1,605.00	148.00				323.46							20.00		70.00				2,166.46		
Other		926.68				4,681.67													5,608.35		
	53,010.00	48,164.56	2,335.00	4,679.74	967.14	80,702.67	8,335.00	5,671.00	1,000.00	964.75	786.50	14,098.61	27,190.96	531.76	15,086.05	1,861.00	1,485.00	1,921.00	266,790.74		
Together Way Other: 1% Coop from Executive Office																					
General Fund Other: anonymous donations (convention)																					

REPORTED DIRECT GIVING FROM WNAC January - December 2016

STATE	State Missions	International Missions	Home Missions	Colleges	Children's Homes	Youth Camps	Other Mission Objectives	Total
AL	270.00	1,278.00	700.00		60.50		100.00	2,408.50
AR	5,159.42	6,360.00	8,537.38	125.00	6,531.52		85.00	26,796.32
AZ								
CA								0.00
CANADA								
DE								
FL	1,250.00	690.00			120.00		195.55	2,255.55
GA	3,849.27							3,849.27
IL	3,540.00	6,132.00	1,433.08	220.00			3,727.00	15,052.08
IN								
KS								
KY	565.00	12,900.00	13,325.00		5,925.00	3,520.00	30,514.18	66,749.18
MD								
MI	1,300.00				140.00	350.00		0.00
MS	11,984.51	10,905.50	4,089.25	740.00	441.70	100.00	445.00	28,705.96
MO		139.00			60.00			199.00
NM	3,913.00	13,957.71	5,311.86	4,173.44	150.00		604.00	28,110.01
NC	112.78	1,463.80	2,586.96		750.00		2,422.48	7,336.02
OH	10,293.83	7,538.25	586.50	4,553.02	1,350.00		315.00	24,636.60
OK								
OR								
PA/NY								
SC								
TN		551.20	600.00	4,983.84	600.00		100.00	6,835.04
TX								
UT								
VA								
VI								
WA								
WV		1,350.00			5,340.00		5,901.00	12,591.00
Other								
Total	42,237.81	63,265.46	37,170.03	14,795.30	21,468.72	3,970.00	44,409.21	227,316.53

TOTAL 2016 GIVING

Pass Through Monies	WNAC RECEIPTS	Together Way Receipts	Provision Closet Gift	Provision Closet Non-cash gifts	DIRECT GIVING	Grand Total
795.00	4,878.39	273.79	985.00	752.00	2,408.50	10,090.68
1,585.00	13,200.49	14,974.70	500.00		26,796.32	57,058.51
120.00	288.19	47.08				455.27
1,754.08	690.00	565.65				3,009.73
	24.50	81.18				105.68
						0.00
	1,800.83	1,037.44			2,255.55	5,093.82
25,659.46	6,576.74	2,621.23	545.00	76.92	3,849.27	39,328.82
955.16	2,732.74	2,282.47	645.00	330.00	15,052.08	21,997.45
500.00	910.00	302.81				1,712.81
	250.00	15.08				265.08
1,441.16	4,641.25	940.36			66,749.18	73,771.95
		17.60				17.60
1,390.00	2,895.00	756.02	3,615.00	10,823.66		19,479.68
1,829.00	1,685.00	861.49			1,790.00	6,165.49
	1,033.42	27,672.07	20,918.23		28,705.96	78,329.68
13.10	184.95	314.83				199.00
1,912.00	11,479.89	4,117.22	865.00	758.40	28,110.01	47,242.52
935.00	3,315.46	4,103.07	450.00		7,336.02	16,139.55
1,219.94	8,032.04	16,554.70	165.00		24,636.60	50,608.28
	60.00	190.08				190.08
16,343.05	3,727.69	48.40	300.00			360.00
7,191.25	8,673.27	4,229.68	125.00		6,835.04	27,054.24
845.01	1,231.26	152.37	140.00			2,368.64
						0.00
4,985.00	1,514.00	219.24				6,718.24
		72.82				72.82
90.00	1,753.00	323.46			12,591.00	14,757.46
	941.68	4,681.67				5,623.35
						0.00
70,596.63	109,156.44	80,702.67	8,335.00	12,740.98	227,316.53	508,848.25

2016 WNAC Statistics

Total Giving through WNAC	Missions/Ministry Objectives	Per Capita / Total Giving	WNAC w/Non-cash gifts	Membership	Provision Closet Gifts
1 Missouri	1 Kentucky	1 Kentucky	1 Michigan	1 Arkansas	Gift Cards \$8,335.00
2 Kentucky	2 Kentucky	2 Missouri	2 North Carolina	2 North Carolina	Cash gifts \$6,671.00
3 Arkansas	3 Arkansas	3 Illinois	3 Georgia	3 Oklahoma	Non-cash gifts \$12,740.98
4 Oklahoma	4 Georgia	4 Michigan	4 Alabama	4 Missouri	Total gifts \$26,746.98
5 North Carolina	5 Arkansas	5 Georgia	5 Illinois	5 Georgia	
6 Georgia	6 Oklahoma	6 West Virginia	6 Tennessee	6 Alabama	
7 Tennessee	7 Illinois	7 Ohio	7 Michigan	7 Tennessee	
8 Illinois	8 Oklahoma	8 Oklahoma	8 Ohio	8 South Carolina	
9 North Carolina	9 Michigan	9 Arkansas	9 Tennessee	9 Kentucky	
10 Michigan	10 North Carolina	10 North Carolina		10 Ohio	

Music Commission Report

The Music Commission continues its ongoing partnership with the Executive Office to provide assistance to the Convention Music Coordinator in the planning and leading of the worship services during the annual convention. We promote awareness and participation through a Facebook page for the Music Commission.

We made plans to offer workshops at the 2017 convention in Louisville. Sam Harris presented a workshop on basic song leading. James Stevens offered workshops on keyboard accompanying and skills. Doug Little led a workshop on basics of songwriting.

Exploration continues regarding the needs of the denomination for worship resources and how the Music Commission can encourage and assist musicians in our medium and smaller sized churches.

Music is a key component in the health of every local church, regardless of size or preferences of style. The need for skills training is obvious. But the cultivation of a heart for true worship is more challenging to do within music leaders and the congregations they lead. The Music Commission continues to look for opportunities to facilitate access to resources and mentoring relationships in that endeavor. Please continue to pray with us that the Lord of the harvest will send forth church musicians into the music ministry.

As we serve you we welcome your questions, input, and feedback.

Respectfully submitted,

The Free Will Baptist Music Commission

Doug Little, Chairman

Kevin Justice

James Stevens

Donnie Burke

Bryan Hughes

MUSIC COMMISSION FINANCIAL SUMMARY 2016

Beginning Balance (01/01/2016)		\$ 4,767.61
Income		\$ 4,117.26
Together Way (undesignated)	\$ 3,295.47	
Together Way (designated)	\$ 781.58	
2016 Rest of the Family Offering	\$ 13.28	
Other Gifts	\$ 26.93	
Expenses		\$ 4,104.59
Meetings	\$ 2,854.68	
Convention expenses (workshops, etc)	\$ 1,204.91	
Office/Miscellaneous	\$ 45.00	
Ending Balance (12/31/16)		\$ 5,180.28

MUSIC COMMISSION BUDGET COMPARISONS

	2016 Budget	2016 Actual	2017 Budget	2018 Budget
Income				
Together Way (undesignated)	\$ 3,000.00	\$ 3,295.47	\$ 4,000.00	\$ 4,000.00
Together Way (designated)	\$ 700.00	\$ 781.58	\$ 700.00	\$ 700.00
Rest of the Family Offering	\$ 25.00	\$ 13.28	\$ 25.00	\$ 25.00
Other Gifts	\$ 50.00	\$ 26.93	\$ 50.00	\$ 50.00
Totals	\$ 3,775.00	\$ 4,117.26	\$ 4,775.00	\$ 4,775.00
Expenses				
Meetings	\$ 2,575.00	\$ 2,854.68	\$ 2,575.00	\$ 2,575.00
Convention	\$ 1,000.00	\$ 1,204.91	\$ 1,000.00	\$ 1,000.00
Miscellaneous	\$ 200.00	\$ 45.00	\$ 200.00	\$ 200.00
Projects	\$ -	\$ -	\$ 1,000.00	\$ 1,000.00
Totals	\$ 3,775.00	\$ 4,104.59	\$ 4,775.00	\$ 4,775.00

Media Commission Report

July 2017, Louisville, Kentucky

In 2016, 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. Services averaged several hundred viewers each evening.

In addition to streaming the evening convention services, the Media Commission offers the ability to view services from previous years. Convention messages from 2009- 2016 can be viewed and downloaded at nafwb.org under the "media" tab.

Last year in coordination with the Free Will Baptist Foundation, Executive Office and International missions we were able to help promote the convention while at the same time send bibles to Kazakhstan. We had 5,820 Facebook check-ins, 3.3 million impressions through Facebook, and 1,162 Bibles sent to Kazakhstan.

The Media Commission will also be sharing various forms of media through facebook, twitter and instagram this year. We also are excited to offer a Spanish version of the live stream. We encourage others to share their experiences through social media and tag their post with the hashtag #NAFWB.

The Media Commission will be presenting a seminar during the convention again this year. This seminar will focus on things you might want to do differently in regards to your social media and web presence. We will be glad to review your church website if you would like for us to do that.

To contact the Media Commission please feel free to use our Facebook page.

Thank you for the opportunity to serve our denomination and our Lord.

Travis Penn, Chairman (IN)
Josh Owens, Treasurer (NC)
Stephen Lopes, (TN)
Marc Nepl, (VA)
Daniel Edwards, (IN)

FWB Media Commission Comparative Budget Analysis

	2016 Budget	2016 Actual	Difference	2017 Budget
INCOME				
Together Way (Undesignated)	\$4,200.00	\$4,681.82	\$481.82	\$4,600.00
Together Way (Designated)	\$500.00	\$315.47	-\$184.53	\$300.00
Rest of the Family Offering	\$20.00	\$9.96	-\$10.04	\$20.00
Misc. Income	\$50.00	\$48.25	-\$1.75	\$40.00
Interest Earned (Foundation)	\$500.00	\$500.37	\$0.37	\$500.00
TOTAL INCOME	\$5,270.00	\$5,555.87	\$285.87	\$5,460.00
EXPENSES				
Office Supplies	\$50.00	\$0.00	\$50.00	\$50.00
Video Hosting (Vimeo)	\$200.00	\$199.00	\$1.00	\$200.00
Digest of Reports	\$50.00	\$104.20	-\$54.20	\$125.00
Convention Streaming Service	\$350.00	\$349.00	\$1.00	\$500.00
Convention Supplies/Giveaways	\$1,300.00	\$1,142.62	\$157.38	\$500.00
Convention Meals	\$800.00	\$720.00	\$80.00	\$800.00
Convention Seminar	\$50.00	\$50.00	\$0.00	\$50.00
Software/Hardware	\$1,500.00	\$3,267.28	-\$1,767.28	\$1,500.00
Annual Meeting	\$900.00	\$1,039.19	-\$139.19	\$1,500.00
TOTAL EXPENSES	\$5,200.00	\$6,871.29	-\$1,671.29	\$5,225.00

2016-2017 Historical Commission Report

It was a year of transition as the Free Will Baptist History Collection moved from its long-time home at Welch College Library in Nashville, Tennessee, to the new Welch College campus in nearby Gallatin. A \$25,000 gift from the commission helped equip the new historical room with shelving and storage designed especially for rare volumes, with periodicals and records stored in the library's easily-accessible compact shelving system.

Throughout 2017, the commission continued to create digital files from all state and district associational minutes in the historical collection. This ongoing effort, referred to as *The Minutes Project*, makes searchable records available to anyone with access to the Internet. A note of thanks is due to North American Ministries for their ongoing assistance in scanning. Scanning, which is being done alphabetically, has been completed through Indiana. You may access this growing digital archive by visiting the Welch Library historical room, by searching the Welch Library online catalog (<https://welchlibrary.wordpress.com>); or by visiting www.FWBHistory.com. To donate minutes (or other records) to the project, contact Chairman Robert E. Picirilli. The commission thanks individuals, churches, and organizations that contributed this year.

Thanks to a grant of \$5,000 from Free Will Baptist Foundation in 2015, the commission purchased a micro-form scanner/printer this year. The machine is being used to digitize nearly a century of *The Morning Star* newspapers for Internet archival. The paper, published by Randall Freewill Baptists in New England remains a great source of historical information regarding both the northern and southern branches of Free Will Baptists. The commission hopes to complete this scanning project in 2017.

2016-2018 Budgets Free Will Baptist Historical Commission

	2016 Budget	2016 Actuals	2017 Budget	2018 Budget
Income				
Gifts (Together Way)	\$3,500.00	\$3,989.63	\$4,500.00	\$4,500.00
Interest	10.00	15.75	10.00	10.00
Sale of Pamphlets	750.00	310.55	500.00	350.00
Rest of the Family Offering	20.00	14.53	20.00	20.00
Tennessee Co-op	0.00	15.00	15.00	15.00
Other*	0.00	35.00	0.00	0.00
Total Income	4,280.00	4,380.46	5,045.00	4,895.00
Expenses				
Books, Materials, Labor	850.00	1,344.69	1,945.00	1,000.00
Publishing Projects	2,000.00	0.00	2,000.00	1,145.00
Meeting Expenses	250.00	0.00	0.00	250.00
Digest of Reports	100.00	91.70	100.00	100.00
Website Expense	675.00	175.00	500.00	300.00
Librarian Expense	0.00	365.27	500.00	2,100.00
Other**	0.00	100.00	0.00	0.00
Total Expenses	\$3,875.00	\$2,076.66	\$5,045.00	\$4,895.00

*Individual donation. **Memorial gift.

Financial Report 2016

Free Will Baptist Historical Commission

Balance on hand (checking at Regions Bank) 12/31/2015.....\$31,243.26

Deposits

FWB Coop/Together Way (10 mo) 3,989.63

Interest (Regions Bank)15.75

Sales of booklets..... 310.55

Rest of Family offering.....14.53

Tennessee Coop.....15.00

Wayne Miracle, gift.....35.00

Total**\$4,380.46**

Expenditures

NAFWB Digest Fee.....91.70

Picirilli (misc. expenses 2015)65.27

Fwbhistory.com website (one year)..... 175.00

Phillip Morgan: travel expense 300.00

Janis Williams, funeral gift 100.00

Binding periodicals 1,344.69

Total**\$2,076.66**

Balance on hand (checking at Regions Bank) 12/31/2016..... \$33,547.06

Add: Trust Fund at FWB Foundation 12/31/2016 \$34,917.32
(gained \$944.93 in 2016)

Total on hand 12/31/2016**\$68,464.38**

Submitted by 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.

On October 24-25, 2016, we sponsored our twentieth annual Theological Symposium. The Symposium met on the campus of Welch College in Nashville, Tennessee. The theme was "The Theological Legacy of F. Leroy Forlines."

Our twenty-first annual Theological Symposium will meet October 23-24, 2017, on the new campus of Welch College in Gallatin, Tennessee. We invite paper proposals for this symposium. All those interested in submitting papers for possible inclusion in the Symposium program are encouraged to contact Jackson Watts at fwbtheology@gmail.com. The 2018 Symposium will be held on the campus of Randall University in Moore, Oklahoma.

The Commission is working on the next issue of *Integrity: A Journal of Christian Thought*. 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 2017 Commission Seminar at the National Association meeting, we will feature Commission member Jackson Watts, pastor of Grace Free Will Baptist Church in Arnold, Missouri. He will be speaking on the topic "The Truth about Transgenderism." That seminar will be held at 2:00 on Monday afternoon of the convention in the Kentucky Center Bomhard Theater.

Respectfully submitted,

The Commission for Theological Integrity

Matt Pinson (chairman)

Kevin Hester (secretary)

Randy Corn

Rodney Holloman

Jackson Watts

2016
Commission for Theological Integrity
Financial Report

Bank Balance - January 1, 2016		\$8,349.55
Commission Income		
The Together Way	\$5,198.14	
Theological Symposium Papers	500.00	
Gifts	<u>41.56</u>	
Total Commission Income	5,739.70	
Journal Income	<u>19.00</u>	
Total Income		5,758.70
Commission Expenses		
Bookkeeping	400.00	
National Seminar/Digest of Reports	1,484.57	
Annual Meeting and Symposium Expenses	1,535.32	
Miscellaneous Office Expenses	<u>278.95</u>	
Total Commission Expenses	3,698.84	
Journal Expenses	<u>7,325.90</u>	
Total Expenses		<u>11,024.74</u>
Bank Balance - December 31, 2016		<u>\$3,083.51</u>

2018
Commission for Theological Integrity
Budgets

	2016 Budget	2016 Actuals	2017 Budget	2018 Budget
Income				
Gifts	\$2,500.00	\$41.56	\$1,100.00	\$2,600.00
Journal Income	1,700.00	19.00	1,500.00	1,500.00
Theological Symposium Papers	500.00	500.00	500.00	500.00
Together Way Plan	<u>3,000.00</u>	<u>5,198.14</u>	<u>5,000.00</u>	<u>5,200.00</u>
Total Income	<u>7,700.00</u>	<u>5,758.70</u>	<u>8,100.00</u>	<u>9,800.00</u>
Expenses				
Annual Meeting/Symposium	2,700.00	1,535.32	2,500.00	2,800.00
Bookkeeping	400.00	400.00	400.00	400.00
Journal Expenses	2,800.00	7,325.90	2,800.00	4,200.00
National Seminar/Digest	1,200.00	1,484.57	2,200.00	2,200.00
Office Expenses	100.00	278.95	200.00	200.00
Theological Symposium Printing	<u>500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenses	<u>\$7,700.00</u>	<u>\$11,024.74</u>	<u>\$8,100.00</u>	<u>\$9,800.00</u>

2017 President's Report Welch College

A Historic Year

The 2016-17 academic year was a historic one at Welch College as we transitioned to our new campus in Gallatin, Tennessee. This process has been stressful, but it has been wonderful. It is unheard of to sell a campus, lease back a portion of it, thus reducing operations to a much smaller footprint, build a new campus, and begin operations on a completely new campus—and have to do this in such a brief window of time.

What this means is that our faculty, staff, and students have experienced an unprecedented mix of difficulty and delight that has characterized this move. Our faculty and staff are to be commended for their diligent work and patience during this transition. Our relocation team, consisting of Bob Bass, Jon Forlines, Sandy Goodfellow, Greg Kettelman, Craig Mahler, and David Williford, as well as Mark Johnson and Tom Sass, has done a stellar job.

Our students, who had to endure a month of online study and then joyfully endured the process of troubleshooting in brand-new residence halls, have inspired me with their longsuffering and optimistic attitudes. One of those students, Josh Chapman, recently wrote the following on a blog that encapsulates the outlook of our wonderful students:

The transition was definitely a test of patience, but it was worth every bit of the wait. It's wonderful. I leave my hotel-esque dorm to head to class, and I can't help but be in awe of what God has blessed us with. We have finally entered a new level where the potential growth for our college is beyond the imagination of its founders seventy-five years ago. So as I reminisce about the old campus, I also look ahead to this new chapter and all that it will entail. As the buildings go down on West End, the good times will remain with me forever, but the memories yet to be made on Bison Trail will be both exciting and innumerable. It's amazing to be a part of what God is doing with our school.

We have also expanded the acreage of our campus. Through a partnership with the Free Will Baptist Foundation, Free Will Baptist North American Ministries, and Free Will Baptist Family Ministries, the college purchased an additional 64 acres of commercially zoned land with incredible road frontage and no flood plain.

After we sell a portion of this land to real estate developers, buy out of this partnership, and deed some acreage to Family Ministries and the National Association of Free Will Baptists, we will have about 92 acres of prime Nashville-area real estate. This will help the college tremendously, not only poising us for future growth, but strengthening us financially, with land that will appreciate as this area continues to boom.

Our new campus is a blessing from God, who providentially gave us a buyer for the old campus, raised up donors who have provided close to \$9 million in gifts toward this effort, and put the vision for a new campus into the hearts of Dr. Tom Malone and his team more than two decades ago. We invite you to visit the new campus and let us take you on a tour, and we especially want you to be there September 29 as we dedicate the new campus to the glory of God and celebrate our seventy-fifth anniversary.

Mission and Purpose

Having students walk across the stage to receive their degrees in May encouraged me about the mission and purpose of Welch College. The education at Welch is carefully designed to produce “whole-souled” individuals who will have a transformative influence on every area of their lives from the vantage point of a Christian worldview.

So we see students who undergo profound life-change in the course of their education at Welch, and this experience helps them to think Christianly about the whole of life, to be fervent in their relationship with Christ and zealous in sharing His Good News with others, and to live out Christian virtue in their day-to-day lives. You can see this in the following excerpts from remarks three of our seniors gave at Commencement:

Other than salvation in Christ, coming to Welch College has been the greatest experience of my life. . . . I attended Bible Conference at the college in 2014, and that conference forever changed my life. I knew from the moment I stepped in the door that this was where I needed to be. I understood very clearly that Welch was made up of people who valued God’s Word, and that made quite an impact on me. I have sat at the feet of professors who love the Lord and treasure His Word. . . . I never thought I would enjoy dorm life, but as I hung out with my friends one last time, I can say I will miss living in the dorm more than words can express. I have made some of my best friends and had some of the deepest conversations and times of prayer with friends in the dorm. The relationships I have forged at Welch will last a lifetime as I labor with these, my partners in the gospel, until the Lord returns or calls us home. —*Josh Colson, Ministry major*

Somewhere between my nervous wreck of a historiography project, sun-filled choir rehearsals, and my frenzied timeline handwriting, which always got me a B, the boundaries of my understanding of the world were expanded, little-by-little. There’s a hymn, “Thou Didst Leave Thy Throne,” and it plays on the story of Joseph and Mary’s search for a room for Jesus to be born. The chorus says, “Come into my heart, Lord Jesus. There is room in my heart for thee.” I think Welch College is in the business of making room for Jesus inside of people. My time here at Welch has re-marked the boundaries of my little world to make room for Christ’s kingdom in me. . . . To the students who have a little longer to stay: “The inner life fills and expands,” and it doesn’t stop. So fill it with Christ. Let Him make room in your life, . . . because—and I can testify to it—when you let Him fill you, He will become a spring welling up to eternal life. I am thankful to the Lord for the work that He has done in me here. —*Rebekah Zuniga, History major*

My time at Welch College transformed me; these have been years of attempting bold things in faith, seeking Truth for myself, and learning to desire the ways of God. Every step of the journey was worth it, because I grew into a person I was not confident enough to be when I arrived here. . . . Coming here was never a part of my plans. But I’ve learned within this community that the best stories start like that: when we release our grip on our plans and allow God to do His work. I transferred to Welch during the lowest valley of my Christian walk. And praise be to my Savior that He delivered me from my fears so that I could proclaim now: I made it out of the valley. And I’ll give glory to God because it’s by His grace that I have been transformed. —*Brianna McNeese, English major*

It is rewarding to see our mission *to educate leaders to serve Christ, His church, and His world through biblical thought and life* become a reality in the lives of our students and graduates. Watching them begin to realize their role in taking the gospel of the kingdom to the world in the context of their local church—and how that gospel of the kingdom changes their lives, families, and the culture around them—is what makes this Christian community of faith and learning what it is.

Vision for the Future

Having a new campus in a new location provides us with tremendous opportunities for growth. We have had a record number of high school students and parents visit our new campus. We have taken a quantum leap forward in terms of facilities, technology, and the collegiate campus feel at our new location. Shedding the limitations of our old campus—which we loved dearly, but which had increasingly severe limitations—will extend our reach and help us add more students. We have experienced an increase in admitted students for this fall, and I would not be surprised if we reached the 500 mark in enrollment in the 2017-18 academic year.

Our new campus and location in Sumner County also offer a wonderful setting to embark on a plan of strategic growth through a number of new programs that will extend our mission. These include, but are not limited to:

- Master's degrees in education, leadership, and other fields to complement our successful new M.A. in Theology and Ministry (from which we graduated our first four students in May)
- More graduate ministry education, culminating in an M.Div. degree
- A flexible Enriched Adult Studies program that will combine evening, weekend, and online study to allow Christian adults to complete their degrees
- More dual enrollment relationships that will allow area high school students to enroll in college-level courses
- New undergraduate programs of study such as math education, and more joint degree programs with other colleges in areas such as nursing and engineering

We have also engaged in some strategic leadership changes to aid in this growth. Dr. Greg Kettelman, who has had a wonderful tenure as Provost for the past eleven years, has transitioned to a new position, Vice President for Strategic Initiatives. In this new post, he will facilitate the addition of new programs and initiatives that will result in strategic growth for the college. Dr. Matthew McAfee has succeeded Dr. Kettelman as Provost, joined by Dr. Kevin Hester, the new Vice President for Institutional Effectiveness, and Matthew Bracey, the new Vice Provost for Academic Administration.

Thank You

I am thankful to the Free Will Baptist people. Without you, we would not be able to fulfill the mission to which God has called us. Thank you for the gifts you have given to sustain this institution in good times and bad, and for the support and accountability you provide us through the Board of Trustees you elect to serve and govern Welch College. Your continued financial support, the students you send, and the prayers you pray for us mean more to us than you know.

Sincerely,

J. Matthew Pinson
President

Registration Report 2016-2017

ENROLLMENT 376

States

Alabama	18
Arkansas	13
California	2
Connecticut	1
Florida	15
Georgia	11
Illinois	14
Indiana	2
Kansas	3

Kentucky	4
Michigan	4
Mississippi	7
Missouri	8
North Carolina	28
Ohio	8
Oklahoma	4
Pennsylvania	2
Rhode Island	3

South Carolina	11
Tennessee	161
Texas	5
Virginia	6
West Virginia	1
Virgin Islands	9
International	36

The student body represents 23 states (USA), 1 territory (Virgin Islands), and 4 other countries (Bulgaria, Canada, Cuba, and Panama).

Classification*

Freshman	69
Sophomore	62
Junior	67
Senior	54
Graduate School	18
Non-Degree Part-Time	44
Dual Enrollment	64

Vocational*

Christian Ministry (Grad)	18
Christian Ministry (Bach)	63
Christian Ministry (Assoc)	6
Missions	11
Business	30
English (TE Licensure: 8)	23

Exercise Science	17
General Studies	18
History (TE Licensure: 9)	18
Music (TE Licensure: 4)	9
Psychology	17
Science/Nursing (TE Licensure: 1)	26

Teacher Education	21
Non-Degree Part-Time	44
Dual Enrollment	64

Other Categories*

Full-Time	219
Part-Time	157
Male	202
Female	174
Single	304
Married	72

Dorm	179
Commuter	32
Graduate	21
ADP	5
Online	40
Lifetime Learning	37
Dual Enrollment	64

New	65
Transfer	7
Continuing	185
Re-admit	13
Non-Degree Part-Time	44
Dual Enrollment	64
Free Will Baptist	274
Other	102

*These numbers include students who are pursuing multiple degrees. "TE Licensure" indicates students in various content areas who are also Teacher Education students.

Financial Aid Report
2016-2017

Type of Aid	Number of Recipients	Amount of Aid
College-Administered Scholarships	534	1,275,495.73
Federal Pell Grants.	127	511,269.70
Federal SEOG Grants	17	14,635.31
Federal Work-Study.	10	13,918.75
Federal TEACH Grant	0	0.0
Federal Stafford Loans (Subsidized)	133	548,624.00
Federal Stafford Loans (Unsubsidized).	125	429,409.00
Federal Plus Loans	22	211,377.00
TSAA Grants... ..	18	66,500.00
Tennessee HOPE Scholarship	33	137,450.00
Tennessee Dual Enrollment Grant	52	39,500.00
Tennessee Promise Scholarship	7	12,311.80
Alternative Loans	17	180,577.00
External Scholarships	107	212,510.52
TOTAL FINANCIAL AID ADMINISTERED, 2016-2017		\$3,653,578.81

Welch Library Report
2016-2017

Reference	960
General Collection	59,508
Curriculum Lab	1,401
Audiovisuals	861
Ministry Lab	4
Welch College Archives	133
Historical Collection	4,120
Sarah Lacey Nicholas Music Collection	2,239
EBSCO E-books Database E-books	48,674
ERIC Microfiche	74,630
Microfiche Books	427
Business Expert Press E-books	339
TOTAL	193,296

Synopsis of Minutes

Board of Trustees

July 2016-May 2017

July 18, 2016

In its meeting at the annual convention of the NAFWB, the Board of Trustees reviewed the provisional 2015-2016 audit and voted to present a complete audit on August 31, 2016 to the Executive Committee of the National Association for its review and public distribution and work with the new auditing firm, BKD CPAs and Advisors, to ensure a complete audit by the national convention in future years.

August 29, 2016

The Board of Trustees met via conference call and approved motions to hire additional accounting staff and to send the 2015-16 audit to the Executive Committee of the National Association for review and public distribution, and to hire Phillip Morgan as a regular faculty member in the History Department.

September 16, 2016

The Board of Trustees met via conference call and approved a motion to enter into a partnership with the Free Will Baptist Foundation, Free Will Baptist North American Ministries, and Free Will Baptist Family Ministries to acquire 64 additional acres of property contiguous to the existing Gallatin campus.

December 7, 2016

In its regular December meeting, the Board of Trustees welcomed new Board members Wayne Miracle and Brad Ryan and voted to approve the following changes in the college's leadership team: that Dr. Greg Kettelman be named Vice President of Strategic Initiatives, Dean of Adult and Graduate Studies, and Distinguished Professor of Education, that Dr. Matthew McAfee be named Provost and Professor of Biblical Studies, and that Dr. Kevin Hester be named Vice President of Institutional Effectiveness, Dean of the School of Theology, and Professor of Theology. The chairman also appointed a committee to compile a list of standing rules and policies from past actions recorded in the minutes and report its progress at each regular Board meeting until the work is complete. The trustees also commended college leadership on the approval from Southern Association of Colleges and Schools Commission on Colleges regarding the master's program and adopted a resolution honoring Mr. John Carter upon his retirement.

April 20, 2017

The Board of Trustees approved a resolution via email authorizing the college to sell Welch Library and the president to sign closing documents on the college's behalf.

May 17-18, 2017

In its regular May meeting, the Board of Trustees approved the 2017-18 budget and an engagement letter from the auditor, BKD CPAs and Advisors. The Board also approved a resolution thanking the student body for its patience during the transition to the new campus. The Board adopted a resolution increasing the line of credit for relocation by \$1 million owing to the purchase of the additional 64 acres and adding \$300,000 to the operational line of credit for one year.

Salary Breakdowns

	2015-2016	2016-2017	2017-2018
President*			
Salary	\$66,752	\$67,420	\$70,136
Social Security	5,107	5,158	5,365
Retirement	668	1,348	1,403
Medical Insurance	13,694	14,437	15,469
Life Insurance	<u>337</u>	<u>337</u>	<u>337</u>
	\$86,558	\$88,700	\$92,710
Provost			
Salary	\$54,163	\$54,705	**\$54,500
Social Security	4,143	4,185	4,169
Retirement	542	1,094	1,090
Medical Insurance**	0	0	15,469
Life Insurance	<u>337</u>	<u>337</u>	<u>337</u>
	\$59,185	\$60,321	\$75,565
Vice President for Financial Affairs			
Salary	\$48,455	\$49,909	\$53,000
Social Security	3,707	3,818	4,055
Retirement	485	998	1,060
Medical Insurance	4,512	4,757	5,097
Life Insurance	<u>337</u>	<u>337</u>	<u>337</u>
	\$57,496	\$59,819	\$63,549
Vice President for Institutional Advancement			
Salary	\$51,969	\$52,489	\$56,591
Social Security	3,976	4,015	4,329
Retirement	520	1,050	1,132
Medical Insurance	9,476	9,990	10,704
Life Insurance	<u>337</u>	<u>337</u>	<u>337</u>
	\$66,278	\$67,881	\$73,093

*Housing provided (with Social Security variation). Vehicle provided.
**New Provost as of 6/1/17

Welch College

Independent Auditor's Report and Consolidated Financial Statements

May 31, 2017



Welch College
May 31, 2017

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Consolidated Financial Statements

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Independent Auditor's Report

Board of Trustees
Welch College
Gallatin, Tennessee

We have audited the accompanying consolidated financial statements of Welch College (College), which comprise the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 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 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 entity'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Management Summary of May 31, 2017 Financial Information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, the 2016 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "BKD, LLP". The letters are stylized and slanted to the right.

Nashville, Tennessee
July 10, 2017

Welch College
Consolidated Statement of Financial Position
May 31, 2017

Assets

Cash and cash equivalents	\$ 764,602
Restricted cash	282,242
Restricted cash for student loans	305,699
Accounts receivable, net of allowance of \$33,187	58,065
Prepaid expenses and other	134,918
Investments	1,330,298
Beneficial interests in perpetual trusts	1,124,586
Campaign pledges receivable, net of allowance of \$65,978	74,936
Student notes receivable, net of allowance of \$7,545	5,248
Property and equipment, net	<u>33,413,361</u>
Total assets	<u><u>\$ 37,493,955</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,980,413
Line of credit	1,300,000
Long-term debt	11,501,222
Student deposits and agency funds	153,946
Deferred revenues	<u>49,442</u>
Total liabilities	<u>14,985,023</u>

Net Assets

Unrestricted net assets attributable to College	17,494,715
Unrestricted net assets attributable to noncontrolling interests	<u>1,746,471</u>
Total unrestricted net assets	19,241,186
Temporarily restricted	385,516
Permanently restricted	<u>2,882,230</u>
Total net assets	<u>22,508,932</u>
Total liabilities and net assets	<u><u>\$ 37,493,955</u></u>

Welch College
Consolidated Statement of Activities
Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Tuition and fees, net of student aid discounts of \$1,256,509	\$ 2,509,403	\$ -	\$ -	\$ 2,509,403
Private gifts and grants	1,165,993	481,797	163,364	1,811,154
Investment income	27,884	57,796	-	85,680
Change in value of beneficial interests in perpetual trusts	-	-	(32,337)	(32,337)
Other income	24,781	-	-	24,781
Auxiliary enterprises	1,022,909	-	-	1,022,909
	4,750,970	539,593	131,027	5,421,590
Net assets released from restrictions	6,879,053	(6,879,053)	-	-
Total revenues, gains and other support	11,630,023	(6,339,460)	131,027	5,421,590
Expenses and Losses				
Academic and general				
Instruction	1,631,816	-	-	1,631,816
Institutional support	1,624,581	-	-	1,624,581
Academic support	381,932	-	-	381,932
Student services	585,434	-	-	585,434
Plant maintenance	746,200	-	-	746,200
Interest expense	17,685	-	-	17,685
Auxiliary enterprises	699,114	-	-	699,114
	5,686,762	-	-	5,686,762
Total expenses and losses	5,943,261	(6,339,460)	131,027	(265,172)
Other Changes in Net Assets				
Gain on disposition of property and equipment	1,231,369	-	-	1,231,369
Relocation expenses	(513,976)	-	-	(513,976)
Lease expenses	(274,930)	-	-	(274,930)
	442,463	-	-	442,463
Total other changes in net assets	442,463	-	-	442,463
Change in Net Assets	6,385,724	(6,339,460)	131,027	177,291
Change in Net Assets Attributable to Noncontrolling Interests	(3,529)	-	-	(3,529)
Change in Net Assets Attributable to College	6,389,253	(6,339,460)	131,027	180,820
Net Assets, Beginning of Year, as Previously Reported	11,105,462	6,724,976	2,494,623	20,325,061
Adjustment Applicable to Prior Years	-	-	256,580	256,580
Net Assets, Beginning of Year, as Restated	11,105,462	6,724,976	2,751,203	20,581,641
Contributions From Noncontrolling Interests	1,750,000	-	-	1,750,000
Net Assets, End of Year	\$ 19,241,186	\$ 385,516	\$ 2,882,230	\$22,508,932

See Notes to Consolidated Financial Statements

Welch College

Consolidated Statement of Cash Flows

Year Ended May 31, 2017

Operating Activities

Change in net assets before attribution of noncontrolling interests	\$ 177,291
Change in net assets attributable to noncontrolling interests	<u>(3,529)</u>
Change in net assets attributable to the College	180,820
Items not requiring (providing) cash	
Depreciation and amortization	394,307
Gain on disposition of property and equipment	(1,231,369)
Net investment earnings	(85,680)
Change in value of beneficial interests in perpetual trusts	32,337
Contributions restricted for acquisition of long-lived assets	(399,940)
Contributions restricted for long-term investment	(163,364)
Changes in	
Noncontrolling interests	(3,529)
Accounts receivable	(17,540)
Accounts payable and accrued expenses	239,873
Other assets and liabilities	<u>70,510</u>
Net cash used in operating activities	<u>(983,575)</u>

Investing Activities

Purchases of property and equipment	(21,934,968)
Proceeds from sale of Welch Library, net of expenses	1,659,278
Proceeds from sale of investments	<u>269,875</u>
Net cash used in investing activities	<u>(20,005,815)</u>

Financing Activities

Proceeds from contributions restricted for acquisition of long-lived assets	399,940
Proceeds from contributions restricted for long-term investment	163,364
Borrowings under line-of-credit agreement	975,000
Borrowings on long-term debt	11,000,000
Principal payments under capital lease obligations	(41,095)
Noncontrolling interests capital contributions	<u>1,750,000</u>
Net cash provided by financing activities	<u>14,247,209</u>

Net Decrease in Cash and Cash Equivalents (6,742,181)

Cash and Cash Equivalents, Beginning of Year 8,094,724

Cash and Cash Equivalents, End of Year \$ 1,352,543

Supplemental Cash Flows Information

Accounts payable incurred to purchase property and equipment	\$ 351,260
Capital lease obligations incurred for purchase of property and equipment	\$ 419,793
Interest paid, net of capitalized interest	\$ 28,435

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

Welch College (College) is a not-for-profit college that operates under the auspices of the National Association of Free Will Baptists, Inc. and is governed by a board of trustees. The College provides postsecondary education to students from approximately 22 states and several international countries. The College's revenue and support are derived principally from student tuition and fees, private gifts and grants and auxiliary enterprises.

During 2016, the College entered into a sales-leaseback transaction involving certain real property to sell its West End Campus and relocate to Gallatin, Tennessee. The sales-leaseback arrangement ended in April 2017 when the College officially relocated to the new Gallatin site. The College incurred approximately \$275,000 of lease expense related to this transaction and incurred approximately \$514,000 of other related expenses during the year ended May 31, 2017. In addition, during 2017 the College sold the library held on West End Campus to a third party which resulted in a gain of approximately \$1,292,000.

The consolidated financial statements include the accounts of the College and the Free Will Baptist Ministries Partnership (Partnership). The College entered into a partnership agreement in September 2016 in order to acquire, own and manage property near the Gallatin campus. The College holds a 36.37% interest in the Partnership and, under the terms of the agreement, is designated as the managing general partner. In addition, the College has the option to purchase all of the interests of the minority partners within 60 months of the date of the partnership agreement for an agreed-upon return of the minority partners' capital contributions plus a guaranteed return. Significant intercompany transactions and accounts 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 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 consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Noncontrolling Interests

Noncontrolling interests represent the proportionate share of the equity of the Partnership that is owned by third parties. Losses attributable to the noncontrolling interests are allocated to the noncontrolling interests even if the carrying amount of the noncontrolling interests is reduced below zero.

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Cash and Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2017, cash equivalents consisted primarily of demand deposits at financial institutions.

At May 31, 2017, the College's cash accounts exceeded federally insured limits by approximately \$592,000.

Investments and Investment Return

Investments are carried at fair value. Investments in private pooled investments are recorded at present value of future cash flows, as a practical expedient, to determine fair value of the investments. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated bi-annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts and Student Notes Receivable

The College grants credit to its students by allowing tuition and fees to be paid under various payment options. The College reports tuition and fees revenue net of any student aid discounts. The College does not require collateral for accounts and student notes 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.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization or estimated fair value at the date of gift. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The current provision for depreciation is reported as an expenditure of the College. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	10 – 50 years
Buildings and building improvements	20 – 50 years
Library books and periodicals	5 – 20 years
Furniture and equipment	4 – 20 years

The College capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

Interest costs capitalized	\$ 184,357
Interest costs charged to expense	<u>17,685</u>
Total interest incurred	<u>\$ 202,042</u>

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended May 31, 2017.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the College has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the College in perpetuity.

Private Gifts and Grants

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Gifts having donor stipulations, which are satisfied in the period the gift is received, are reported as unrestricted revenue and net assets.

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as private gifts and grants revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Deferred Revenues

Deferred revenues 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.

Student Aid Discounts

Tuition and fees revenue, and certain other revenues from students, are reported net of student aid discounts in the consolidated statement of activities. Student aid discounts are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. The student aid discounts on tuition and fees revenue for the year ended May 31, 2017, was \$1,256,509.

Income Taxes

The College is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Certain costs have been allocated among the academic programs, general and auxiliary enterprises categories based on estimates of time spent by College personnel.

Fundraising

The College expenses fundraising costs as incurred in institutional support expenses. Fundraising costs were approximately \$648,000 for the year ended May 31, 2017.

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Note 2: Investments and Investment Return

Investments at May 31, 2017, consisted of the following:

Annuity funds	\$ 245,247
Investments held with the Free Will Baptist Foundation	<u>1,085,051</u>
Total	<u>\$ 1,330,298</u>

Total investment return is comprised of the following for the year ended May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net investment return	<u>\$ 27,884</u>	<u>\$ 57,796</u>	<u>\$ -</u>	<u>\$ 85,680</u>

As of May 31, 2017, investments held with the Free Will Baptist Foundation consisted of 3% cash and cash equivalents, 59% equities, 26% fixed income, 8% real estate investments, 3% mutual funds and 1% alternative investments.

Note 3: Campaign Pledges Receivable

Campaign pledges receivable consisted of the following:

Due within one year	\$ 33,762
Due within five years	<u>124,582</u>
	158,344
Less	
Allowance for uncollectible receivables	65,978
Unamortized discount	<u>17,430</u>
	<u>\$ 74,936</u>

Discount rates ranged from 0.87% to 2.29% for 2017. The campaign pledges receivable are temporarily restricted for the construction of the new campus.

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Note 4: Beneficial Interests in Perpetual Trusts

The College is the beneficiary under perpetual trusts administered by the Free Will Baptist Foundation. Under the terms of the trusts, the College has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$1,124,586, which represents the fair value of the trust assets at May 31, 2017. The change in value of beneficial interests in perpetual trusts for 2017 was (\$32,337).

Note 5: Property and Equipment

Property and equipment at May 31, 2017, consists of:

Land and land improvements	\$ 7,027,020
Buildings and building improvements	16,334,696
Library books and periodicals	865,758
Furniture and equipment	1,803,013
Construction in progress	8,584,012
	<u>34,614,499</u>
Less accumulated depreciation and amortization	<u>1,201,138</u>
	<u><u>\$ 33,413,361</u></u>

Note 6: Line of Credit

The College has a \$1,300,000 revolving line of credit with the Free Will Baptist Foundation expiring March 30, 2022. At May 31, 2017, there was \$1,300,000 borrowed against this line. The line is secured by an endowment fund held by the Free Will Baptist Foundation. Interest accrues at a fixed rate of 4.50% and is payable monthly.

Note 7: Long-Term Debt

Notes payable (A)	\$ 125,277
Construction line-of-credit note (B)	11,000,000
Capital lease obligations (C)	<u>375,945</u>
	<u><u>\$ 11,501,222</u></u>

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

- (A) Notes consist of \$50,000 borrowed from an individual donor to the College with the remaining balance of \$75,277 representing various notes payable to individuals. These notes are due upon demand with annual interest rates of 5.00% and 4.00%, respectively.
- (B) During 2017, the College entered into an \$11,000,000 nonrevolving construction line-of-credit note with the Free Will Baptist Foundation. Interest accrues at a fixed rate of 4.50% and is payable monthly. Principal and interest payments will begin September 2018, which is amortized over 25 years. Final principal and interest payments are due September 22, 2021. This note is collateralized by a portion of the College's real property.
- (C) Capital leases include leases covering information technology equipment and copiers for up to 63 months expiring in various years through 2023.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at May 31, 2017, are:

	Long-Term Debt (Excluding Leases)	Capital Lease Obligations
2018	\$ 125,277	\$ 85,905
2019	193,484	85,757
2020	301,310	85,757
2021	315,152	85,757
2022	10,190,054	44,813
Thereafter	-	353
	<u>\$ 11,125,277</u>	388,342
Less amount representing interest		<u>12,397</u>
Present value of future minimum lease payments		<u>\$ 375,945</u>
Property and equipment include the following property under capital leases at May 31, 2017:		
Furniture and equipment		\$ 419,793
Less accumulated depreciation and amortization		<u>38,318</u>
		<u>\$ 381,475</u>

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Note 8: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2017, are available for the following purposes or periods:

Scholarships, endowed	\$ 92,060
Scholarships, time restricted	175,989
Campus relocation	97,782
Other	19,685
	<hr/>
	\$ 385,516
	<hr/>

Permanently Restricted Net Assets

Permanently restricted net assets at May 31, 2017, are restricted to:

Investment in perpetuity, the income of which is expendable to support	
Scholarships	\$ 2,510,493
Loans to students	371,737
	<hr/>
	\$ 2,882,230
	<hr/>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished	
Scholarships	\$ 142,504
Campus construction	6,647,432
Other	89,117
	<hr/>
	\$ 6,879,053
	<hr/>

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Net Asset Transactions With Noncontrolling Interests

For the year ended May 31, 2017, changes in consolidated net assets attributable to the controlling and noncontrolling financial interests are:

	Total Unrestricted Net Assets	Net Assets Attributable to Welch College	Noncontrolling Interests
Balance, June 1, 2016	\$ 11,105,462	\$ 11,105,462	\$ -
Change in unrestricted net assets	6,385,724	6,389,253	(3,529)
Contributions from noncontrolling interests	1,750,000	-	1,750,000
Increase in unrestricted net assets	8,135,724	6,389,253	1,746,471
Balance, May 31, 2017	\$ 19,241,186	\$ 17,494,715	\$ 1,746,471

Note 9: Endowment

The College's endowment consists of approximately 75 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's governing body has interpreted the *Uniform Prudent Management of Institutional Funds Act* (USPMIFA), adopted by the state of Tennessee, as requiring 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is 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 USPMIFA. In accordance with USPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The composition of net assets by type of endowment fund at May 31, 2017, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (7,175)	\$ 92,060	\$ 2,510,493	\$ 2,595,378

Changes in endowment net assets for the year ended May 31, 2017, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year as previously reported	\$ 2,210	\$ 41,320	\$ 2,123,857	\$ 2,167,387
Adjustment applicable to prior years	-	-	256,580	256,580
Endowment net assets, beginning of year, as restated	2,210	41,320	2,380,437	2,423,967
Investment return				
Change in beneficial interests in perpetual trusts	-	-	(32,337)	(32,337)
Investment income	21,419	55,098	-	76,517
Contributions	-	3,000	163,364	166,364
Other	13,032	60,375	(971)	72,436
Appropriation of endowment assets for expenditure	(43,836)	(67,733)	-	(111,569)
Endowment net assets, end of year	\$ (7,175)	\$ 92,060	\$ 2,510,493	\$ 2,595,378

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at May 31, 2017, consisted of:

Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or USPMIFA	\$ 2,510,493
Temporarily restricted net assets – portion of perpetual endowment funds subject to a restriction under USPMIFA	
With purpose restrictions	\$ 92,060
Without purpose restrictions	-
	<u>\$ 92,060</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or USPMIFA. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and aggregated \$19,622 at May 31, 2017. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods. Under the College's policies, as approved by the board of trustees, endowment assets are primarily invested in U.S. securities or federal agencies obligations to reduce market and equity risk.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized).

The College's investment policy allows expenditures of a maximum of 5% of corpus from the funds carried as temporarily restricted net assets up to the accumulated balance of such funds. The College will limit annual spending from funds to the lesser of the approved rate or the amount that prevents the funds value from descending below the donor's original contribution.

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Note 10: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2017:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Annuity funds	\$ 245,247	\$ -	\$ 245,247	\$ -
Investments held with the Free Will Baptist Foundation (1)	1,085,051	-	-	1,085,051
Total investments	1,330,298	-	245,247	1,085,051
Beneficial interests in perpetual trusts	1,124,586	-	-	1,124,586
	<u>\$2,454,884</u>	<u>\$ -</u>	<u>\$ 245,247</u>	<u>\$ 2,209,637</u>

- (1) See Note 2 for an analysis of the types of investments within the investments held with the Free Will Baptist Foundation.

Welch College

Notes to Consolidated Financial Statements

May 31, 2017

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended May 31, 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the College expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the College does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Beneficial Interests in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the terms of the agreements. Due to the nature of the valuation inputs, the interests are classified within Level 3 of the hierarchy.

Investments Held With Free Will Baptist Foundation

Fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interests are classified within Level 3 of the hierarchy.

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable (Level 3) inputs:

	Investments Held With Free Will Baptist Foundation	Beneficial Interests in Perpetual Trusts
Balance, June 1, 2016, as restated (see Note 13)	\$ 1,279,744	\$ 1,128,362
Contributions	-	28,561
Reclassification to cash and cash equivalents	(102,609)	-
Withdrawals	(113,683)	-
Change in fair value of investments	(23,421)	(32,337)
Other	45,020	-
Balance, May 31, 2017	<u>\$ 1,085,051</u>	<u>\$ 1,124,586</u>

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

Investments held with Free Will Baptist Foundation	\$ 1,085,051	Present value of future cash flows	Discount rate	N/A
Beneficial interests in perpetual trusts	\$ 1,124,586	Present value of future cash flows	Discount rate	N/A

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Note 12: Operating Leases

The College leases certain equipment under various noncancellable operating lease agreements through 2021.

Future minimum lease payments under operating leases are as follows:

2018	\$ 5,180
2019	2,580
2020	2,580
2021	<u>2,365</u>
Total minimum lease payments	<u><u>\$ 12,705</u></u>

Note 13: Restatement for Beneficial Interests in Perpetual Trusts

The College did not properly account for its beneficial interest in perpetual trusts in accordance with Accounting Standards Codification (ASC) 958-30, *Split Interest Agreements*. ASC 958-30 requires the College to record the beneficial interests in perpetual trusts if the College is the beneficiary of a split-interest agreement held by a third party and has an unconditional right to receive all or a portion of the specified cash flows from the assets held pursuant to that agreement. In accordance with ASC 958-30, the College has measured its beneficial interests in perpetual trusts at fair value. As a result of this correction, the 2017 beginning of the year net assets were increased by \$256,580, which included an increase in permanently restricted net assets of \$256,580.

Welch College
Notes to Consolidated Financial Statements
May 31, 2017

Note 14: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Extension of Long-Term Debt

On June 9, 2017, the College received approval from its board of trustees to seek an extension of \$2,200,000 on its long-term debt from the Free Will Baptist Foundation whose own board of trustees approved such amendment on the same date.

Management Summary of May 31, 2017 Financial Information

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

One word is seemingly sufficient to describe 2017—transition! This year brought the culmination of 25 years of prayer and planning for Welch College’s relocation. This document will not provide enough space to adequately describe the process; however, the new campus is testimony enough to our faithful God who strengthened dedicated servants for this monumental task. Considering the challenges, our resource limitations, and our inexperience with a project of this magnitude and scope, we are thankful to have successfully navigated this relocation journey and are excited to share with you, our faithful friends, the May 31, 2017 financial results of the college and then give you a glimpse of the promising days that are ahead for the ministry of Welch College in Gallatin, Tennessee.

Independent Auditor’s Report

BKD, LLP, the college’s auditor, issued an unmodified audit opinion of the Welch College consolidated financial statements in accordance with accounting principles generally accepted in the United States of America as of May 31, 2017. ***Though published with the auditor’s report for purposes of presentation to the National Association of Free Will Baptists, the Welch College Management Summary of May 31, 2017 Financial Information is unaudited and therefore should not be considered part of the auditor’s opinion.***

Financial Statement Summary

There were many positive financial developments this fiscal year, many of which are as a direct result of the college’s construction and relocation to Gallatin. In summary, total assets significantly increased, investments are stable, cash is down, and liabilities have increased. Furthermore, operational income is slightly down (much of which is because of revenue losses from the delayed start of the spring, 2017 semester) and expenses increased due to several strategic spending decisions. Total assets are approaching \$37.5 million with liabilities standing at near \$15 million, for total net assets of \$22.5 million. Total income for the year is strong at just over \$11.5 million primarily owing to net assets released from restrictions of near \$6.9 million to release *Building on the Legacy* capital campaign gifts because Welch spent the funds for construction. Operational expenses of almost \$5.7 million and other changes in net assets add around \$450,000 resulting in an overall change in net assets of approximately \$6.4 million for the unrestricted fund. Temporarily restricted activities resulted in a decrease of \$6.3 million, while permanently restricted funds increased by \$131,027. The total change in net assets attributable to Welch College across all funds is \$180,820.

Consolidated Statement of Financial Position (Balance Sheet)

The 2017 fiscal year close brings several noticeable changes in the college’s assets. Overall, total consolidated assets increased by a net \$14.4 million to end the year at \$37.49 million. The net change is primarily owing to the following factors: 1) Cash is down as a result of construction spending (decrease totaling \$6.7 million) and, 2) Property, plant, and equipment jumped because of the construction of the Gallatin campus (increase totaling \$21 million) – refer to Note 5 to the Financials for additional detail.

As expected, the college’s debt increased because of funding the campus construction. The operational line of credit increased by approximately \$1 million with long-term debt rising to \$11 million. Internally, long-term debt is classified as follows: \$2.25 million in debt to retire the college’s defined benefit

pension plan in 2013, \$1 million to purchase land with the Free Will Baptist Ministries Partnership, and \$7.75 million in construction debt (all as of May 31, 2017; see the ***Extension of Long-Term Debt, Subsequent Event to May 31, 2017*** and the ***Capital Campaign and Debt-Reduction*** sections for more debt information as of July, 2017). The total liabilities increased by \$12.25 million. It should also be mentioned that, a fraction of the college’s long-term debt of \$11.5 million is as a result of capital leases to fund information technology and related purchases for the new campus. Notes 6, 7, and 14 to the Financials as well as the ***Capital Campaign and Debt-Reduction*** section all provide additional details regarding college liabilities. The Free Will Baptist Foundation continues to hold the majority of college debt.

Welch College holds a strong net asset position (\$22.5 million now compared to \$20.3 million for fiscal year end May 31, 2016). Comparing the two fiscal years, one will notice a shift in temporarily restricted net assets to unrestricted net assets primarily owing to capital campaign gifts released from restrictions because of campus construction. Unrestricted net assets increased by \$8.1 million.

Consolidated Statement of Activities (Profit & Loss Statement)

Revenues totaled \$11.63 million for the unrestricted fund (i.e. operations), which is an increase of \$5.8 million for the year, with the majority of the increase being derived from nets assets released from restrictions for the capital campaign (see Note 8 to the Financials).

Other changes in net assets reflects a gain of \$1.2 million resulting from the sale of Welch Library, the only remaining college-owned property at the West End campus. This figure is reduced to \$442,463 after netting relocation expenses charged to operations and lease expenses incurred to remain on the West End campus until construction was completed. Students moved into the Gallatin dorms on March 4, 2017 with employees following on March 10, 2017. The other changes in net assets category is \$5.35 million less than last fiscal year which is understandable because the gain from the sale of the West End campus that was recognized (in the fiscal year end 5/31/2016) after completion of the Nashville campus sale on June 19, 2015.

Expenses for the year increased by \$424,274 and ended the year at \$5.68 million. Most of the increase results from increases in spending directly supporting the instructional/academic program of the college. For the year ending May 31, 2017, the financials reflect an operational surplus of almost \$6.4 million. Across all funds (i.e. unrestricted, temporarily restricted, and permanently restricted), Welch College ended the year with an increase in net assets of \$180,820.

Due to the relocation of the campus and the late start to the spring, 2017 semester, the college realized a loss of income for dormitory student room and board and/or incurred additional expenses due to the delayed spring semester. These losses and/or additional expenses directly impacted operational income and cash flow and can generally be classified as follows:

Revenue Loss: Student Board	\$85,205
Revenue Loss: Student Room	\$56,364
Revenue Loss: Campus Store	\$5,335
Non-capitalized transition costs	\$111,836
Additional food service costs	\$32,765
Total	\$291,505

Depreciation, a non-cash expense, increased by \$257,734 to total \$394,307 for the fiscal year ending

May 31, 2017 because three of the five campus buildings were brought into service in the spring, 2017, thus requiring the recognition of a partial year of depreciation for each building.

Consolidated Statement of Cash Flows

As previously mentioned, net cash and cash equivalents decreased by \$6.7 million for the year. The college used approximately \$1 million in cash for operating activities, spent almost \$20 million for purchases of property and equipment, and was provided just over \$14 million in cash by financing activities. Total cash and cash equivalents at year end is \$1.35 million.

Free Will Baptist Ministries Partnership and Consolidated Financial Information

In the fall of 2016 the college was presented with a wonderful opportunity to acquire 64 acres of prime property adjoining our 66 acres purchased in 2008. After discussion between the Free Will Baptist Foundation, Free Will Baptist North American Ministries, Free Will Baptist Family Ministries, and Welch College, it was determined the group would form a partnership to purchase the property for \$2.7 million, which is considerably less than fair market value.

Welch College is the managing general partner per the partnership agreement signed by the entities. The college contributed \$1.075 million to the partnership, of which, \$1 million was borrowed from the college's construction line of credit. Welch College owns a 38% interest in this property that is intended to be used by these ministries for mission fulfillment with the possibility of selling a portion of the property for commercial development.

Per the partnership agreement and generally accepted accounting principles, the partnership financial information is consolidated with the college's financial statements. As a result, \$1.74 million of noncontrolling interests are included in the consolidated financial statements.

Restatement Resulting from Beneficial Interests in Perpetual Trusts Held by the Free Will Baptist Foundation

Note 4 to the consolidated financial statements reflects the college's beneficial interests in just over \$1.1 million of perpetual trusts administered by the Free Will Baptist Foundation. Under the terms of the trust agreements, the college has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the principal held in trust. Note 13 to the Financials notes that the college had not previously recorded \$256,580 in beneficial interests in perpetual trusts, per accounting standards, held by the Free Will Baptist Foundation. As of result of this correction, 2017 beginning of year net assets were increased, resulting in a total beneficial interest of \$1.1 million.

Annual Fund Giving

Gifts to the unrestricted fund amounted to \$1.165 million. Of that amount, \$1.15 million was annual fund unrestricted gifts, while the remaining \$14,886 was other unrestricted giving. The previous fiscal year's unrestricted gifts totaled \$1.29 million. Tuition for students enrolled during the 2016-2017 academic year was, in essence, subsidized \$158 per semester hour by annual fund donations. Therefore, the generous giving of Free Will Baptists and Welch College friends meant the average full-time student paid \$4,740 less in tuition.

Extension of Long-Term Debt, Subsequent Event to May 31, 2017

In June 2017, the college received an extension of credit from the Free Will Baptist Foundation (for the 2017-2018 fiscal year) totaling \$2.2 million owing to increases/overruns in construction spending and the impact of the elongated construction/transition process on capital campaign fundraising. This credit extension was approved by both the College Board of Trustees and the Free Will Baptist Foundation Board. Note 14 to the Financials and the *Capital Campaign and Debt-Reduction* section of the management summary provide more information.

Capital Campaign and Debt-Reduction

With a very successful silent-phase capital campaign that has raised nearly \$9 million toward relocation, Welch College is initiating the public phase of the *Building on the Legacy* (BOL) capital campaign to fund campus relocation, thus paying down the relocation debt.

When we complete phase one of campus construction (which replicates and upgrades all the spaces and functions of our previous campus, with the exception that we are utilizing a cafetorium concept), we will have spent approximately \$27 million, more than we anticipated. This does not include what we originally spent on the original 66-acre property in Gallatin—\$3 million—or what we have spent on the new land we acquired with other Free Will Baptist ministries—\$1 million. Based on the year-end financial position, a result of the sale of our old campus and the construction of our new campus, we have in effect *tripled our total assets and our net assets*. When we complete construction, our long-term debt as internally noted will be as follows.

Long-Term Debt: \$13 million

Internal pension debt	\$2.25 million (pre-relocation)
New land debt	\$1 million (new land acquired in 2016)
Relocation debt	\$9.75 million

Building on the Legacy Campaign

The silent phase of our capital campaign has been enormously successful. We have already raised nearly \$9 million in total *Building on the Legacy* (BOL) gifts. Over the remainder of our five-year BOL capital campaign, we will raise another \$8 million and pay \$1.25 million in principal payments. This will leave us with approximately \$800,000 in relocation debt, \$2.05 million in internal pension debt, and \$900,000 in debt for the new land. However, **if in the public phase of the campaign we receive even a small fraction of the unexpected large gifts we received in the silent phase, we expect to far exceed these numbers.**

Five-Year Capital Campaign: \$9.25 million paid down on debt

Yet to Raise	\$8 million
Principal Payments	\$1.25 million (over five years)
<i>(Already raised around \$9 million)</i>	

Long-Term Debt after Capital Campaign: \$3.75 million

Internal Pension Debt	\$2.05 million
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New Land Debt	\$900,000
Relocation Debt	\$800,000

Long-Term Debt-to-Asset Ratio

Currently, we are in the same position in terms of debt-to-asset ratio that we were in before. Yet we have a brand new campus in a wonderful area for growth to show for it. The BOL campaign will significantly strengthen that ratio:

On Old Campus	31.6% (\$13.3 million net assets, \$4.2 million long-term debt)
Now	33.3% (\$39 million net assets, \$13 million long-term debt)
After Campaign	9.6% (\$39 million net assets, \$3.75 million long-term debt)

Financial Reporting Enhancements and College Audit Preparedness

To help address the resource limitations of the college’s Business Office, additional part-time accounting assistance was hired and certain process improvements were implemented. These changes resulted in a smoother financial accounting and reporting process that ultimately aided the college and BKD, LLP, our audit firm, in completion of the annual audit. However, because our fiscal year ends on May 31, completing the college’s audit-process (closing its year-end, producing financial statements, and the auditor’s fieldwork, and completing the final audit opinion and report) will always require a quick turnaround prior to the meeting of the National Association of Free Will Baptists.

We plan to continue implementing improvements and working to increase our office’s capacity to produce accurate and timely financial statements so as to ease the strain of producing the report quickly. However, because of upcoming not-for-profit reporting standard changes implemented by the Financial Accounting Standards Board, reporting formats of all not for profit audit reports will soon change. Welch College is required to implement this reporting change in the fiscal year ending May 31, 2019. We are currently working with the college’s auditors to find strategies to minimize the impact of this required change. Our primary focus is to find ways to decrease the risk of not presenting a completed audit report to the convention in July, 2019. Possible strategies may include a change in the college’s fiscal year end. Options will continue to be evaluated; more information will be shared at the 2018 convention.

2017-2018 Proposed Budget

The college is proposing a balanced budget totaling \$7.2 million (see chart below).

There are a number of positive opportunities for Welch College to utilize our new campus to increase revenue; however, this does not include tuition increases that are out of line with previous adjustments. Traditional student (i.e. dormitory and commuter) tuition, room, and board will increase by 3% for the 2017-2018 academic year, thus making the average dorm student cost about \$12,800/semester and the average commuter costs approximately \$9,200/semester.

Our tuition budget also predicates enrolling approximately 20 additional dorm students for the budget year. We strongly believe this is feasible based on the solid interest in Welch College by potential students and their families. Fully admitted students have increased by 50% (from 63 in June 2016 to 95 as of June 30, 2017). College leadership continues to closely monitor these indicators so we can make necessary adjustments in subsequent years to ensure we have enough housing to stay ahead of the

demand. Currently, we figure our current dorm capacity of 224 students will provide 3-5 years of housing assuming conservative growth in dormitory student enrollment. Of course, should this happen, this is a nice problem to have, yet the matter requires close monitoring as we move forward.

The college has also made strategic investments in personnel and other resources to increase online enrollment, revamp and relaunch our degree completion program for adults (our new Enriched Adult Students program), and grow the college's dual enrollment offerings to local high school and homeschool students. Conservative growth in each of the aforementioned areas are factored into the proposed budget.

Audit* & Proposed Budget		
	Audited 5/31/2017	Proposed 5/31/2018
Revenues:		
Tuition & fees, net	\$ 2,509,403	\$ 3,023,845
Private gifts:		
Annual Fund	\$ 1,151,107	\$ 1,250,000
Estate, grant, & misc.	\$ 39,667	\$ 261,884
Gifts-in-Kind	\$ -	\$ -
Investment & endowment	\$ 27,884	\$ 47,000
Auxiliary	\$ 1,022,909	\$ 1,195,750
Other		
Net Assets released from restrictions	\$ 6,879,053	\$ 1,460,000
Total Revenues	\$ 11,630,023	\$ 7,238,479
Expenses:		
Academic and general		
Instruction	\$ 1,631,816	\$ 1,778,782
Institutional support	\$ 1,624,581	\$ 2,277,513
Academic support	\$ 381,932	\$ 503,443
Student services	\$ 585,434	\$ 754,906
Plant maintenance	\$ 746,200	\$ 670,133
Interest expense	\$ 17,685	\$ 500,650
Auxiliary	\$ 699,114	\$ 753,052
Total Expenses	\$ 5,686,762	\$ 7,238,479
	\$ 5,943,261	\$ -
Other Changes in Net Assets	\$ 442,463	\$ -
Change in Net Assets	\$ 6,385,724	\$ -
Total Depreciation	\$ 394,307	\$ 700,000

a preventative maintenance plan so as to properly care for and maintain our beautiful new campus on a daily, weekly, monthly, and annual basis and, in so doing, prevent the backlog of deferred maintenance we had on the Nashville campus.

In the months and years ahead, the college will continue to raise funds for the *Building on the Legacy* capital campaign, to grow enrollment and other revenue sources strategically, to watch spending, and to manage cash/liquidity. We are committed to these goals in order to reduce debt and build cash reserves to continue funding (and growing) the ministry of Welch College in order to fulfill our mission *to educate leaders to serve Christ, His Church, and His world through biblical thought and life*. The opportunities are exciting and many, and we cherish the prayers and faithful financial support of our denominational family and college friends.

Finally, the college has received strong interest from a number of Christian groups who are seeking to partner with Welch College to use our facilities for their summer meetings, schools, and camps. We are pursuing these opportunities while also maintaining the longstanding, valued partnerships with our Free Will Baptist/denominational summer programs to provide use of our facilities at a significant discount. We are thankful to continue working with other denominational agencies and other Christian ministries to share the blessing of our new Gallatin campus.

On the expense side, we have made strategic investments in several areas for this budget year. Some of these areas include: bolster academic administration personnel and faculty to help support projected student growth, provide additional resources for college recruitment and marketing for both traditional and non-traditional students. We are also working with Plant maintenance staff to develop

STATISTICAL REPORT
Reporting Period 2016

	Associations		Churches		Number Reporting	City	Rural	Full-Time Pastors	Bivocational Pastors	Baptisms	Reported 2015 Membership	Members Added	Members Lost	Net Membership Gain/Loss	Actual 2016 Membership	Reported 2016 Membership
	13	13	120	102	51	69	50	38	235	10,503	358	207	151		10,654	11,444
Alabama																
Arizona	1	6	6	5	1	4	2	11	134	5	8	-3	131	121		
Arkansas	15	183	165	90	93	77	81	336	13,965	567	315	252	14,217	14,866		
Assoc. of Mexico	8	35	0	21	14	7	28	0	0	0	0	0	0	0	0	0
California	8	55	55	45	10	30	21	171	1,918	119	97	22	1,940	1,826		
Canada	1	9	1	2	7	1	0	1	220	4	1	3	223	45		
Colorado	1	5	5	4	1	4	1	4	33	121	10	12	-2	119	123	
David Marks Assoc.	1	5	5	4	1	3	2	20	41	0	6	-6	35	56		
Florida	8	57	57	34	23	36	21	109	4,318	260	98	162	4,480	3,951		
Georgia	10	109	104	34	75	67	29	141	6,628	182	184	-2	6,626	6,721		
Hawaii	1	1	1	1	0	1	0	0	26	0	0	0	26	28		
Hawaii	2	5	5	5	0	1	4	12	145	0	0	0	145	145		
Idaho	7	6	35	34	20	15	18	14	83	3,218	103	46	57	3,275	3,137	
Illinois	3	3	21	21	16	5	17	0	0	0	0	0	0	0	0	0
Indiana	1	0	3	0	3	0	3	0	0	108	0	0	0	108	108	
Iowa	2	2	9	9	0	3	4	35	690	44	19	25	715	335		
Kansas	11	11	125	118	39	86	49	75	343	10,425	394	288	106	10,531	10,726	
Kentucky	4	4	28	28	18	10	5	23	30	2,791	69	74	-5	2,786	2,786	
Mexico Assoc.	5	3	33	25	28	5	21	5	67	1,366	46	85	-39	1,327	1,347	
Michigan	1	1	6	4	6	0	5	0	0	0	0	0	0	0	0	0
Mid-Atlantic Assoc.	3	3	45	41	10	35	29	16	88	2,918	101	57	44	2,962	2,842	
Mississippi	19	19	150	150	73	77	64	71	394	8,572	465	236	229	8,801	8,814	
Missouri	1	1	2	2	1	1	0	2	4	58	16	10	6	64	56	
New Mexico	8	8	159	129	76	83	92	19	436	14,619	647	389	258	14,877	14,930	
North Carolina	1	1	3	3	2	1	0	0	0	235	0	0	0	235	0	0
Northeast Assoc.	1	1	6	6	4	2	2	4	6	167	26	10	16	183	215	
Northwest Assoc.	18	18	133	133	64	69	52	78	364	8,401	394	297	97	8,498	8,144	
Ohio	25	25	207	160	145	62	72	53	845	17,734	656	310	346	18,080	15,716	
Oklahoma	5	5	106	18	52	54	89	17	41	4,085	79	28	51	4,136	7,420	
South Carolina	1	1	1	1	0	0	0	0	0	0	21	1	20	20	20	
South Dakota	9	9	194	194	72	122	106	68	373	16,610	494	761	-267	16,343	16,610	
Tennessee	5	5	44	43	29	15	19	21	41	1,877	70	43	27	1,904	1,193	
Texas	1	0	1	0	0	1	1	0	150	0	0	0	0	150	150	
Virgin Islands	8	7	75	47	27	48	32	35	100	3,162	106	91	15	3,177	2,950	
Virginia	20	20	154	154	22	132	47	75	208	6,941	307	380	-73	6,868	6,723	
West Virginia	0	0	1	1	1	0	1	0	3	21	0	0	0	21	24	
Wisconsin																
TOTALS	228	222	2,131	1,827	1,014	1,117	1,008	809	4,530	142,167	5,543	4,053	1,490	143,657	143,572	

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	Combined Income of All Churches	Number of Churches with Budgets	Parsonages	Value of Church and Parsonage Property	Ordained Ministers	Licensed Ministers	Deacons	Day Cares	Christian Day Schools	Bible Institutes	Colleges	Sunday School Enrollment	Value of Associational Property
Alabama	2,882,089	19	37	21,619,580	162	22	285	5	5	0	0	3,885	1,422,309
Arizona	487,284	5	2	2,025,000	10	0	1	0	0	0	0	193	0
Arkansas	10,860,839	48	48	81,225,635	226	34	311	0	2	0	0	6,990	3,550,000
Assoc. of Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0
California	2,261,043	24	20	23,805,680	74	24	48	1	4	2	1	1,087	0
Canada	179,800	1	0	995,832	1	0	0	0	0	0	0	22	294,350
Colorado	418,750	3	0	5,691,000	7	0	0	0	0	0	1	0	261
David Marks Assoc.	327,541	3	2	1,382,000	10	0	0	0	0	0	0	24	0
Florida	2,476,154	20	22	23,504,117	80	12	88	3	2	0	0	1,177	0
Georgia	7,045,919	37	52	47,132,586	125	21	276	0	1	1	0	2,319	168,000
Hawaii	57,000	0	1	1,000,000	1	1	0	0	0	0	0	26	0
Idaho	0	0	0	0	8	0	0	0	0	0	0	0	0
Illinois	3,193,007	18	11	24,248,500	54	3	85	0	1	1	1	1,088	1,200,000
Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0
Iowa	0	3	1	2,400,000	3	0	5	0	0	0	0	77	0
Kansas	748,287	1	0	3,002,929	9	1	2	0	0	0	0	210	0
Kentucky	1,822,381	12	2	29,402,240	345	15	324	1	1	0	0	3,273	0
Mexico Assoc.	29,070	12	7	1,000,000	22	0	48	0	0	0	1	3,000	220,000
Michigan	790,935	16	7	9,521,000	38	7	31	0	0	0	0	796	0
Mid-Atlantic Assoc.	0	0	2	0	9	0	0	0	0	0	0	0	0
Mississippi	1,133,625	14	16	11,285,945	59	12	113	0	2	0	0	1,381	0
Missouri	9,998,322	48	27	69,686,903	215	23	262	2	0	0	0	4,909	6,075,000
New Mexico	100,307	0	0	1,000,000	4	1	2	0	0	0	0	0	16
North Carolina	14,759,216	63	43	97,852,291	187	24	418	7	8	1	1	10,293	0
Northeast Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Northwest Assoc.	234,933	0	1	3,410,000	9	3	4	0	0	0	0	74	0
Ohio	6,423,258	33	17	60,905,327	290	51	515	0	0	0	0	5,614	109,179
Oklahoma	16,164,107	41	34	88,351,053	306	45	376	0	2	0	1	3,577	20,500,000
South Carolina	8,250,000	4	24	29,000,000	153	0	38	3	1	1	0	1,185	1,900,000
South Dakota	0	0	0	300,000	1	0	0	0	0	0	0	20	0
Tennessee	10,535,194	55	48	51,409,091	329	63	421	2	1	2	1	9,166	0
Texas	1,867,596	22	12	15,047,843	48	21	40	0	0	0	0	657	0
Virgin Islands	170,000	1	1	1,500,000	1	1	0	0	0	0	0	80	0
Virginia	1,849,748	17	10	29,662,100	129	19	99	3	4	0	0	1,909	0
West Virginia	2,006,303	11	6	33,816,000	338	3	243	1	7	0	0	4,546	0
Wisconsin	60,038	1	0	500,000	2	0	0	0	0	0	0	18	0
TOTALS	107,132,746	532	453	771,682,652	3,256	406	3,735	29	42	10	4	67,873	35,438,838