

DIGEST OF REPORTS

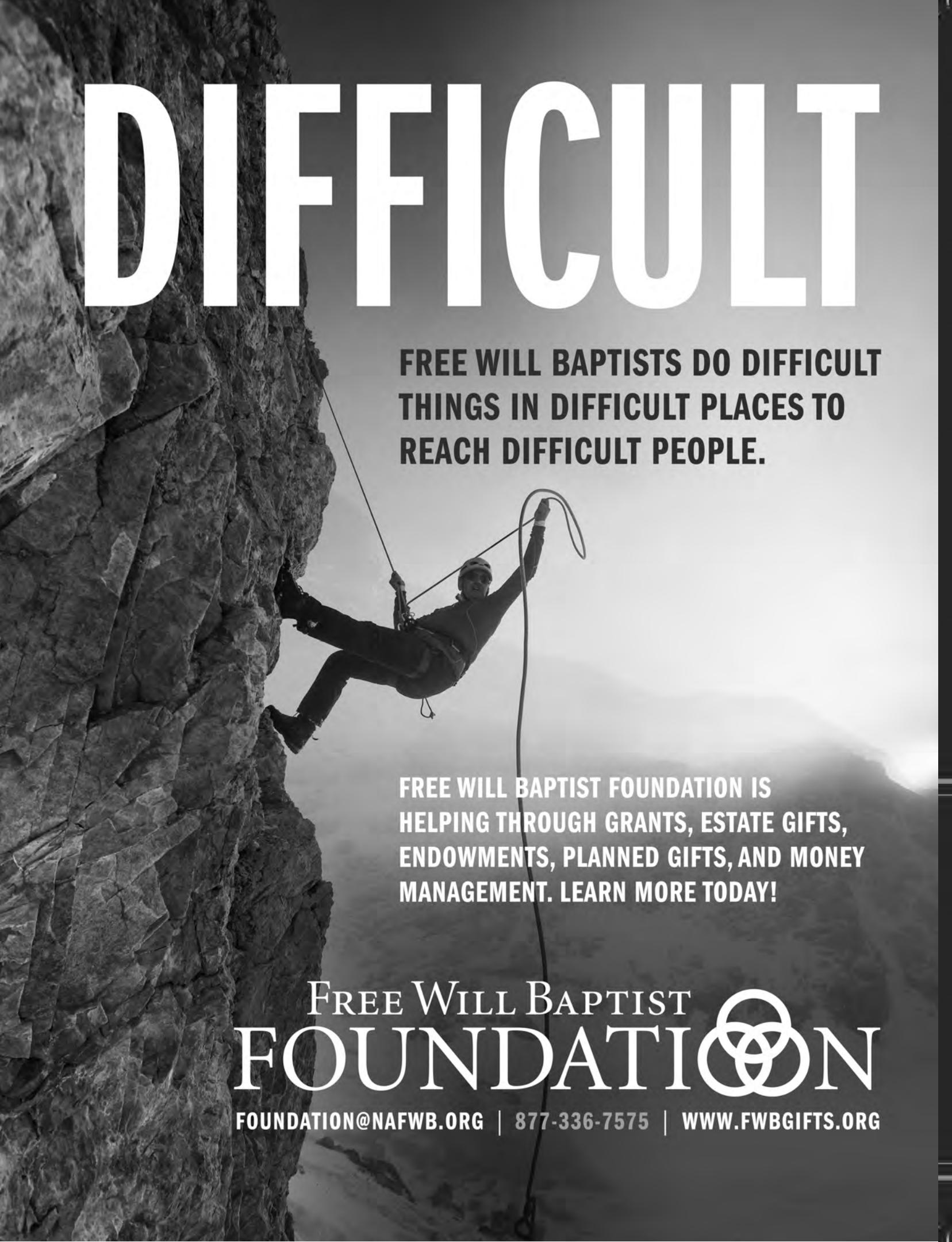


83RD NATIONAL ASSOCIATION OF FREE WILL BAPTISTS

CINCINNATI, OHIO

JULY 21-24, 2019

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Digest of National Agency Reports

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**National Association of Free Will Baptists
83rd Annual Convention
July 21-24, 2019
Cincinnati, Ohio**

The Executive Secretary's Report 2018

This will be my final report to the National Association of Free Will Baptists, Inc. First, I must express my heartfelt gratitude to God for His grace and faithfulness during my tenure. I am humbled by the fact that the Lord would allow me to serve in this capacity. Needless to say, He deserves all of the praise and glory for the things that have been accomplished.

I want to thank the denomination for giving me the opportunity and honor of serving as executive secretary for the past 17 years. I appreciate the confidence you have placed in me and the way you have followed and supported my leadership. I am indebted to those who have opened their pulpits and homes to me as I have traveled representing the executive office.

I would be remiss if I did not mention how much I have come to admire and respect the men and women who lead our various national ministries. Few can understand or appreciate the level of commitment or the amount of personal sacrifice that is required to shoulder the responsibility they carry.

The executive office staff deserves more recognition and commendation than I am capable of giving them for the invaluable contribution they have made to this ministry. Their labor for the kingdom and loyalty to both me and the denomination speak volumes of their Christian character and servant spirit.

The members of the executive committee have served as trusted advisors and the voice of reason during my years of service. These godly men have looked out for the best interest of the denomination while helping chart a course for the future. They have been more than colleagues in ministry...they are my friends and brothers in Christ.

Last, but certainly not least, I am compelled to acknowledge the love and encouragement I have received from my family. Without their prayers and support I would never have been able to make the transition from the pastorate to denominational leadership. I look forward to spending the remaining years of my life and ministry near the ones who mean so much to me.

I am grateful for the progress that has been made since 2002. Our movement has achieved a greater spirit of unity. We now have a successful denominational publication in *ONE Magazine*. The annual national convention continues to add components that meet the growing needs of attendees. There is greater financial stability in the executive office and its related ministries. A program of church revitalization has been developed to assist struggling churches.

Yet, in spite of all that has been accomplished there is still much to be done. It is my hope and prayer that you will be as supportive of my successor and this office as you have been of me. Again, thank you for the privilege of being your servant. God bless Free Will Baptists.

Keith Burden, CMP
Executive Secretary

Tracking The Together Way Totals

	DESIGNATED		CO-OP		TOTAL	
2009						
	3,970,587.35 82%	-2.76%	877,543.24 18%	-1.71%	4,848,130.59	-2.57%
2010						
	3,719,114.31 82%	-6.33%	830,020.39 18%	-5.42%	4,549,134.70	-6.17%
2011						
	3,557,541.45 81%	-4.34%	839,056.49 19%	1.09%	4,396,597.94	-3.35%
2012						
	3,805,921.98 81%	6.98%	867,489.00 19%	3.39%	4,673,410.98	6.30%
2013						
	3,384,687.36 79%	-11.07%	899,627.83 21%	3.70%	4,284,315.19	-8.33%
2014						
	3,376,818.07 80%	-0.23%	840,505.88 20%	-6.57%	4,217,323.95	-1.56%
2015						
	3,172,270.35 79%	-6.06%	824,395.83 21%	-1.92%	3,996,666.18	-5.23%
2016						
	3,517,079.10 81%	10.87%	851,229.28 19%	3.25%	4,368,308.38	9.30%
2017						
	3,236,515.99 80%	-7.98%	830,153.64 20%	-2.48%	4,066,669.63	-6.91%
2018						
	3,294,858.27 79%	1.80%	900,631.19 21%	8.49%	4,195,489.46	3.17%

The Together Way Totals Increase from 2009-2018

Designated -17.02% CO-OP 2.63%



Hill, Harper & Associates
A Professional Limited Liability Company
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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Executive Office of the National Association of Free Will Baptists, Inc. as of December 31, 2018 and 2017 , and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill Harper & Associates

A Professional Limited Liability Company
Franklin, Tennessee
April 25, 2019

Terry A. Hill

615 417 - 7414

terryhill37027@comcast.net

P O Box 680788

Franklin, Tennessee 37068

Ernest R. Harper

615 417 - 6358

e.harper@comcast.net

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

Statements of Financial Position

December 31, 2018 and 2017

	Assets	2018	2017
Current assets:			
Cash in bank			
Executive Office	\$ 225,415	181,664	
Convention	296,497	327,332	
Special Projects - Hymnal royalties	107,160	98,058	
	Total cash in bank	629,072	607,054
Funds held by Free Will Baptist Foundation	17,021	18,071	
Receivables:			
Randall House royalties	1,161	11,801	
Other departmental and agency charges	32,162	145	
	Total receivables	33,323	11,946
	Total current assets	679,416	637,071
Equipment:			
Office equipment and furniture	39,756	37,956	
Automobiles	34,469	34,469	
	74,225	72,425	
Less accumulated depreciation	59,097	54,903	
	Equipment, net of depreciation	15,128	17,522
Other assets:			
Deposits for future conventions	17,398	17,398	
	\$ 711,942	671,991	
	Liabilities and Net Assets		
Current liabilities:			
Accounts payable	\$ 1,183	-	
Hymnal royalty liability	74,984	58,946	
Current portion of long term debt	3,804	3,618	
Funds held for Church on the Ridge building improvements	17,021	18,071	
	96,992	80,635	
Long term debt	10,019	13,823	
	Total liabilities	107,011	94,458
Net assets:			
Without donor restrictions	588,508	565,424	
With donor restrictions	16,423	12,109	
	604,931	577,533	
	\$ 711,942	671,991	

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, 2018 and 2017

	2018			2017		
	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total
Revenues:						
Executive Office:						
The Together Way Plan	\$ 4,195,489	-	4,195,490	4,066,670	-	4,066,670
Disbursed to agencies and departments	(3,764,379)	-	(3,764,379)	(3,668,971)	-	(3,668,971)
Executive Office portion of Together Way Plan	431,110	-	431,111	397,699	-	397,699
Offerings	1,825	-	1,825	2,713	-	2,713
Other	10,598	-	10,598	6,733	-	6,733
	443,533	-	443,534	407,145	-	407,145
Convention:						
Convention revenues	402,266	-	402,266	428,948	-	428,948
Contributions	8,442	-	8,442	9,295	-	9,295
Other	1,468	-	1,468	10,829	-	10,829
	412,176	-	412,176	449,072	-	449,072
Special Projects:						
Hymnal royalties	8,885	-	8,885	7,255	-	7,255
Rekindle contributions	-	760	760	-	3,220	3,220
Other income	642	-	642	917	-	917
	9,527	760	10,287	8,172	3,220	11,392
Total revenues	865,236	760	865,997	864,389	3,220	867,609
Expenses:						
Program services						
Executive Office	313,110	-	313,110	303,063	-	303,063
Convention	416,373	-	416,373	438,843	-	438,843
Special Projects	27,759	-	27,759	12,979	-	12,979
	757,242	-	757,242	754,885	-	754,885
Supportive services						
Administration	96,356	-	96,356	95,693	-	95,693
Total expenses	853,598	-	853,598	850,578	-	850,578
Change in net assets from operating activities	11,638	760	12,399	13,811	3,220	17,031
Non-operating activities:						
Grant from Free Will Baptist Foundation - Rekindle	-	15,000	15,000	-	20,000	20,000
Net assets released from restrictions	11,446	(11,446)	-	11,111	(11,111)	-
Change in net assets from non-operating activities	11,446	3,554	15,000	11,111	8,889	20,000
Change in net assets	23,084	4,314	27,399	24,922	12,109	37,031
Net assets as restated:						
Beginning of year	565,424	12,109	577,533	540,502	-	540,502
End of year	\$ 588,508	16,423	604,932	565,424	12,109	577,533

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, 2018 and 2017

	2018						2017					
	Program Services			Program Services			Program Services			Administrative		
	Executive Office	Convention	Special Projects	Total	Administrative	Total	Executive Office	Convention	Special Projects	Total	Administrative	Totals
Expenses of operations:												
Employment costs:												
Salaries	\$ 77,314	86,319	-	163,633	56,093	219,726	72,582	89,825	-	162,407	54,822	217,229
Housing allowance	18,000	-	18,000	2,000	20,000	18,000	-	-	18,000	2,000	20,000	-
Employee fringe benefits and health insurance	24,087	4,245	-	28,332	14,940	43,272	23,367	-	-	23,367	17,907	41,274
Payroll taxes	13,214	6,927	-	20,141	4,444	24,585	13,411	6,793	-	20,204	4,347	24,551
Total employment costs	132,615	97,491	-	230,106	77,477	307,583	127,360	96,618	-	223,978	79,076	303,054
Other operating costs:												
Support to One Magazine												
Auditorium and other convention services		233,501	-	233,501	3,617	233,501	36,169	32,283	-	256,658	-	256,658
Office rental	32,552	-	32,552	-	67,353	67,353	27,737	42,187	-	32,283	3,588	35,871
Travel	26,634	40,719	-	10,693	5,099	15,792	5,351	-	69,924	-	69,924	-
Supplies, office expense	-	10,693	-	3,641	404	4,045	3,700	-	5,351	3,272	8,623	-
Copier lease	3,641	-	-	-	-	-	1,740	-	3,700	411	4,111	-
Car lease	-	-	-	-	-	-	-	-	1,740	-	1,740	-
Executive Committee and General Board	-	6,225	-	6,225	-	6,225	-	6,567	-	6,567	-	6,567
Depreciation	3,774	-	3,774	420	4,194	1,847	-	-	1,847	-	205	2,052
Interest expense	794	-	794	-	794	545	-	-	545	-	545	-
Legal and audit	-	-	-	-	7,888	7,888	-	-	-	8,093	8,093	8,093
Payroll service	-	-	-	709	709	-	-	-	-	392	392	392
Printing and promotion	1,785	3,435	-	5,220	5,220	1,790	4,974	-	5,864	-	5,864	-
Postage / mail services	1,303	183	-	1,486	1,486	422	422	77	500	999	-	999
Telephone	4,514	2,063	-	6,577	502	7,079	3,744	3,707	-	7,451	416	7,867
International Fellowship	-	-	-	240	240	-	-	-	-	240	-	240
Support to WNAC	4,953	-	4,953	-	4,953	4,834	-	-	4,834	-	4,834	-
Royalties	-	-	3,177	3,177	-	3,177	-	-	4,125	4,125	-	4,125
Royalty management fees	-	-	12,860	12,860	-	12,860	-	-	-	-	-	-
Church directory	-	-	276	276	-	276	-	-	81	81	-	81
Rekindle	-	-	11,446	11,446	-	11,446	-	-	8,273	8,273	-	8,273
Church security video	75	-	-	75	-	75	32	-	32	-	32	-
Impact Project	-	1,815	-	1,815	-	1,815	-	-	1,048	-	1,048	-
Nominating Committee	-	965	-	965	-	965	-	3,693	-	3,693	-	3,693
Other	-	1,200	-	1,200	-	1,200	-	1,400	-	1,400	-	1,400
Total expenses	\$ 313,110	416,573	27,759	757,242	96,356	853,598	303,063	438,843	12,979	754,885	95,693	850,578

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 27,399	37,031
Adjustments to reconcile change in net assets to net operating activities :		
Depreciation	4,194	2,052
Change in deposits for future conventions	-	(10,898)
Increase in:		
Receivables	(21,377)	(1,065)
Increase (decrease) in:		
Funds held for Church on the Ridge building improvements	(1,050)	2,022
Accounts payable and accrued expenses	17,221	(2,262)
Net operating activities	26,387	26,880
Cash Flows from Investing Activities		
Purchase of computer	(1,800)	-
Net investing activities	(1,800)	-
Cash Flows from Financing Activities		
Repayment of installment debt	(3,618)	(2,028)
Net financing activities	(3,618)	(2,028)
Increase in cash and cash equivalents	20,969	24,852
Cash and cash equivalents:		
Beginning of year	625,125	600,273
End of year	\$ 646,094	625,125
Cash and cash equivalents consist of:		
Cash in bank	\$ 629,072	607,054
Funds held by Free Will Baptist Foundation	17,021	18,071
	\$ 646,093	625,125
Supplemental Information:		
Interest paid and charged to operations	\$ 794	545
Automobile acquired through finance agreement		
Asset recorded	\$ -	19,469
Debt recorded	\$ -	19,469

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2018 and 2017

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.

The Executive Office exists to serve the national body, various boards, state organizations, local churches and individual members of the National Association of Free Will Baptists, Inc. as its administrative and service office which houses the Executive Secretary of the denomination whose duties includes the following:

To administer the affairs of the Executive Office and carry out the responsibilities delegated to him by the National Association and the Executive Committee;

Seek to show through general promotion the correlation and interrelation of all the national ministries and departments;

Serve as consultant on general denominational affairs and as official representative when occasion demands, and will represent the National Association to other bodies when in the interest of the denomination;

Serve as editor-in-chief of the association's official magazine (One Magazine);

Provide a program of stewardship education that will produce increased support for the denominational ministries through The Together Way Plan and other methods of proportionate sharing. In general to serve as the treasurer and business manager of the National Association;

Expedite the planning and production of the annual National Convention; and

To serve as chairmen of the Management Committee of the National Offices facilities (Building Services Fund).

(1) Summary of Significant Accounting Policies

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 31, 2017, accordingly the effects of this pronouncement are included in these financial statement for December 31, 2018 and applied retrospectively for all periods presented.

This update primarily addresses the following:

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"

Temporarily restricted and permanently restricted net assets have been combined and renamed "net assets with donor restrictions"

Deficiencies in information about liquidity and availability of resources

This information is presented in Note 2

Lack of consistency in the type of information provided about expenses and investment return

This information is presented in the statement of functional expenses (investment return is not applicable)

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, Executive Office reports information regarding its financial position and activities according to two classes of net assets as applicable:

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations. These funds may be designated for specific purposes by action of the governing body. See above - Unrestricted Net Assets previously

Net assets with donor restrictions - Net assets whose use is subject to donor imposed stipulations and / or the passage of time. See above - Temporarily Restricted and Permanently Restricted Net Assets previously

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

(1) Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non-operating activities are limited to resources that generate return from investment and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in statement of activities. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program service and administrative expenses. Administrative expenses are allocated and estimated as follows:

100% of salary and related costs of accounting / administrative assistant, audit and legal, dues and subscriptions, supplies and office expense, payroll processing fee;

10% of Executive Secretary salary and related costs, building rental, depreciation, copier lease and telephone.

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.

Contributions, Including Grants

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

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

Use of Estimates

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

Compensated Absences

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

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

(1) Summary of Significant Accounting Policies, continued

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.

Equipment

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.

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 2018 and 2017. Further, management believes that The Executive Office has no activities which will lead to income taxes being levied.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through April 25, 2019, the date these financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following reflects Executive Office's financial assets as of balance sheet dates available for expenditure within one year from the balance sheet date.

	2018	2017
Financial assets at end of year:		
Cash in bank	\$ 629,072	607,054
Funds held by Free Will Baptist Foundation	17,021	18,071
Accounts receivable	33,323	11,946
 Financial assets available to meet general expenditures the next twelve months	 679,416	 637,071
 Less amount not available to be used within one year:		
Net assets with donor restriction - Rekindle	16,423	12,109
Hymnal royalty liability	74,984	58,946
Funds held for Church on the Ridge building improvements	17,021	18,071
 Amount not available to be used within one year	 108,428	 89,126
 Net financial assets available for expenditure within one year	 \$ 570,988	 547,945

(3) Net Assets and Restatement of Beginning Net Asset Balances

Restatement of Beginning Net Asset Balances

In 2017, the net change in Rekindle funds were inadvertently included as unrestricted net assets, when in fact they should have been accounted for as temporarily restricted funds (current terminology net assets with donor restrictions). The effect for this error has no effect on overall net assets, but does separate Rekindle funds into net assets with donor restriction as is summarized as follows.

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

(3) Net Assets and Restatement of Beginning Net Asset Balances, continued

Net assets with donor restrictions and net assets released from restrictions are summarized as follows:

	2018	2017
Rekindle		
A program to provide long-term health and revitalization for FWB churches		
Grants from Free Will Baptist Foundation	\$ 15,000	20,000
Private contributions	760	3,220
Total revenues	15,760	23,220
Expenditures for program purposes - net assets released	11,446	11,111
	4,314	12,109
Net assets with donor restrictions, beginning of year	12,109	-
Net assets with donor restrictions, end of year	<u>\$ 16,423</u>	<u>12,109</u>

Net assets without donor restrictions are summarized as follows:

	Undesignated	Designated			Overall Total
	Executive Office	Convention	Special Projects	Total	
For year ending December 31, 2018					
Revenues	\$ 443,533	412,176	9,527	421,703	865,236
Expenses					
Program services	313,110	416,373	27,759	444,132	757,242
Administrative	92,441	3,915	-	3,915	96,356
Total expenses	405,551	420,288	27,759	448,047	853,598
Change in net assets from operating activities	37,982	(8,112)	(18,232)	(26,344)	11,638
Non-operating activities:					
Net assets released from restrictions - Rekindle	-	-	11,446	11,446	11,446
Increase (decrease) in net assets	37,982	(8,112)	(6,786)	(14,898)	23,084
Net assets, beginning of year	316,298	172,649	76,477	249,126	565,424
Net assets, end of year	<u>\$ 354,280</u>	<u>164,537</u>	<u>69,691</u>	<u>234,228</u>	<u>588,508</u>
For year ending December 31, 2017					
Revenues	\$ 407,145	449,072	8,172	457,244	864,389
Expenses					
Program services	303,063	438,843	12,979	451,822	754,885
Administrative	91,796	3,897	-	3,897	95,693
Total expenses	394,859	442,740	12,979	455,719	850,578
Change in net assets from operating activities	12,286	6,332	(4,807)	1,525	13,811
Non-operating activities:					
Net assets released from restrictions - Rekindle	-	-	11,111	11,111	11,111
Increase in net assets	12,286	6,332	6,304	12,636	24,922
Net assets beginning of year	304,012	166,317	70,173	236,490	540,502
Net assets, end of year	<u>\$ 316,298</u>	<u>172,649</u>	<u>76,477</u>	<u>249,126</u>	<u>565,424</u>

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

Notes to Financial Statements, continued

	2018	2017
(4) Installment Debt		
4.94% installment obligation, secured by vehicle, repayable monthly at \$368 (including principal and interest) through May 2022	\$ 13,823	17,441
Less current installments of debt	3,804	3,618
Long term debt	\$ 10,019	13,823

Future maturities of debt are as follows: \$3,804 in 2019; \$3,999 in 2020; \$4,205 in 2021; \$1,815 in 2022.

(5) Concentration of Credit Risk

The Executive Office bills the Free Will Baptist denomination with respect to convention planning and other administrative services and has an accounting risk of loss to the extent of these 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) Operating Leases

The Executive Office has entered into noncancelable lease arrangements relating to a copy machine. Total rental expenses amounted to \$4,045 in 2018 and \$5,851 in 2017. Minimum annual payments required are: \$4,854 in 2019; and \$404 in 2020. 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 \$36,170 in 2018 and \$35,571 in 2017. Office rent for 2019 will be \$37,368.

(7) Commitments for Future Conventions

Contractual obligations for conventions have been executed into future years. Deposits amounting to \$17,398 in 2018 and 2017 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
2019 - Cincinnati, OH	\$ 64,500	95,000
2020 - Oklahoma City, OK	#	95,000
2021 - Memphis, TN	#	95,000
2022 - Birmingham, AL	#	95,000
2023 - Raleigh, NC	#	95,000

Auditorium space may be complimentary based on room nights

(8) 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 a contribution of 5% of compensation is made by the Executive Office. Employees may participate at date of employment. Pension expense amounts to \$8,324 in 2018 and \$8,161 in 2017. 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.

(9) Related Party Transactions

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 \$118,553 in 2018 and \$114,492 in 2017.

The Executive Office provided support for WNAC (Woman Nationally Active for Christ) in the amount of \$4,953 in 2018 and \$4,834 in 2017.

The Free Will Baptist Foundation holds accounts in the amount of \$17,021 in 2018 and \$18,071 in 2017.

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

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

Notes to Financial Statements, continued

(10) 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, 2018 and 2017.

Receipts:	2018			2017		
	Designated	Cooperative	Total	Designated	Cooperative	Total
Alabama	\$ 14,994	-	14,994	15,377	684	16,061
Arkansas	468,242	166,171	634,413	514,682	157,227	671,909
California	-	5,459	5,459	100	5,714	5,814
Florida	2,330	16,679	19,009	11,678	15,382	27,060
Georgia	451,587	29,442	481,029	424,793	31,633	456,426
Illinois	108,834	25,490	134,324	115,765	26,639	142,404
Indiana	9,677	950	10,627	10,828	877	11,705
Kentucky	-	13,600	13,600	300	11,501	11,801
Michigan	155,937	6,094	162,031	115,024	6,724	121,748
Mississippi	380	9,341	9,721	675	8,929	9,604
Missouri	490,533	244,634	735,167	436,075	235,851	671,926
New Mexico	-	5,342	5,342	2,000	6,510	8,510
North Carolina	72,799	45,550	118,349	38,662	47,844	86,506
Ohio	162,125	46,748	208,873	153,589	44,774	198,363
Oklahoma	533,796	222,929	756,725	561,099	171,037	732,136
South Carolina	697,325	250	697,575	632,916	367	633,283
Tennessee	6,098	47,311	53,409	47,857	47,128	94,985
Texas	109,235	4,105	113,340	140,626	1,802	142,428
Virginia	2,502	2,469	4,971	165	2,340	2,505
West Virginia	2,357	2,480	4,837	1,954	2,525	4,479
Canada	5,933	1,220	7,153	12,250	747	12,997
Contributions totaling \$2,500 or less	174	4,368	4,542	101	3,919	4,020
Total receipts	<u>\$ 3,294,858</u>	<u>900,632</u>	<u>4,195,490</u>	<u>3,236,516</u>	<u>830,154</u>	<u>4,066,670</u>
 Disbursements:						
Executive Office	\$ 25,826	405,284	431,110	24,130	373,569	397,699
FWB Foundation	1,523	4,954	6,477	407	4,583	4,990
Home Missions	563,522	108,977	672,499	497,987	100,449	598,436
International Missions	2,312,573	108,977	2,421,550	2,344,953	100,449	2,445,402
Master's Men	17,737	-	17,737	30,465	-	30,465
Retirement & Insurance	3,814	59,442	63,256	1,882	54,790	56,672
Welch College	242,499	108,977	351,476	203,584	100,449	304,033
WNAC	10,137	84,209	94,346	11,486	77,601	89,087
Historical Commission	327	4,953	5,280	309	4,566	4,875
Media Commission	394	4,953	5,347	380	4,566	4,946
Music Commission	854	4,953	5,807	839	4,566	5,405
Theological Integrity Commission	353	4,953	5,306	550	4,566	5,116
Randall University	43,073	-	43,073	44,864	-	44,864
Other	72,226	-	72,226	74,680	-	74,680
Total disbursements	<u>\$ 3,294,858</u>	<u>900,632</u>	<u>4,195,490</u>	<u>3,236,516</u>	<u>830,154</u>	<u>4,066,670</u>

2020
EXECUTIVE OFFICE
ADMINISTRATIVE BUDGET
FINANCIAL REPORT

PROJECTED EXPENSES	2018 Budget	2018 Actuals*	2019 Budget	2020 Budget
Salaries	\$128,412.55	\$133,129.39	\$131,380.79	\$133,704.55
Housing	20,000.00	20,000.04	20,000.00	20,000.00
Social Security	16,881.62	17,658.43	17,219.25	17,566.18
Retirement	8,324.41	9,308.80	7,569.04	7,685.23
Employees Insurance (Dental/Disability/Health/Life/Travel)	33,431.05	28,168.68	27,859.75	44,236.60
Auditing/Legal	4,600.00	3,973.21	4,600.00	4,600.00
Books/Dues/Registrations	750.00	331.92	750.00	750.00
Auto Note Interest	4,176.72	793.59	4,411.32	4,500.00
Computer Supplies	2,000.00	4,230.79	1,750.00	4,500.00
Copier Lease	5,000.00	4,044.80	4,200.00	4,500.00
Equipment Maintenance	0.00	0.00	100.00	0.00
General Insurance	3,000.00	2,533.90	3,000.00	2,500.00
Int'l. Fellowship of FWB Churches	240.00	240.00	240.00	240.00
Office Rental (\$1.26 per sq. ft. x 2,491)	36,169.32	36,169.32	37,365.00	37,663.92
Office Supplies/Expense	1,100.00	610.64	1,200.00	900.00
Postage	500.00	1,302.78	500.00	500.00
Printing	1,000.00	872.03	1,000.00	1,000.00
Promotion	1,300.00	912.82	1,300.00	1,000.00
Telephone	3,750.00	5,015.70	4,300.00	4,300.00
Travel	30,500.00	28,850.48	31,000.00	31,000.00
<i>One Magazine</i>	100,470.00	100,470.00	102,479.39	102,479.39
Contingency Fund	3,338.44	0.00	3,316.01	374.13
Women Nationally Active for Christ	4,500.00	4,953.47	4,500.00	5,000.00
Totals	\$409,444.11	\$403,570.79	\$410,040.55	\$429,000.00

PROJECTED INCOME

The Together Way Plan				
Cooperative Gifts	\$382,694.11	\$405,284.19	\$378,540.55	\$395,000.00
Designated Gifts	18,000.00	25,826.40	24,000.00	26,000.00
Travel Reimbursement	1,750.00	6,388.81	2,000.00	2,000.00
Other Income	7,000.00	6,031.40	5,500.00	6,000.00
Totals	\$409,444.11	\$443,530.80	\$410,040.55	\$429,000.00

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

2020
EXECUTIVE OFFICE
ADMINISTRATIVE BUDGET
SALARY BREAKDOWN

	2018	2019	2020	
Executive Secretary				
Salary	\$52,262.21	2.00%	\$55,918.67	3.00%
Housing and Utilities	20,000.00	20,000.00	20,000.00	
Social Security	11,056.12	15.30%	11,277.24	15.30%
Retirement	3,613.11	5.00%	3,685.37	5.00%
Insurance (Health/Dental/Life)	9,128.86	10,292.04	27,429.71	
Disability/Travel	476.35	484.87	535.88	
Christmas Bonus	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
NOTE: Office car furnished.	96,536.65	99,446.98	119,295.76	
Executive Accountant				
Salary	51,188.76	2.00%	52,212.54	2.00%
Social Security	3,915.94	7.65%	3,994.26	7.65%
Retirement	2,559.44	5.00%	2,610.63	5.00%
Insurance	14,197.81	10,711.14	10,576.41	
Disability	302.01	308.05	344.19	
Christmas Bonus	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
	72,163.96	69,836.62	71,502.54	
Yearbook Coordinator/ Registration Coordinator				
Salary	24,961.58	2.00%	25,460.81 *	2.00%
Social Security	1,909.56	7.65%	1,947.75	7.65%
Retirement	2,151.86	5.00%	1,273.04	5.00%
Insurance	9,072.10	5,913.42	5,396.78	
Disability	253.92	150.22	153.64	
Christmas Bonus	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
	38,349.02	34,745.24	32,594.26	

*The 2019 portion of the Registration Coordinator's Salary (\$18,437.14) appears in the Convention Budget.

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
PROJECTED REVENUE			
Booth Fees	\$33,600.00	\$38,120.00	\$36,750.00
Host State (Ohio)	40,000.00	40,000.00	40,000.00
Offerings	7,000.00	8,441.99	8,000.00
State Representation Fees (\$150 per church)	310,000.00	304,146.07	308,100.00
Other	8,600.00	3,684.81	8,600.00
Host CVB	<u>20,000.00</u>	<u>20,000.00</u>	<u>0.00</u>
TOTALS	<u>419,200.00</u>	<u>414,392.87</u>	<u>401,450.00</u>
PROJECTED EXPENDITURES			
Auditorium	215,946.57	220,534.52	200,140.42
Printing and Promotion	22,033.42	21,518.85	22,695.09
Convention Office	115,229.09	117,599.96	134,650.69
Convention Personnel			
Meals	5,104.00	5,081.85	5,104.00
Travel	3,560.88	3,214.74	3,506.36
Lodging	7,522.92	2,427.38	7,261.32
Convention Officials	6,647.77	6,542.46	5,803.84
Volunteer Staff	9,081.62	9,022.86	8,420.12
Honorariums	1,200.00	1,200.00	1,200.00
Decorator Services	8,300.00	8,902.02	8,792.50
Meal Functions	1,999.18	1,918.94	2,317.36
Executive Committee	4,050.00	4,050.00	4,050.00
Pre-Convention Expenses	16,100.00	10,496.62	16,900.00
National Committee Expenses	<u>17,000.00</u>	<u>7,778.26</u>	<u>13,000.00</u>
Sub-Totals	433,775.45	420,288.46	433,841.70
Surplus Revenue (Operating Capital for Future Conventions)	<u>-14,575.45</u>	<u>-5,895.59</u>	<u>-32,391.70</u>
TOTALS	\$419,200.00	\$414,392.87	\$401,450.00

*Budget comparison does not include depreciation expense.

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
PROJECTED REVENUE			
Booth Fees	\$33,600.00	\$38,120.00	\$36,750.00
Host State (Ohio)	40,000.00	40,000.00	40,000.00
Offerings	7,000.00	8,441.99	8,000.00
State Representation Fees (\$150 per church)	310,000.00	304,146.07	308,100.00
Other	8,600.00	3,684.81	8,600.00
Host CVB	<u>20,000.00</u>	<u>20,000.00</u>	<u>0.00</u>
TOTALS	<u>419,200.00</u>	<u>414,392.87</u>	<u>401,450.00</u>
PROJECTED EXPENDITURES			
AUDITORIUM			
Rental/Arena/Meeting Space/Liability	104,790.40	107,607.35	72,206.00
Other			
First Aid Staff	3,400.00	3,150.00	3,224.00
ASCAP, BMI, CCLI Licenses	1,800.00	2,323.21	2,291.42
Music/Equipment	5,000.00	5,015.46	6,000.00
Signs	300.00	0.00	300.00
Sound System/AV Equipment	85,000.00	89,468.16	85,000.00
Boom/Rigging/Stage Hands	8,042.67	4,790.67	14,000.00
Usher Badges/Usher Room Table, Chairs	315.00	0.00	355.00
Police Security/Badge Checkers	6,722.50	7,447.10	16,171.00
Streaming Video License	276.00	477.00	293.00
General Board	<u>300.00</u>	<u>255.57</u>	<u>300.00</u>
TOTALS	215,946.57	220,534.52	200,140.42
PRINTING AND PROMOTION			
Convention Materials			
<i>Digest of Reports</i>	600.00	826.93	900.00
Programs	2,750.00	2,608.50	2,750.00
Pre-Convention Printing/Art	600.00	0.00	600.00
<i>ONE Magazine</i>	<u>18,083.42</u>	<u>18,083.42</u>	<u>18,445.09</u>
TOTALS	22,033.42	21,518.85	22,695.09

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
CONVENTION OFFICE			
Convention Manager Salary	65,117.90	66,478.31	66,420.26
Payroll Taxes	4,981.52	5,085.59	5,081.15
Retirement	3,255.90	3,255.84	3,321.01
Insurance (Life/Disability/Travel/Worker's Comp)	<u>1,067.62</u>	<u>989.48</u>	<u>1,000.00</u>
	74,422.94	75,809.22	75,822.42
Registration Coordinator Salary	18,075.62	18,208.08	18,437.13
Payroll Taxes	1,382.78	1,392.93	1,410.44
Retirement	0.00	0.00	921.86
Insurance (Life/Disability/Travel/Worker's Comp)	<u>0.00</u>	<u>0.00</u>	<u>4,010.47</u>
	19,458.40	19,601.01	24,779.90
Assistant Registration Coordinator Salary	1,500.00	1,632.33	10,819.24
Payroll Taxes	114.75	124.83	827.67
Retirement	0.00	0.00	540.96
Insurance (Life/Disability/Travel/Worker's Comp)	<u>0.00</u>	<u>0.00</u>	<u>2,390.50</u>
	1,614.75	1,757.16	14,578.37
Audit	\$4,250.00	\$3,914.50	\$4,250.00
Convention Manager Computer	2,038.00	2,070.76	200.00
Equipment Rentals			
Computers, Printers	300.00	1,532.14	1,500.00
Copiers (3)/Paper	1,250.00	1,042.05	2,100.00
Furniture/Radios, etc.	1,875.00	2,189.00	1,700.00
Information Tables	110.00	0.00	120.00
Media Room/Press Office	310.00	749.33	1,000.00
Office Expense/Supplies	2,000.00	3,110.13	2,800.00
Postage	100.00	183.18	200.00
Pre-Registration (Supplies, Postage)	1,500.00	536.63	750.00
Registration (Supplies)	1,200.00	1,721.72	1,750.00
Registration Computers/Printers	1,500.00	1,320.00	1,500.00
Telephone/Internet	<u>3,300.00</u>	<u>2,063.13</u>	<u>1,600.00</u>
TOTALS	115,229.09	117,599.96	134,650.69
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>2,477.85</u>	<u>2,500.00</u>
TOTALS	5,104.00	5,081.85	5,104.00

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
CONVENTION OFFICE (Continued)			
TRAVEL			
Debbie Burden	0.00	0.00	0.00
Keith Burden	200.00	388.75	200.00
Anna Fox	390.22	390.22	327.12
Melody Hood	390.22	390.22	327.12
Kevin Justice	0.00	0.00	325.00
Ryan Lewis	390.22	256.54	200.00
Eric Thomsen	390.22	390.22	327.12
Charles Wise	200.00	235.34	200.00
Convention Truck (Fuel/Meals/Rooms/Trailer Rental)	800.00	741.45	800.00
Staff Expense Money	<u>800.00</u>	<u>422.00</u>	<u>800.00</u>
TOTALS	3,560.88	3,214.74	3,506.36
LODGING/PARKING			
Keith Burden	299.75	299.75	198.00
Anna Fox (7 nights @ \$163.46)	1,090.32	1,090.39	1,144.22
Melody Hood (7 nights @ \$163.46)	1,090.32	1,063.07	1,144.22
Ryan Lewis	299.75	191.00	198.00
Eric Thomsen (7 nights @ \$163.46)	1,090.32	1,090.39	1,144.22
Charles Wise (7 nights @ \$163.46)	1,090.32	967.64	1,144.22
Convention Interns (14 nights @ \$163.46)	2,562.14	2,180.78	2,288.44
Comp Rooms/Reimbursements	<u>0.00</u>	<u>-4,455.64</u>	<u>0.00</u>
TOTALS (Includes applicable tax and parking)	7,522.92	2,427.38	7,261.32
CONVENTION OFFICIALS			
Moderator - Tim York			
Travel	\$390.22	\$390.22	\$330.00
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$124.91)	934.56	934.62	749.46
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	2,068.78	2,068.84	1,823.46
Clerk - Randy Bryant			
Travel	443.31	365.01	400.00
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$124.91)	934.56	907.37	749.46
Honorarium	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
	2,121.87	2,016.38	1,893.46
Assistant Moderator - William Smith			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$124.91)	<u>934.56</u>	<u>934.62</u>	<u>749.46</u>
	1,228.56	1,228.62	1,043.46
Assistant Clerk - Ernie Lewis			
Meals (21 meals @ \$14.00 each)	294.00	294.00	294.00
Lodging (6 nights @ \$124.91)	<u>934.56</u>	<u>934.62</u>	<u>749.46</u>
	1,228.56	1,228.62	1,043.46
TOTALS (Includes applicable tax and parking)	6,647.77	6,542.46	5,803.84

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
VOLUNTEER STAFF			
Convention Reporter Lodging (7 nights @ \$124.91)	1,090.32	1,090.39	874.37
Impact Coordinator - Ken Akers Lodging (7 nights @ \$163.46)	1,090.32	1,090.32	1,144.22
Media Commission Lodging (6 nights @ \$124.91)	934.56	934.62	749.46
Music Coordinator - Kevin Justice Lodging (6 nights @ \$163.46)	771.06	907.37	980.76
Musicians (5 Rooms) Lodging (25 nights)	2,703.20	2,507.84	2,672.75
Photographer - Rodney Yerby Lodging (6 nights @ \$124.91)	934.56	934.62	749.46
Translators (2 Rooms) Lodging (5 nights @ \$124.91) Lodging (5 nights @ \$124.91)	778.80 <u>778.80</u>	778.85 <u>778.85</u>	624.55 <u>624.55</u>
TOTALS (Includes applicable tax and parking)	9,081.62	9,022.86	8,420.12
HONORARIUMS			
Paul Keener	200.00	200.00	200.00
Tim Eaton	200.00	200.00	200.00
Terry Austin	200.00	200.00	200.00
Daniel Edwards	200.00	200.00	200.00
Tom Dooley	200.00	200.00	200.00
Diego Cueva	<u>200.00</u>	<u>200.00</u>	<u>200.00</u>
TOTALS	1,200.00	1,200.00	1,200.00
DECORATOR SERVICES			
Booth Installation/Draped Tables	\$4,900.00	\$5,767.02	\$5,475.00
Exhibitor Badges	0.00	0.00	150.00
Registration			
Chairs, Counters, Skirted Tables	1,500.00	1,155.00	567.50
Electricity/Masking Drape	100.00	0.00	100.00
Stage			
Furnishings/Carpet	<u>1,800.00</u>	<u>1,980.00</u>	<u>2,500.00</u>
TOTALS	8,300.00	8,902.02	8,792.50

CONVENTION BUDGET
National Association of Free Will Baptists, Inc.
July 21-24, 2019
Cincinnati, Ohio

	2018 Budget	2018 Actuals*	2019 Budget
MEAL FUNCTIONS			
Executive Committee Dinner	1,806.48	1,766.54	2,108.16
Presidents' Breakfast	<u>192.70</u>	<u>152.40</u>	<u>209.20</u>
TOTALS	1,999.18	1,918.94	2,317.36
EXECUTIVE COMMITTEE			
Per Diem <i>(For the Executive Committee Meeting prior to the 2019 National Convention)</i>			
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
Glenn Poston	450.00	450.00	450.00
David Shores	450.00	450.00	450.00
David Taylor	450.00	450.00	450.00
Danny Williams	450.00	450.00	450.00
Mike Wade	<u>450.00</u>	<u>450.00</u>	<u>450.00</u>
TOTALS	4,050.00	4,050.00	4,050.00
PRE-CONVENTION EXPENSES			
Impact Cincinnati	1,100.00	1,813.93	1,900.00
Pre-Convention Meetings/Site Inspections	<u>15,000.00</u>	<u>8,682.69</u>	<u>15,000.00</u>
TOTALS	16,100.00	10,496.62	16,900.00
NATIONAL COMMITTEE EXPENSES			
Executive Committee	13,000.00	6,812.84	10,000.00
Nominating Committee	<u>4,000.00</u>	<u>965.42</u>	<u>3,000.00</u>
TOTALS	17,000.00	7,778.26	13,000.00
SUB-TOTALS	433,775.45	420,288.46	433,841.70
SURPLUS REVENUE <i>(Operating Capital for Future Conventions)</i>			
	<u>-14,575.45</u>	<u>-5,895.59</u>	<u>-32,391.70</u>
GRAND TOTALS	\$419,200.00	\$414,392.87	\$401,450.00

2018
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	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Arizona	0.00	0.00	40.50	0.00	0.00	0.00	0.00	0.00	0.00	67.50	40.50	0.00	148.50
Arkansas	4,832.60	7,053.60	6,470.39	4,478.28	6,096.05	7,061.60	6,698.07	6,874.14	5,586.48	5,211.58	6,804.45	7,609.85	74,777.09
California	229.66	114.29	191.59	367.36	109.80	310.39	0.00	262.60	291.64	83.31	122.40	373.30	2,456.34
Canada	0.00	0.00	0.00	0.00	0.00	231.73	0.00	248.33	0.00	0.00	68.72	0.00	548.78
Florida	625.52	562.50	619.94	562.50	621.43	562.50	562.50	562.50	621.86	562.50	1,575.00	66.72	7,505.47
Georgia	2,038.90	1,003.60	673.34	1,011.07	700.95	1,610.96	1,323.10	772.47	684.01	1,506.11	649.00	1,275.21	13,248.72
Illinois	1,102.37	896.43	818.04	897.62	1,070.11	876.53	1,102.60	1,035.96	798.71	1,058.31	751.03	1,062.79	11,470.50
Indiana	123.30	16.57	0.00	67.05	11.54	180.00	13.50	0.00	0.00	0.00	15.75	0.00	427.71
Kansas	0.00	0.00	48.96	0.00	0.00	0.00	0.00	0.00	63.32	0.00	0.00	0.00	112.28
Kentucky	0.00	865.01	389.65	587.60	0.00	891.06	960.76	573.99	527.57	61.22	724.54	538.67	6,120.07
Maryland	0.00	0.00	0.00	0.00	0.00	65.25	0.00	0.00	0.00	0.00	0.00	182.08	247.33
Michigan	154.10	414.01	113.33	311.23	283.25	125.86	45.00	480.19	194.39	151.73	285.73	183.44	2,742.26
Mississippi	371.90	0.00	584.51	326.04	385.19	389.49	268.74	565.57	197.76	637.99	0.00	476.46	4,203.65
Missouri	13,198.79	7,513.83	7,237.99	10,285.74	9,023.63	10,182.26	9,516.85	10,634.98	6,180.48	11,361.34	8,164.14	6,785.24	110,085.27
New Mexico	0.00	174.47	453.56	0.00	445.01	0.00	220.23	231.39	197.87	244.04	437.54	0.00	2,404.11
North Carolina	398.53	1,381.14	2,054.16	3,496.72	244.64	1,930.82	1,509.73	1,505.29	1,743.70	277.98	3,517.56	2,437.10	20,497.37
Ohio	2,137.61	2,177.63	1,312.94	2,339.28	2,008.37	1,230.79	1,727.47	1,568.09	1,720.22	1,616.83	1,763.71	1,433.80	21,036.74
Oklahoma	7,387.98	6,564.06	6,746.06	5,881.65	6,500.85	6,387.11	7,358.97	6,046.59	7,433.30	29,543.73	3,971.78	6,496.15	100,318.23
Oregon	81.00	81.00	182.25	0.00	162.00	101.25	0.00	182.25	81.00	81.00	81.00	0.00	1,032.75
South Carolina	0.00	0.00	22.50	0.00	0.00	11.25	11.25	11.25	11.25	22.50	0.00	22.50	112.50
Tennessee	4,829.01	906.47	1,207.74	1,382.96	994.33	2,347.79	4,865.56	22.50	649.07	2,199.33	966.36	918.81	21,289.93
Texas	194.63	684.49	104.92	46.37	85.86	55.26	76.01	196.15	71.36	145.03	97.11	90.00	1,847.19
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	76.83	31.00	33.71	50.27	27.93	28.62	33.46	0.00	28.70	86.76	27.04	0.00	424.32
Virginia	96.51	88.32	85.02	116.93	71.61	85.71	111.73	101.39	86.09	91.09	75.37	101.39	1,111.16
West Virginia	51.19	110.12	62.62	90.81	90.30	76.98	128.06	97.54	101.43	97.79	119.08	90.00	1,115.92
TOTALS	\$37,930.43	\$30,638.54	\$29,453.72	\$32,299.48	\$29,105.65	\$34,570.41	\$36,781.92	\$31,788.16	\$27,274.39	\$55,149.39	\$30,148.59	\$30,143.51	\$405,284.19

2018
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	\$846.14	\$294.38	\$487.22	\$551.47	\$383.68	\$395.70	\$486.86	\$496.93	\$430.32	\$566.91	\$330.18	\$329.14	\$5,598.93
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	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
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	65.40	0.00	0.00	23.06	0.00	22.28	0.00	0.00	0.00	22.10	0.00	0.00	132.84
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	209.41	0.00	0.00	359.80	0.00	71.40	170.88	0.00	152.48	0.00	37.48	0.00	1,001.45
Kansas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kentucky	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maryland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Michigan	0.00	400.00	10.00	0.00	0.00	0.00	0.00	0.00	200.00	0.00	0.00	100.00	710.00
Mississippi	0.00	0.00	15.00	0.00	0.00	15.00	0.00	0.00	0.00	300.00	0.00	50.00	380.00
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	76.00	1,010.00	1,343.00	210.00	1,944.00	0.00	310.00	10.00	1,992.00	364.00	150.00	1,536.00	8,945.00
Ohio	310.00	10.00	10.00	360.00	10.00	210.00	310.00	10.00	510.00	10.00	10.00	10.00	1,770.00
Oklahoma	86.67	0.00	0.00	88.97	0.00	79.73	0.00	0.00	74.94	0.00	0.00	0.00	330.31
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	401.55	45.00	427.21	247.07	239.92	122.78	287.15	495.29	221.59	263.09	294.23	302.59	3,347.47
Tennessee	366.00	640.00	20.00	427.00	20.00	70.00	435.00	20.00	20.00	630.00	20.00	20.00	2,688.00
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	0.00	0.00	150.00	0.00	0.00	0.00	150.00	0.00	0.00	0.00	0.00	300.00
West Virginia	50.16	44.80	58.04	78.04	69.63	57.23	63.90	85.11	66.00	72.83	71.71	64.95	782.40
TOTALS	\$2,461.33	\$2,494.18	\$2,420.47	\$1,723.58	\$3,539.06	\$670.71	\$2,066.32	\$1,988.21	\$2,789.91	\$3,006.35	\$1,026.12	\$2,400.16	\$26,586.40

2018 Gifts to National Ministries

States	Executive	FWB Foundation	Home Missions	International Missions	Retirement & Insurance	Welch College	WNAC	Commission			Music Commission	Media Commission	Historical Commission	Theological Integrity					
								for	Theological Integrity	Historical Commission									
Alabama	\$5,687.64	\$452,567.44	\$382,093.27	\$36,09	\$64,921.81	\$2,016.48													
Alaska	0.00	0.00	0.00	0.00	0.00	0.00													
Arizona	165.38	92,344.93	36,638.16	34.36	139.93	35.91													
Arkansas	75,377.09	138,018.80	65,961.96	10,967.30	56,426.59	19,836.22													
California	2,456.34	30,04	46,582.19	76,905.96	360.28	5,286.16	1,160.36												
Canada	715.90	106.58	2,326.38	3,545.46	106.03	2,693.51	124.26												
Colorado	0.00	0.00	42,325.08	5,105.00	0.00	600.00	0.00												
Connecticut	0.00	0.00	0.00	250.00	0.00	0.00	0.00												
Delaware	0.00	0.00	0.00	825.00	0.00	0.00	0.00												
Florida	7,583.19	109,987.27	115,647.31	1,158.69	64,756.63	2,881.71													
Georgia	13,421.57	665.53	213,153.86	392,789.21	2,071.93	146,352.83	6,071.47												
Hawaii	0.00	0.00	-3,170.50	1,385.00	0.00	85.00	0.00												
Idaho	0.00	0.00	513.33	8,430.09	0.00	1,300.00	0.00												
Illinois	11,487.38	189.38	84,940.35	289,269.80	1,694.92	37,856.88	3,011.36												
Indiana	1,429.16	163.62	49,895.38	-42,769.79	273.86	2,382.94	300.01												
Iowa	0.00	0.00	1,620.00	2,125.00	0.00	0.00	0.00												
Kansas	124.85	37.98	33,900.67	9,314.00	25.83	1,376.79	407.08												
Kentucky	6,120.07	74.61	124,502.63	123,041.11	89.72	10,865.27	4,149.02												
Louisiana	0.00	0.00	0.00	0.00	0.00	0.00	0.00												
Maine	0.00	0.00	416.00	1,000.00	0.00	0.00	0.00												
Maryland	247.33	3.03	0.00	3,453.57	36.28	192.47	51.39												
Massachusetts	0.00	0.00	1,450.00	402.16	6,444.40	829.75													
Michigan	3,452.26	1,143.51	65,292.43	158,108.93	0.00	17.55	0.00												
Mid-Atlantic Association	0.00	0.00	10,143.02	0.00	1,070.00	0.00													
Minnesota	4,583.65	51.39	121,817.11	59,926.97	6,615.54	25,229.62	1,093.93												
Mississippi	110,119.07	1,443.95	191,574.89	565,100.93	16,171.03	87,741.32	25,542.61												
Missouri	0.00	0.00	550.00	150.00	0.00	0.00	0.00												
Montana	0.00	0.00	0.00	600.00	0.00	0.00	0.00												
Nebraska	0.00	0.00	0.00	0.00	0.00	0.00	0.00												
Nevada	0.00	0.00	1,260.00	0.00	0.00	0.00	0.00												
New Hampshire	0.00	0.00	0.00	450.00	0.00	0.00	0.00												
New Jersey	2,464.11	29.39	10,046.94	6,454.18	352.60	1,076.37	691.71												
New Mexico	0.00	0.00	11,630.22	60,867.00	0.00	0.00	0.00												
North Carolina	30,102.70	2,228.41	691,674.85	870,978.09	4,207.22	138,184.40	12,244.50												
Northwest Association	0.00	0.00	0.00	0.00	0.00	0.00	0.00												
Ohio	23,001.04	823.20	190,895.79	136,271.12	3,20.00	2,171.01	8,428.68												
Oklahoma	100,779.43	1,607.44	224,745.66	691,063.42	14,810.85	76,565.10	30,578.38												
Oregon	1,032.75	22.63	846.55	50.00	151.47	379.58	214.59												
Pennsylvania	0.00	0.00	93,282.24	24,137.76	0.00	1,000.00	0.00												
Rhode Island	0.00	0.00	0.00	0.00	0.00	0.00	0.00												
South Carolina	3,631.73	501.83	107,350.76	577,884.87	1,355.43	114,312.01	3,777.44												
Tennessee	24,087.57	608.78	430,264.38	1,320,667.09	4,371.64	318,579.81	14,067.16												
Texas	1,847.19	22.58	85,913.48	189,314.28	270.93	6,730.40	220.47												
Utah	0.00	0.00	7,169.00	0.00	0.00	0.00	0.00												
Virginia	1,505.71	289.08	256,267.55	131,749.50	233.42	13,711.44	872.09												
Washington	0.00	0.00	14,486.00	6,271.29	0.00	4,537.00	0.00												
West Virginia	1,886.32	13.66	113,437.95	104,542.25	946.06	10,791.23	261.87												
Wisconsin	0.00	0.00	200.00	0.00	0.00	0.00	0.00												
Wyoming	0.00	0.00	340.00	240.00	0.00	0.00	0.00												
Puerto Rico	0.00	0.00	0.00	0.00	0.00	0.00	0.00												
Virgin Islands	424.32	5.18	50,803.28	4,300.29	62.25	1,730.59	88.15												
Other	0.00	0.00	731,232.94	40,383.77	0.00	180.00	4,685.21												
Foundation	0.00	0.00	10,398.32	0.00	0.00	15,159.33	4,000.00												
WNAC	0.00	0.00	6,759.00	0.00	0.00	250.00	0.00												
TOTALS			\$433,695.75	\$111,793.87	\$4,817,079.37	\$7,124,145.93	* \$64,874.92	*	\$1,244,464.67	\$149,932.01	*	\$5,326,84	\$111,516.50			\$5,339.11		\$5,818.09	\$13,873,607.06

*HM—Other includes interest, miscellaneous sources and states.

*M—Other includes Co-op, miscellaneous incomes and sources, investment gains or losses, and gifts in kind.

*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
A Professional Limited Liability Company
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, 2018 and 2017, and the related statements of activities and changes in net assets, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Services Fund of the National Association of Free Will Baptists, Inc. as of December 31, 2018 and 2017, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill Harper & Associates

A Professional Limited Liability Company
Franklin, Tennessee
April 18, 2019

Terry A. Hill

615 417 - 7414

terryhill37027@comcast.net

P O Box 680788

Franklin, Tennessee 37068

Ernest R. Harper

615 417 - 6358

e.harper@comcast.net

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

Statements of Financial Position

December 31, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash and cash equivalents:			
Cash in bank	\$ 415,889	382,728	
Funds held by Free Will Baptist Foundation	173,387	146,649	
	<hr/>	<hr/>	
Accounts receivable	589,276	529,377	
	<hr/>	<hr/>	
	28,486	1,086	
	<hr/>	<hr/>	
Total current assets	617,762	530,463	
	<hr/>	<hr/>	
Property, plant and equipment:			
Land and land improvements	232,228	224,978	
Building	1,667,030	1,654,396	
Building services equipment	84,970	84,970	
Departmental workstations	77,228	77,228	
	<hr/>	<hr/>	
Less accumulated depreciation	2,061,456	2,041,572	
	<hr/>	<hr/>	
	1,788,190	1,770,897	
	<hr/>	<hr/>	
Net property, plant and equipment	273,266	270,675	
	<hr/>	<hr/>	
Deposit		6,100	6,100
	<hr/>	<hr/>	
	\$ 897,128	807,238	
	<hr/>	<hr/>	
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 37,610	-	
Funds held in connection with other Free Will Baptist departments:			
Stewardship promotion	33,699	32,525	
Security training	5,515	5,244	
Employee health insurance	124,372	99,389	
	<hr/>	<hr/>	
Total funds held in connection with other Free Will Baptist departments	163,586	137,158	
	<hr/>	<hr/>	
Total current liabilities	201,196	137,158	
	<hr/>	<hr/>	
Net assets:			
Net assets without donor restrictions:			
Operations	415,251	395,220	
Net investment in property, plant and equipment	273,266	270,675	
Designated for maintenance and building and equipment replacement	7,415	4,185	
	<hr/>	<hr/>	
Total net assets	695,932	670,080	
	<hr/>	<hr/>	
	\$ 897,128	807,238	
	<hr/>	<hr/>	

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, 2018 and 2017

	2018			2017		
	Net Assets Without Donor Restrictions			Net Assets Without Donor Restrictions		
	Operations	Designations	Total	Operations	Designations	Total
Revenues:						
Building rental	\$ 291,925	-	291,925	289,512	-	289,512
Leadership conference	30,109	-	30,109	30,154	-	30,154
Interest income	3,289	334	3,623	2,273	338	2,611
Other	2,552	-	2,552	3,850	-	3,850
Total revenues	327,875	334	328,209	325,789	338	326,127
Expenses:						
Program services						
Building operations	265,736	-	265,736	277,082	-	277,082
Leadership conference	30,508	-	30,508	28,166	-	28,166
	296,244	-	296,244	305,248	-	305,248
Supportive services						
Administration	5,588	-	5,588	5,146	-	5,146
Total expenses	301,832	-	301,832	310,394	-	310,394
Change in net assets from operating activities	26,043	334	26,377	15,395	338	15,733
Non-operating activities:						
Net excess (deficit) from inter-departmental billings for shared costs	(525)	-	(525)	1,288	-	1,288
Provision for replacements	(9,000)	9,000	-	(6,000)	6,000	-
Expenditures from reserve for replacements	6,104	(6,104)	-	5,000	(5,000)	-
Change in net assets from non-operating activities	(3,421)	2,896	(525)	288	1,000	1,288
Increase in net assets	22,622	3,230	25,852	15,683	1,338	17,021
Net assets:						
Beginning of year as restated	665,895	4,185	670,080	650,212	2,847	653,059
End of year	\$ 688,517	7,415	695,932	665,895	4,185	670,080

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended December 31, 2018 and 2017

2018					
	Program Services				
	Building Operations	Leadership Conference	Totals	Supporting Services	Totals
Employee compensation:					
Salaries	\$ 77,434	-	77,434	-	77,434
Payroll taxes	6,022	-	6,022	-	6,022
Retirement	4,229	-	4,229	-	4,229
Employer provided insurance	40,990	-	40,990	-	40,990
	128,675	-	128,675	-	128,675
Operating expenses:					
Utilities / telephone	34,823	-	34,823	-	34,823
Janitorial services	29,260	-	29,260	-	29,260
General insurance	27,906	-	27,906	-	27,906
Repairs and maintenance	7,852	-	7,852	-	7,852
Supplies and office expense	9,392	-	9,392	-	9,392
Audit and legal	-	-	-	5,588	5,588
Depreciation	17,293	-	17,293	-	17,293
Conferences	-	30,508	30,508	-	30,508
Mailroom and other	10,535	-	10,535	-	10,535
	137,061	30,508	167,569	5,588	173,157
Total expenses	\$ 265,736	30,508	296,244	5,588	301,832
2017					
	Program Services				
	Building Operations	Leadership Conference	Totals	Supporting Services	Totals
Employee compensation:					
Salaries	\$ 76,932	-	76,932	-	76,932
Payroll taxes	5,885	-	5,885	-	5,885
Retirement	3,450	-	3,450	-	3,450
Employer provided insurance	31,757	-	31,757	-	31,757
	118,024	-	118,024	-	118,024
Operating expenses:					
Utilities / telephone	33,902	-	33,902	-	33,902
Janitorial services	29,248	-	29,248	-	29,248
General insurance	24,887	-	24,887	-	24,887
Repairs and maintenance	29,029	-	29,029	-	29,029
Supplies and office expense	8,199	-	8,199	-	8,199
Audit and legal	-	-	-	5,146	5,146
Depreciation	22,570	-	22,570	-	22,570
Annual conference	-	28,166	28,166	-	28,166
Mailroom and other	11,223	-	11,223	-	11,223
	159,058	28,166	187,224	5,146	192,370
Total expenses	\$ 277,082	28,166	305,248	5,146	310,394

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	\$ 25,852	17,021
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	17,293	22,570
(Increase) decrease in receivables	(27,400)	6,295
Increase in funds held for other Free Will Baptist departments	26,428	36,317
Increase (decrease) in accounts payable	37,610	(27,114)
Net operating activities	<u>79,783</u>	<u>55,089</u>
Cash Flows from Investing Activities		
Increase in postage deposit	-	(2,000)
Purchase of property and equipment	<u>(19,884)</u>	<u>(22,859)</u>
Net investing activities	<u>(19,884)</u>	<u>(24,859)</u>
Increase in cash and cash equivalents	59,899	30,230
Cash and cash equivalents, at beginning of year	529,377	499,147
Cash and cash equivalents, at end of year	<u>589,276</u>	<u>529,377</u>
Cash and cash equivalents consists of:		
Cash in bank	\$ 415,889	382,728
Funds held by Free Will Baptist Foundation	<u>173,387</u>	<u>146,649</u>
	<u>589,276</u>	<u>529,377</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, 2018 and 2017

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.

The purpose of Building Services is to maintain the National Office Facility and to assess rents to Departments that occupy the facility. Further, joint services (i.e. health, disability, auto, workers comp insurance; postage and shipping costs; telephone, etc.) are provided and billed to departments based on their usage.

(1) Summary of Significant Accounting Policies

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 15, 2017, accordingly the effects of this pronouncement are included in these financial statement for December 31, 2018, and applied retrospectively for all periods presented. This update primarily addresses the following:

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"

Temporarily restricted and permanently restricted net assets have been combined and renamed "net assets with donor restrictions"

Deficiencies in information about liquidity and availability of resources

This information is presented in the following Note 2.

Lack of consistency in the type of information provided about expenses and investment return

This information is presented in the statement of functional expenses and Note 3.

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 two classes of net assets as applicable:

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations. These funds may be designated for specific purposes by action of the governing body. (See above - Unrestricted Net Assets previously)

Net assets with donor restrictions - Net assets whose use is subject to donor imposed stipulations and / or the passage of time. (See above - Temporarily Restricted and Permanently Restricted Net Assets previously)

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non-operating activities are limited to resources that generate return from investment and other activities considered to be of a more unusual or nonrecurring nature.

Accounts Receivable

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

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program service and administrative expenses.

Contributions, Including Grants

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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.

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.

Compensated Absences

Employees of Building Services 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. 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 2018 and 2017. Further, management believes that Building Services has no activities which will lead to income taxes being levied.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through April 18, 2019, the date these financial statements were available to be issued.

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

Notes to Financial Statements, continued

(2) Liquidity and Availability of Financial Assets

The following reflects Building Service's financial assets as of balance sheet dates available for expenditure within one year from the balance sheet date.

	2018	2017
Financial assets at end of year:		
Cash in bank	\$ 415,889	382,728
Funds held by Free Will Baptist Foundation	173,387	146,649
Accounts receivable	28,486	1,086
 Financial assets available to meet general expenditures the next twelve months	 617,762	 530,463
 Less amount not available to be used within one year:		
Net assets designated for maintenance and building and equipment replacement	7,415	4,185
Funds held in connection with other Free Will Baptist departments	163,586	137,158
Amounts not available to be used within one year	171,001	141,343
Net financial assets available for expenditure within one year	\$ 446,761	389,120

(3) Funds Held in Connection With Other Free Will Baptist Departments

Building Services bills other Free Will Baptist organizations for the following purposes and future needs:

	2018	2017
Stewardship promotion		
Accumulated funds to provide material to foster special giving offerings for various other Free Will Baptist organizations	\$ 33,699	32,525
Security training		
Accumulated annual billings totaling \$3,000, net of expenditures, to departments housed in the Free Will Baptist building for the purpose of security training and other related costs	5,515	5,244
Employee health insurance		
Excess billings of monthly premium amounts to departments housed in the National Office Facility to fund health insurance deductibles	124,372	99,389
	\$ 163,586	137,158

(4) Net Assets and Restatement of Balances

Net assets without donor restriction are as follows:

	2018	2017
Operations	\$ 415,251	395,220
Net investment in property, plant and equipment	273,266	270,675
Designated for maintenance and building and equipment replacement	7,415	4,185
	\$ 695,932	670,080

In previous years accumulated amounts relating to stewardship promotion were considered designated unrestricted net assets. These funds were not an accumulation from operations but funds billed to other Free Will Baptist departments and organizations to provide material to foster special giving offerings for their individual programs. The effect of the restatement treats those funds as liabilities held for future use from designated net assets in the amounts of \$32,525 in 2017 and \$31,473 in 2016.

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

Notes to Financial Statements, continued

(5) 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 a contribution of 5% of compensation is made by Building Services. Employees may participate at date of employment. Pension expense amounted to \$4,229 in 2018 and \$3,450 in 2017. 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.

(6) Operating Leases

Building Services has entered into noncancelable lease arrangements relating to mailing equipment. Total rent expense amounted to \$7,132 for 2018 and \$9,496 in 2017. The minimum annual payments required are \$5,989 for 2018 through 2020; and \$1,497 in 2021.

(7) 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 \$291,925 in 2018 and \$289,512 in 2017. Rental income for 2019 will approximate \$301,000.

(8) 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 are subject to risk of accounting loss. Management does not anticipate nonperformance by the financial institutions.

**2020
BUILDING SERVICES
BUDGET
FINANCIAL REPORT**

PROJECTED INCOME	2018 Budget	2018 Actuals*	2019 Budget	2020 Budget
Square Footage (20,105 @ \$1.26 = \$25,332.30 mo.)	\$291,924.60	\$291,924.60	\$301,575.00	\$303,987.60
Building Security Reimbursement	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,000.00</u>
Total Income	<u>\$291,924.60</u>	<u>\$291,924.60</u>	<u>\$301,575.00</u>	<u>\$306,987.60</u>

PROJECTED EXPENSES

Audit & Legal	\$5,300.00	\$5,587.71	\$5,400.00	\$5,800.00
Replacement Reserve	9,000.00	9,000.00	16,237.80	18,000.00
Building Security	500.00	2,728.15	500.00	3,500.00
General Supplies	5,500.00	4,520.19	5,500.00	5,500.00
Insurance (Employee)	35,415.21	40,989.59	38,923.51	31,500.00
Insurance (Plant)	28,000.00	27,906.31	28,000.00	30,500.00
Janitorial Services	33,000.00	29,259.57	34,000.00	35,000.00
Janitorial Supplies	2,500.00	2,523.82	3,000.00	3,500.00
Mail Room	13,000.00	7,132.04	13,000.00	9,000.00
General Maintenance/Contingency Fund	27,540.41	7,852.07	24,413.33	28,491.47
Network Expense	3,500.00	1,857.25	3,000.00	3,000.00
Payroll Taxes (Employer's S.S.)	6,100.00	6,022.01	6,122.93	6,306.62
Postage Meter/UPS	500.00	488.96	600.00	700.00
Retirement	3,600.00	4,229.33	3,589.07	4,500.00
Salaries	78,468.98	77,433.95	80,038.36	82,439.51
Telephone	1,000.00	187.50	750.00	750.00
Utilities	37,000.00	34,635.28	37,000.00	37,000.00
Other	<u>2,000.00</u>	<u>675.08</u>	<u>1,500.00</u>	<u>1,500.00</u>
Total Expenses	<u>\$291,924.60</u>	<u>\$263,028.81</u>	<u>\$301,575.00</u>	<u>\$306,987.60</u>

*Budget comparison does not include depreciation expense.

2020
BUILDING SERVICES
BUDGET
SALARY BREAKDOWN

	2018		2019		2020	
Maintenance Superintendent/ Mail Room Supervisor						
Salary	\$36,955.97	2%	\$37,695.09	2%	\$38,825.94	3%
Social Security	2,827.13	7.65%	2,883.67	7.65%	2,970.18	7.65%
Insurance (Dental/Health/Life)	25,000.00		27,500.00		20,500.00	
Disability	218.04		222.40		229.07	
Retirement	1,847.80	5%	1,884.75	5%	1,941.30	5%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	66,848.94		70,185.92		64,466.50	
Receptionist/Phone System						
Administrator/Assistant Bookkeeper						
Salary	33,417.89	2%	34,086.25	2%	35,108.84	3%
Social Security	2,556.47	7.65%	2,607.60	7.65%	2,685.83	7.65%
Insurance (Dental/Health/Life)	10,000.00		10,000.00		11,000.00	
Disability	197.17		201.11		207.14	
Retirement	1,670.89	5%	1,704.31	5%	1,755.44	5%
Christmas Bonus	<u>0.00</u>		<u>0.00</u>		<u>0.00</u>	
	47,842.42		48,599.27		50,757.25	
Part-time Worker		75 days		75 days		75 days
Salary	8,095.12 (13.48 hr.)		8,257.02 (13.76 hr.)		8,504.73 (14.17 hr.)	
Social Security	<u>619.28</u>	7.65%	<u>631.66</u>	7.65%	<u>650.61</u>	7.65%
	8,714.40		8,888.68		9,155.35	



Hill, Harper & Associates
A Professional Limited Liability Company
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, 2018 and 2017, and the related statements of activities and changes in net assets, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Magazine of the National Association of Free Will Baptists, Inc. as of December 31, 2018 and 2017, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A Professional Limited Liability Company
Franklin, Tennessee
April 11, 2019

Terry A. Hill

615 417 - 7414

terryhill37027@comcast.net

P O Box 680788

Franklin, Tennessee 37068

Ernest R. Harper

615 417 - 6358

e.harper@comcast.net

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

Statements of Financial Position

December 31, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash and interest bearing deposits	\$ 332,297	317,019	
Accounts receivable	4,016	8,453	
Total current assets	<u>336,313</u>	<u>325,472</u>	
Other assets:			
Funds held by Free Will Baptist Foundation for endowment fund purposes	19,873	22,190	
Fixed assets:			
Furniture and equipment	17,035	12,224	
Less accumulated depreciation	(12,052)	(10,060)	
Net fixed assets	<u>4,983</u>	<u>2,164</u>	
	Liabilities and Net Assets		
Liabilities:			
Accounts payable	\$ -	-	
Total liabilities	<u>-</u>	<u>-</u>	
Net assets:			
Net assets without donor restriction	334,411	327,636	
Net assets with donor restriction	26,758	22,190	
Total net assets	<u>361,169</u>	<u>349,826</u>	
	\$ 361,169	349,826	

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, 2018 and 2017

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues:						
Assessments from Free Will Baptist departments and agencies	\$ 430,954	-	430,954	416,181	-	416,181
Other	450	-	450	881	-	881
Total revenues	431,404	-	431,404	417,062	-	417,062
Expenses:						
Program services						
Magazine productions	423,373	-	423,373	402,994	-	402,994
Supportive services						
Administration	9,966	-	9,966	13,446	-	13,446
Total expenses	433,339	-	433,339	416,440	-	416,440
Change in net assets from operating activities	(1,935)	-	(1,935)	622	-	622
Non-operating activities:						
Grant from Free Will Baptist Foundation	-	14,500	14,500	7,000	-	7,000
Endowment distributions	1,095	(1,095)	-	1,085	(1,085)	-
Investment gain (loss) from endowments	-	(1,222)	(1,222)	-	2,526	2,526
Net assets released from restrictions	7,615	(7,615)	-	-	-	-
Change in net assets from non-operating activities	8,710	4,568	13,278	8,085	1,441	9,526
Increase in net assets	6,775	4,568	11,343	8,707	1,441	10,148
Net assets:						
Beginning of year	327,636	22,190	349,826	318,929	20,749	339,678
End of year	\$ 334,411	26,758	361,169	327,636	22,190	349,826

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended December 31, 2018 and 2017

	2018			2017		
	Program Services	Supporting Services		Program Services	Supporting Services	
	Magazine Production	Administration	Totals	Magazine Production	Administration	Totals
Employee compensation:						
Salary	\$ 72,771	-	72,771	71,572	-	71,572
Payroll Taxes	5,567	-	5,567	5,458	-	5,458
Retirement	4,527	-	4,527	3,205	-	3,205
Other employee benefits	15,915	-	15,915	10,252	-	10,252
	<u>98,780</u>	-	<u>98,780</u>	<u>90,487</u>	-	<u>90,487</u>
Expenses:						
Direct cost of publication:						
Printing	162,031	-	162,031	151,495	-	151,495
Postage and mailing services	94,917	-	94,917	94,868	-	94,868
Design	38,605	-	38,605	42,689	-	42,689
Graphics expense	5,592	-	5,592	4,778	-	4,778
Writer's fees	1,900	-	1,900	1,855	-	1,855
	<u>303,045</u>	-	<u>303,045</u>	<u>295,685</u>	-	<u>295,685</u>
Operating expenses:						
Supplies	4,185	-	4,185	4,229	-	4,229
Computer services	3,692	-	3,692	1,799	-	1,799
Promotion	2,257	-	2,257	1,764	-	1,764
Website	1,251	-	1,251	751	-	751
Travel	8,171	-	8,171	6,936	-	6,936
Audit and professional	-	5,488	5,488	-	5,047	5,047
Books, dues and registration	-	1,468	1,468	-	1,157	1,157
Other	-	3,010	3,010	-	2,670	2,670
Graduate school tuition	-	-	-	-	4,572	4,572
Depreciation	1,992	-	1,992	1,343	-	1,343
Total operating expenses	21,548	9,966	31,514	16,822	13,446	30,268
Total expenses	\$ 423,373	9,966	433,339	402,994	13,446	416,440

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	\$ 11,343	10,148
Adjustments to reconcile increase in net assets to net operating activities:		
Depreciation	1,992	1,343
(Gain) loss in endowment funds held by Free Will Baptist Foundation	1,222	(2,526)
Distributions from endowment funds held by Free Will Baptist Foundation	1,095	1,085
Increase in accounts receivable	4,437	(8,453)
Decrease in accounts payable	-	(130)
Net operating activities	20,089	1,467
Cash Flows from Investing Activities		
Purchase of equipment	(4,811)	(1,824)
Net investing activities	(4,811)	(1,824)
Increase (decrease) in cash and cash equivalents	15,278	(357)
Cash and cash equivalents, at beginning of year	317,019	317,376
Cash and cash equivalents, at end of year	\$ 332,297	317,019

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2018 and 2017

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 4.

(1) Summary of Significant Accounting Policies

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 31, 2017, accordingly the effects of this pronouncement are included in these financial statement for December 31, 2018 and applied retrospectively for all periods presented. This update primarily addresses the following:

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"

Temporarily restricted and permanently restricted net assets have been combined and renamed "net assets with donor restrictions"

Deficiencies in information about liquidity and availability of resources

This information is presented in the following Note 2.

Lack of consistency in the type of information provided about expenses and investment return

This information is presented in the statement of functional expenses and Note 3.

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 two classes of net assets as applicable:

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations. These funds may be designated for specific purposes by action of the governing body. (See above Unrestricted Net Assets previously)

Net assets with donor restrictions - Net assets whose use is subject to donor imposed stipulations and / or the passage of time. (See above - Temporarily Restricted and Permanently Restricted Net Assets previously)

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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.

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non-operating activities are limited to resources that generate return from investment and other activities considered to be of a more unusual or nonrecurring nature.

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.

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, 2018 and 2017, 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.

Compensated Absences

Employees of One Magazine are entitled to paid vacation, paid 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 2018 and 2017. Further, management believes that One Magazine has no activities which will lead to income taxes being levied.

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in statement of activities. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program service and administrative expenses.

Contributions, Including Grants

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through April 11, 2019 the date these financial statements were available to be issued. One Magazine is not aware of any material subsequent events.

(2) Liquidity and Availability of Financial Assets

The following reflects One Magazine's financial assets as of balance sheet dates available for expenditure within one year from the balance sheet date.

	2018	2017
Financial assets at end of year:		
Cash in bank	\$ 332,297	317,019
Funds held by Free Will Baptist Foundation for endowment	19,873	22,190
Accounts receivable	4,016	8,453
Financial assets available to meet general expenditures the next twelve months	356,186	347,662
Less amount not available to be used within one year:		
Net assets with donor restrictions	26,758	22,190
	\$ 329,428	325,472

(3) Endowment Funds

Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested indefinitely, and the income earned be expended for the mission of One Magazine. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

One Magazine is subject to the State Prudent Management of Institutional Funds Act (SPMICA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until appropriated for expenditure. The Board of Trustees have interpreted SPMIFA as requiring maintenance of only the original gift amount contributed to the endowment fund. As a result of this interpretation, One Magazine would consider the fund to be underwater if the fair value of the fund is less than the sum of the original value of the contribution and subsequent gifts donated to the fund. One Magazine has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is currently underwater. See detail in schedule below.

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

Notes to Financial Statements, continued

(3) Endowment Funds, continued

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 net assets with donor restriction. All resulting net accumulated investment gains or losses are maintained separately and included as net assets with donor restrictions. The balances relating to endowment funds are as follows:

	2018	2017
Original donor investment (corpus)	\$ 21,000	21,000
Accumulated gains (losses) on endowment funds		
Balance at beginning of year	\$ 1,190	(251)
Investment earnings, including investment gains and losses	(1,222)	2,526
Distributions of earnings to unrestricted net assets	(1,095)	(1,085)
	\$ (1,127)	1,190
Funds held by Free Will Baptist Foundation for Endowment and net assets with donor restriction	\$ 19,873	22,190
Amount of endowment accumulated losses (underwater balance)	\$ (1,127)	N/A

(4) Assessments to Publish One Magazine from Free Will Baptist Departments and Agencies

The following assessments were made to entities of the

	2018	2017
National Association of Free Will Baptists, Inc.:		
Executive Office:		
Administrative budget	\$ 100,470	97,029
Convention budget	18,083	17,463
Free Will Baptist Foundation	48,229	46,575
Welch College	48,178	46,526
Board of Home Missions	73,544	71,022
International Missions	52,747	50,939
Master's Men	8,680	8,382
Randall House Publications	48,229	46,575
Board of Retirement and Insurance	24,114	23,288
Women Nationally Active for Christ	8,680	8,382
	\$ 430,954	416,181

Revenues are expected to approximate \$440,000 in 2019.

(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.

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

(6) Net Assets

Net assets are as follows for each of the years ended December 31, 2018 and 2017:

	2018	2017
Net assets with donor restrictions:		
Endowment funds:		
Fund corpus	\$ 21,000	21,000
Accumulated gains (losses)	(1,127)	1,190
	19,873	22,190
Specific Purpose:		
Remaining grant second year of Pulpit Magazine from Free Will Baptist Foundation	6,885	-
	\$ 26,758	22,190
Net assets without donor restrictions:		
Undesignated funds	\$ 334,411	327,636
Net assets released from restrictions:		
Satisfaction of purpose restrictions		
Grant from Free Will Baptist Foundation for Pulpit Magazine expenditures for first of two (2) year grant (see below)	\$ 7,615	-

(7) Related Party Transactions

The Executive Office of the National Association of Free Will Baptists, Inc. provides 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 3 above. Further, the Foundation provided grants for the cost of production of the special Pulpit Magazine as follows:

2018 grant for production costs during 2018 and 2019	\$ 14,500
2017 grant for production costs of 2017 only	\$ 7,000

Randall House Publications provides printing and related services to One Magazine. For these services, One Magazine expended \$219,591 in 2018 and \$205,207 in 2017.

(8) Pension

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 a contribution of 5% of compensation is made by One Magazine. Employees may participate at date of employment. Pension expense amounted to \$4,527 in 2018 and \$3,205 in 2017. 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.

2020
ONE MAGAZINE
BUDGET
FINANCIAL REPORT

REVENUE	2018 Budget	2018 Actuals*	2019 Budget	2020 Budget
Convention	\$18,083.42	\$18,083.40	\$18,445.09	\$18,445.09
Executive Office	100,469.99	100,470.00	102,479.39	102,479.39
Free Will Baptist Foundation	48,228.57	48,228.60	49,193.14	49,193.14
Home Missions	73,543.52	73,543.56	75,014.39	75,014.39
International Missions	52,747.14	52,747.20	53,802.08	53,802.08
Master's Men	8,679.67	8,679.60	8,853.26	8,853.26
Randall House Publications	48,228.57	48,228.60	49,193.14	49,193.14
Retirement & Insurance	24,114.28	24,114.24	24,596.57	24,596.57
Welch College	48,177.71	48,177.72	49,141.26	49,141.26
WNAC	8,679.67	8,679.72	8,853.26	8,853.26
Endowment	0.00	-1,221.69	0.00	0.00
Reimbursements	500.00	349.61	500.00	500.00
Subscription Revenue	<u>130.48</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>
Total Revenue	\$431,583.02	\$430,180.56	\$440,071.58	\$440,071.58
EXPENSES				
Salary & Benefits	\$84,363.92	\$92,760.05	\$92,786.58	\$88,427.13
Auto/Cell Phone Allowance	6,019.11	6,019.00	6,139.49	6,000.00
Audit & Legal	5,200.00	5,487.71	5,350.00	5,500.00
Books, Dues & Registrations	1,500.00	1,468.00	1,500.00	1,500.00
Computer Software/Services	5,000.00	3,691.58	5,000.00	5,000.00
Design	40,000.00	38,604.60	42,000.00	42,000.00
Graphics	5,000.00	5,592.34	6,000.00	6,000.00
Mail Services	5,000.00	4,522.04	4,500.00	4,500.00
Postage	95,000.00	89,913.05	95,000.00	95,000.00
Postal Returns	2,000.00	481.84	2,000.00	1,000.00
Printing	160,000.00	154,415.65	160,000.00	160,000.00
Promotion	2,000.00	2,256.97	2,000.00	2,500.00
Supplies	5,000.00	4,184.66	5,000.00	5,000.00
Travel	7,000.00	8,171.10	7,000.00	7,500.00
Website	1,000.00	1,250.88	1,200.00	1,200.00
Writer's Fees	2,500.00	1,900.30	2,500.00	2,500.00
Other	<u>5,000.00</u>	<u>3,010.26</u>	<u>2,095.51</u>	<u>6,444.45</u>
Total Expenses	\$431,583.03	\$423,730.03	\$440,071.58	\$440,071.58

*Budget comparison does not include depreciation expense or Foundation Grant.

2020
ONE MAGAZINE
BUDGET
SALARY BREAKDOWN

	2018	2019	2020
Salary	\$65,385.81 2.00%	\$66,693.53 2.00%	\$68,694.33 3.00%
Auto/Cell Phone Allowance	5,743.43	5,858.30	6,000.00
Cell Phone (Office Use)	275.69	281.20	0.00
Social Security	5,462.48 7.65%	5,571.73 7.65%	5,714.12 7.65%
Retirement	3,269.29 5.00%	3,334.68 5.00%	3,434.72 5.00%
Insurance			
Medical/Dental/Life	9,684.42	16,620.38	9,602.30
Disability	385.78	393.49	540.00
Worker's Compensation	128.53	131.10	400.00
UNUM Travel	<u>47.62</u>	<u>41.67</u>	<u>41.67</u>
	 \$90,383.05	 \$98,926.07	 \$94,427.13

FREE WILL BAPTIST FOUNDATION

Director Summary

Financial Review

- It was a difficult year because total assets were down around \$3.5million
- Decrease in assets caused by 4th quarter stock market meltdown
- Planned gifts actually went up over \$800,000 due to new planned gifts
- However stock losses in the overall planned giving areas reduced this gain to less than \$500,000
- We did finish in the black at \$678
- The income would have been larger but we took this opportunity to recognize cancellations
- We recognized \$246,156 in cancelations which leaves us with around \$32,000 that will still need to be written off this year
- We have seen a good recovery in stocks but we have also had good deposits into the MMT pool in 2019
- We were able to harvest \$500,000 in capital gains for the grants early in January

Estate Planning

- The losses in estate planning were significant at (\$752,000) but keep in mind the cancelations were about a third of this loss
- But even a loss of over (\$500,000) is too much
- We have taken steps to reduce this loss significantly
- Estate plan cost has increased \$400 which will generate an extra \$120,000 in income
- Two employees have gone to part time which will reduce expense by \$80,000
- This \$200,000 swing should make the loss acceptable going forward
- We delivered 304 estate plans in 2018

Grants

- We had 47 requests for grants totaling around \$2.4 million
- Unfortunately we were only able to make 22 grants this year
- The full list of 2019 grant recipients is listed below
- The reports we received from last year's grants were amazing
- God is using this program to boost giving to a lot of ministries

Budget

- Total proposed income budget is \$2,469,000 with spending slightly less
- Increase over 2019 budget of ½%
- Projected income is \$227,000 less than last year's actual income
- Most employees received a 4% cost of living raise

Office

- Other than changes in hours for office staff there have been no significant changes

Welch Loan

- Significant progress has been made on line of credit as it has been reduced from \$1.3 million to less than \$500,000
- Every payment on the amortized note has been paid early and an automatic draft has been set up for payments
- Principal on the amortized loan has gone down by around \$250,000 which includes additional principal payments

2019 Grant Recipients

Alabama Children's Home (Update Flooring)	\$16,500.00
Awaken FWB Church Tifton, GA (Georgia Church Plant)	\$15,000.00
California Christian College (Online Program Launch)	\$10,000.00
Camp Hope (Illinois)	\$25,000.00
Cumberland Youth Camp, TN	\$25,000.00
Faith FWB Church Chandler, IN (Matt's House)	\$10,000.00
Faith FWB Church, Goldsboro, NC (Christian School in Brazil)	\$20,000.00
Harmony FWB Church Ada, OK (Bible Distribution)	\$10,000.00
Hilltop FWB Church (Southeastern FWB College Accreditation)	\$17,500.00
Hope Center (Door of Hope)	\$20,000.00
IM Bulgaria Missions Team	\$60,000.00
IM Cuba Nursing Home Expansion	\$15,000.00
IM Women of Good News	\$50,000.00
Masters Men for Boys Conference	\$ 5,000.00
<i>Morganwood Camp Tupelo, MS (renovation projects)</i>	\$10,000.00
NAM Institute Biblico Earl and Gwen Hendrix in OK	\$ 7,000.00
NAM McPherson, KS church plant	\$10,000.00

One Magazine Pulpit	\$15,000.00
Randall House On Demand Streaming	\$60,000.00
Randall University (Library renovation)	\$31,500.00
South Carolina Disaster Relief (Command Center)	\$17,500.00
Welch College	\$50,000.00
	\$500,000.00

Summary of Minutes

April 23, 2019

All Members were present except David Crowe and Ron Hunter.

The Director's, Financial, and Audit reports were presented and approved.

A motion to seek legal counsel concerning the priority of our lien against Welch College was approved.

A motion was made to enforce the late fee provisions of our promissory note with Welch College was approved.

The Field Director's, Director Evaluation Committee, and Budget Committee Reports were approved.

Committee was elected to review and recommend policies concerning conflicts of interests and loan review processes.

Motion to execute appropriate contracts with independent contractors within estate planning.

2018 Grants were approved by the Grant Committee, which consists of nine elected members of the board.

Telephone Conference Call

August 30,2018

All members were present except Matt Pinson, Ron Hunter and Gene Williams.

The Investment Committee gave a report with the following the recommendations:

1. To increase the ratio of loans to assets to 34.5% of MMT total.
2. To extend a consolidation loan to Welch College in the amount of \$15,913,852.12.
3. No other loan investment until ratio of loans to MMT assets is 20% or less.

4. To amend the grant guidelines to state that no organization not in good standing with FWB Foundation at the time of the review/awards will not be considered.

December 3, 2018

All members were present.

The Director's, Financial and Audit reports were presented and approved.

The Field Director's and Investment Committee reports were presented and approved.



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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
April 20, 2019

FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents	\$ 1,843,960	\$ 1,299,590	
Accrued earnings receivable	40,930	57,346	
Other receivables	683,255	982,872	
Office equipment and automobiles, net of accumulated depreciation	216,251	217,553	
	<u>2,784,396</u>	<u>2,557,361</u>	
Investments, at fair market value			
U.S. Government instruments	2,794,586	2,362,516	
Common stocks	22,821,844	26,598,351	
Master limited partnerships	202,167	1,578,327	
FWB Ministries Partnership	873,620	836,000	
Real estate investments	4,190,620	3,512,643	
Mutual funds	15,806,153	16,834,338	
Corporate bonds	191,948	202,339	
Municipal bonds	4,193,114	4,337,686	
Trusts	240,000	240,000	
Total investments	<u>51,314,052</u>	<u>56,502,200</u>	
Notes receivable			
Notes receivable Welch College	17,124,860	15,777,830	
Notes receivable other	1,911,742	1,902,524	
Total notes receivable	<u>19,036,602</u>	<u>17,680,354</u>	
TOTAL ASSETS	<u>\$ 73,135,050</u>	<u>\$ 76,739,915</u>	
	<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES			
Operating liabilities:			
Accrued expense	\$ -	\$ 136	
Liabilities to beneficial owners			
Interest bearing revocable trusts	60,897,025	59,405,223	
Future gifts interest payable	3,260,382	2,958,858	
Funds held in trust	8,238,855	8,961,159	
Unrealized gains and losses - unallocated	(131,522)	4,544,906	
Total liabilities	<u>72,264,740</u>	<u>75,870,282</u>	
NET ASSETS			
Without donor restrictions			
Operating	870,310	657,537	
Board designated	-	212,096	
Total net assets	<u>870,310</u>	<u>869,633</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,135,050</u>	<u>\$ 76,739,915</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, 2018 AND 2017

REVENUE AND SUPPORT	2018			2017		
	Without Donor Restrictions			Without Donor Restrictions		
	Operating	Grants	Estate Planning	Total	Operating	Estate Planning
Investment income:						
Interest and dividends, net of investment fees	\$2,043,417	\$ -	\$ -	\$2,043,417	\$2,246,746	\$ -
Realized gains (losses) on sale of investments	633,329	500,000	-	1,133,329	266,702	500,000
Unrealized gains (losses) from investments	(5,872,737)	-	-	(5,872,737)	3,695,982	-
Total investment income	(3,195,991)	500,000	-	(2,695,991)	6,209,430	500,000
Support through "The Together Way"						
Plan and other contributions	18,261	-	-	18,261	13,246	-
Gain (loss) on sale of property and equipment	1,935	-	-	1,935	(8,345)	-
Estate planning fees	-	712,825	712,825	-	-	668,413
Interest income - note receivable	1,060,382	-	-	1,060,382	642,173	-
Total Support and Revenue	(2,115,413)	500,000	712,825	(902,588)	6,856,504	500,000
Allocation of earnings to revocable trusts, beneficiaries and annuitants	4,609,703	-	-	4,609,703	(3,241,983)	-
Allocation to unrealized gains and losses - unallocated	(1,001,835)	-	-	(1,001,835)	(2,343,472)	-
Revenue and support after allocations	1,492,455	500,000	712,825	2,705,280	1,271,049	500,000

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, 2018 AND 2017

EXPENSES	2018			2017		
	Without Donor Restrictions			Without Donor Restrictions		
	Operating	Grants	Estate Planning	Total	Operating	Estate Planning
Salaries and benefits	\$ 355,047	\$ -	\$ 399,389	\$ 754,436	\$ 372,863	\$ -
Equipment expense	11,694	-	-	11,694	19,274	-
Travel	131,071	-	132,871	263,942	89,589	-
Promotion	57,887	-	13,184	71,071	77,466	-
Board expense	19,906	-	-	19,906	19,543	-
Office expense	63,862	-	-	63,862	70,027	-
Rent expense	46,085	-	-	46,085	45,212	-
Printing and publications	-	-	-	-	7,076	-
One magazine	52,166	-	-	52,166	50,849	-
Interest	8,959	-	-	8,959	-	-
Training and education	15,035	-	-	15,035	23,503	-
Legal and accounting	28,375	-	-	28,375	21,911	-
Depreciation	47,714	-	-	47,714	47,471	-
Grants	-	500,000	-	500,000	-	500,000
Fees	-	-	574,629	574,629	-	544,060
Cancellations	-	-	246,156	246,156	-	104,191
Miscellaneous	573	-	-	573	443	-
Total expenses	<u>838,374</u>	<u>500,000</u>	<u>1,366,229</u>	<u>2,704,603</u>	<u>845,227</u>	<u>500,000</u>
Increase (decrease) in operating net assets	<u>654,081</u>	<u>-</u>	<u>(653,404)</u>	<u>677</u>	<u>425,822</u>	<u>(525,850)</u>
Net assets - beginning of year			<u>869,633</u>			<u>(100,028)</u>
Net assets - end of year						<u>969,661</u>
						<u><u>\$ 869,633</u></u>
						<u><u>\$ 870,310</u></u>

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

FREE WILL BAPTIST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for:		
Contributions	\$ 18,261	\$ 15,061
Interest and dividends	2,359,450	2,430,256
Other income	1,773,207	1,273,683
Cash paid to suppliers and employees	(2,657,025)	(2,457,204)
Allocation of earnings to revocable trusts, beneficiaries and annuitants	4,609,703	(3,241,983)
Allocation to unrealized gains and losses - unallocated	(1,001,835)	(2,343,472)
Net Cash Provided (Used) By Operating Activities	<u>5,101,761</u>	<u>(4,323,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of office equipment and automobiles	(80,783)	(136,575)
Proceeds from the sale of office equipment and automobiles	36,306	42,900
New loans made	(3,412,003)	(11,274,848)
Principal payments received on notes receivable	2,055,755	397,825
Proceeds from sale or call of investment securities	7,027,919	14,132,855
Purchase of investment securities	(6,579,179)	(8,886,962)
Net Cash Provided (Used) By Investing Activities	<u>(951,985)</u>	<u>(5,724,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from additions, net of withdrawals, to future gift interest and revocable trusts	(13,095,300)	(4,903,990)
Contributions to funds held in trust	9,489,894	13,405,606
Proceeds from line of credit	1,000,000	2,200,000
Repayment of line of credit	(1,000,000)	(2,200,000)
Net Cash Provided (Used) by Financing Activities	<u>(3,605,406)</u>	<u>8,501,616</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	544,370	(1,546,848)
Cash and cash equivalents at beginning of years	<u>1,299,590</u>	<u>2,846,438</u>
Cash and cash equivalents at end of years	<u>\$ 1,843,960</u>	<u>\$ 1,299,590</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 677	\$ (100,028)
Depreciation	47,714	47,471
Loss (gain) on sale of property and equipment	(1,935)	8,345
Realized and unrealized (gains) losses on investment transactions	4,739,408	(4,462,684)
Decrease (increase) in accrued investment income	16,416	89,822
Decrease (increase) in other accounts receivable	299,617	93,688
Increase (decrease) in operating liabilities	(136)	(273)
Net Cash Provided (Used) By Operating Activities	<u>\$ 5,101,761</u>	<u>\$ (4,323,659)</u>

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

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 as net assets with donor restrictions or net assets without donor restrictions based on the existence of donor-imposed restrictions.

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 2018 and 2017.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all cash on hand, deposits in financial institutions and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the 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.

Cost Allocation

The Board believes that the expenses are properly classified as expended. Accordingly allocation of costs is not required.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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. 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:

	2018		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
U.S. Government instruments	\$ 2,794,586	\$ 2,827,143	\$ (32,557)
Common stocks	22,821,844	18,760,252	4,061,592
Master limited partnerships	202,167	274,685	(72,518)
FWB Ministries Partnership	873,620	873,620	-
Mutual Funds	15,806,153	18,407,732	(2,601,579)
Corporate bonds	191,948	196,837	(4,889)
Municipal bonds	4,193,114	4,146,557	46,557
Trusts	240,000	240,000	-
Real estate held for resale	185,000	185,000	-
Real estate investment trust	4,005,620	3,328,769	676,851
 Total Investments	 \$ 51,314,052	 \$ 49,240,595	 \$ 2,073,457

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. INVESTMENTS - CONTINUED

	2017		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Marketable Securities:			
U.S. Government instruments	\$ 2,362,516	\$ 2,379,821	\$ (17,305)
Common stocks	26,598,351	18,735,403	7,862,948
Master limited partnerships	1,578,327	2,155,486	(577,159)
FWB Ministries Partnership	836,000	836,000	-
Mutual Funds	16,834,338	16,738,386	95,952
Corporate bonds	202,339	203,540	(1,201)
Municipal bonds	4,337,686	4,165,729	171,957
Trusts	240,000	240,000	-
Real estate held for resale	385,717	385,717	-
Real estate investment trust	3,126,926	2,663,307	463,619
 Total Investments	 \$ 56,502,200	 \$ 48,503,389	 \$ 7,998,811

Total investment income (loss) amounted to (\$2,695,991) for 2018, consisting of investment gains (losses) of (\$4,739,408) and interest and dividends of \$2,043,417 (net of investment fees of \$230,788). This investment income (loss) represents yields of (5.00%) and (5.52%) based on the average market value and average cost of such investments for 2018.

Total investment income (loss) amounted to \$6,709,430 for 2017, consisting of investment gains (losses) of \$4,462,684 and interest and dividends of \$2,246,746 (net of investment fees of \$94,580). This investment income (loss) represents yields of 11.79% and 13.22% based on the average market value and average cost of such investments for 2017.

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, 2018 no amounts were past due on any of the loans.

4. INTEREST BEARING REVOCABLE TRUSTS

The Foundation maintains revocable trusts which totaled \$60,897,025 and \$59,405,223 at December 31, 2018 and 2017, 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, 2018 AND 2017

5. FUTURE GIFTS PAYABLE

The Foundation maintains charitable trusts amounting to \$2,393,008 and \$2,004,281 and gift annuities amounting to \$867,374 and \$954,577 as of December 31, 2018 and 2017, 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, 2018 and 2017, the permanently restricted endowment funds totaled \$8,238,855 and \$8,961,159, 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, 2018 and 2017:

	2018		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 859,925	\$ 250,000	\$ 609,925
Short term liquid investments	985,035	985,035	-
U.S. Government instruments	2,794,586	2,794,586	-
Master limited partnerships	202,167	-	202,167
Common Stocks	22,821,844	-	22,821,844
FWB Ministries Partnership	873,620	873,620	-
Mutual funds	15,806,153	-	15,806,153
Corporate bonds	191,948	-	191,948
Municipal bonds	4,193,114	-	4,193,114
Real estate held for resale	185,000	185,000	-
Real estate investment trust	4,005,620	-	4,005,620
Trusts	240,000	-	240,000
Investment in Welch College loan	17,124,860	17,124,860	-
Receivables	1,911,742	1,911,742	-
Total Investments	<u>\$ 72,195,614</u>	<u>\$ 24,124,843</u>	<u>\$ 48,070,771</u>

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. INFORMATION REGARDING FINANCIAL STATEMENTS - CONTINUED

	2017		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Cash and cash equivalents	\$ 23,386	\$ 23,386	\$ -
Short term liquid investments	1,276,204	1,263,807	12,397
U.S. Government instruments	2,362,516	2,362,516	-
Master limited partnerships	1,578,327	-	1,578,327
Common Stocks	26,598,351	-	26,598,351
FWB Ministries Partnership	836,000	836,000	-
Mutual funds	16,834,338	-	16,834,338
Corporate bonds	202,339	-	202,339
Municipal bonds	4,337,686	-	4,337,686
Real estate held for resale	385,717	385,717	-
Real estate investment trust	3,126,926	-	3,126,926
Trusts	240,000	-	240,000
Investment in Welch College loan	15,777,830	15,777,830	-
Receivables	1,902,524	1,902,524	-
Total Investments	<u>\$ 75,482,144</u>	<u>\$ 22,551,780</u>	<u>\$ 52,930,364</u>

8. OFFICE EQUIPMENT AND AUTOMOBILES

A summary of office equipment and automobiles is as follows:

	2018	2017
Automobiles - seven	\$ 220,933	\$ 211,263
Office equipment	57,087	57,087
Furnishings	19,463	19,463
Software	29,581	29,581
	<u>327,064</u>	<u>317,394</u>
Accumulated Depreciation	(110,813)	(99,841)
	<u>\$ 216,251</u>	<u>\$ 217,553</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 \$1.23 (\$1.16 in 2017) 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 \$46,085 and \$45,212 for the years ended December 31, 2018 and 2017, respectively.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 2.25%. This line of credit is open ended and the advances payable were \$-0- and \$-0- at December 31, 2018 and 2017 respectively. During 2018 the Foundation paid \$8,959 in interest payments related to borrowings on the line of credit (\$14,900 in 2017).

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 \$43,995 (\$40,753 in 2017). 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, 2018 Using					
	Quoted Prices					
	In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	(Level 1)	(Level 2)	(Level 3)
U.S. Government instruments	\$ 2,794,586	\$ 2,794,586	\$ -	\$ -		
Common stocks	22,821,844	22,821,844	-			
Master limited partnerships	202,167	-	202,167			
FWB Ministries Partnership	873,620	-	873,620			
Real estate investments	4,190,620	3,794,354	-		396,266	
Mutual funds	15,806,153	15,806,153	-			
Corporate bonds	191,948	-	191,948			
Municipal bonds	4,193,114	-	4,193,114			
Trusts	240,000	-	240,000			
	<u>\$51,314,052</u>	<u>\$45,216,937</u>	<u>\$ 5,700,849</u>		<u>\$ 396,266</u>	

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. FAIR VALUE MEASUREMENTS - CONTINUED

	Fair Value Measurements at December 31, 2017 Using Quoted Prices			
	Fair Value	In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
U.S. Government instruments	\$ 2,362,516	\$ 2,362,516	\$ -	\$ -
Common stocks	26,598,351	26,598,351	-	-
Master limited partnerships	1,578,327	-	1,578,327	-
FWB Ministries Partnership	836,000	-	836,000	-
Real estate investments	3,512,643	771,155	-	2,741,488
Mutual funds	16,834,338	16,834,338	-	-
Corporate bonds	202,339	-	202,339	-
Municipal bonds	4,337,686	-	4,337,686	-
Trusts	240,000	-	240,000	-
	<u>\$56,502,200</u>	<u>\$46,566,360</u>	<u>\$ 7,194,352</u>	<u>\$ 2,741,488</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, 2018 AND 2017

12. FAIR VALUE MEASUREMENTS - CONTINUED

Level 3 Reconciliation:

	2018	2017
Real estate investments:		
Beginning balance	\$ 2,741,488	\$ 2,991,488
Purchases	-	-
Transfer to Level 1	-	-
Gains (losses) on value	-	-
Sales	(2,345,222)	(250,000)
Ending balance	<u>\$ 396,266</u>	<u>\$ 2,741,488</u>
Total gains or losses for the year included in the statement of activities attributable to the change in unrealized gains or losses relating to investments still held at the reporting date.	<u>\$ -</u>	<u>\$ -</u>

13. NOTE RECEIVABLE WELCH COLLEGE

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 \$15,913,852 from Welch College dated September 22, 2016. This line of credit was amended and increased to the current amount on September, 25 2018. Beginning October 1, 2018 this note is due and payable in monthly payments of \$88,454 due the first day of each successive month with the final payment being due September 1, 2021. These payments include both principal and interest. All remaining principal and interest will become due on October 1, 2021. This note is secured by property owned by Welch College. The balance receivable on this note, including accrued interest, at December 31, 2018 and 2017 was \$15,783,699 and \$14,448,340.

Line of credit note in the amount of \$1,300,000 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 and increased to the current amount on July 13, 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, including accrued interest, at December 31, 2018 and 2017 was \$1,341,161 and \$1,329,490.

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.

The interest earned by the Foundation on these notes in 2018 amounted to \$890,027 (\$507,251 for 2017) net of interest paid on its line of credit of \$71,652 (\$45,579 for 2017).

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018, 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, 2018 the balance in the board designated account was \$-0- (\$212,096 for 2017).

16. OTHER RECEIVABLES

The Foundation records receivables from individuals who have enrolled in their estate planning program. The allowance for doubtful accounts on these balances was \$21,950 at December 31, 2018 (\$21,950 at December 31, 2017).

17. CONCENTRATION

The notes receivable from Welch College represent 23.42% of the assets of the Foundation.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 20, 2019 which is the date the financial statements were available to be issued.

FREE WILL BAPTIST FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

19. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption ASU 2016-14
Unrestricted net assets	\$ 869,633	\$ -
Without donor restrictions	-	869,633
	\$ 869,633	\$ 869,633

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

20. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes.

	2018	2017
Financial assets at year-end	\$ 72,877,869	\$ 76,465,016
Less those unavailable for general expenditures within one year due to:		
Reserved for beneficial owners	(72,264,740)	(75,870,282)
Board designation	-	(212,096)
Financial assets available to meet cash needs for general expenditures within one year	\$ 613,129	\$ 382,638

FREE WILL BAPTIST FOUNDATION
Proposed 2020 Department Budget

	Operations	Estate Planning	Grants	Total Budget
INCOME				
Together Way	\$ 5,000	\$ -	\$ -	\$ 5,000
Gifts & Other	5,000	-	-	5,000
Rest of the Family Offering	4,000	-	-	4,000
Capital Gains	50,000	-	500,000	550,000
Management Fees	1,055,000	-	-	1,055,000
Completed estate plans	-	850,000	-	850,000
Total Income	1,119,000	850,000	500,000	2,469,000
EXPENSES				
Salaries	262,134	349,321	-	611,455
Benefits	31,817	47,726	-	79,543
Travel	110,000	140,000	-	250,000
Promotion	75,000	6,000	-	81,000
ONE Magazine	52,000	-	-	52,000
Office expense	50,000	2,000	-	52,000
Rent	47,000	-	-	47,000
Subscriptions & publications	12,700	-	-	12,700
Training & education	17,000	-	-	17,000
Legal & accounting	30,000	-	-	30,000
Estate Planning Fees	-	580,000	-	580,000
Estate plan cancelations	-	50,000	-	50,000
Grants	-	-	500,000	500,000
Board expense	21,000	-	-	21,000
Equipment & Maintenance	16,694	-	-	16,694
Depreciation	22,500	22,500	-	45,000
Total Expense	747,845	1,197,546	500,000	2,445,392
Surplus / (Deficit)	\$ 371,155	\$ (347,546)	\$ -	\$ 23,608

FREE WILL BAPTIST FOUNDATION
Consolidated Proposed Budget and Actual

	Proposed 2020 Budget	Approved 2019 Budget	Approved 2018 Budget	2018 Actual
INCOME				
Together Way	\$ 5,000	\$ 5,000	\$ 5,000	\$ 6,231
Gifts & other income	5,000	5,000	5,000	7,643
Rest of the Family Offering	4,000	4,000	3,500	4,387
Capital gains	550,000	550,000	500,000	847,054
Management fees	1,055,000	1,050,000 *	875,000	1,118,184
Estate planning fees	850,000	842,000 *	1,100,000	712,825
Total Income	2,469,000	2,456,000	2,488,500	2,696,324
EXPENSES				
Salaries	611,455	600,319 *	647,777	622,926
Employee benefits	79,543	87,773 *	52,838	131,509
Travel	250,000	284,000	230,000	263,942
Promotion	78,000	110,000	89,000	71,071
ONE Magazine	52,000	52,000	54,000	52,166
Office expense	52,000	65,000	52,000	51,675
Rent	47,000	45,000	45,000	46,085
Subscriptions & publications	12,700	5,000	5,500	12,761
Training & education	17,000	26,000	26,000	15,035
Legal & accounting	30,000	22,000	25,000	28,375
Estate planning fees	580,000	450,000	680,000	574,629
Estate plan cancelations	50,000	100,000	-	246,156
Grants	500,000	500,000	500,000	500,000
Board expense	21,000	18,000	16,000	19,906
Equipment & maintenance	16,694	25,000	15,000	11,696
Depreciation	48,000	45,000	50,000	47,714
Total Expense	2,445,392	2,435,092	2,488,115	2,695,646
Surplus / (Deficit)	\$ 23,608	\$ 20,908	\$ 385	\$ 678

* Budget amendment: Full time positions were reduced to part time and reduced income expectation

FREE WILL BAPTIST FOUNDATION
Compensation Package Detail - 2020 Proposed

		2020		2019		2018		2017	
Director/CEO									
PR	Salary	\$	102,083	4%	\$	97,794	3%	\$	94,946
PR	Insurance replacement		9,438			9,438			9,163
PR	FICA/Medicare		8,531			8,203			7,964
B	Retirement		8,922			8,579			7,288
Note: Office car furnished									
Total		\$	128,974		\$	124,014		\$	118,027
									\$ 114,606
Chief Financial Officer									
PR	Salary	\$	78,844	7%	\$	72,819	3%	\$	69,829
PR	Insurance replacement		4,234			5,101			5,968
PR	FICA/Medicare		6,355			5,960			5,798
B	Retirement		8,308			7,792			7,580
B	Health Insurance		10,637			9,780			9,570
Note: Office car furnished									
Total		\$	108,379		\$	101,452		\$	98,745
									\$ 92,286
Field Coordinator									
PR	Salary	\$	54,251	4%	\$	52,193	3%	\$	51,433
PR	Housing		24,092			23,391			22,729
B	Retirement		5,484			5,291			3,708
B	Health Insurance		10,637			9,356			9,350
Note: Office car furnished									
Total		\$	94,464		\$	90,231		\$	87,220
									\$ 84,188
Field Reps & Support Staff									
Salary		\$	260,063	4%	\$	263,243	3%	\$	293,925
Housing			50,098			48,171			70,787
Insurance Replacement			3,230			3,230			2,971
FICA/Medicare			10,235			10,776			12,264
Retirement			18,861			19,349			21,373
Health Insurance			16,695			15,804			25,000
Note: Office cars furnished for field reps									
Total		\$	359,181		\$	360,573		\$	426,319
									\$ 380,754
Total Salaries & Benefits		<u>\$ 690,998</u>			<u>\$ 676,269</u> *			<u>\$ 730,311</u> *	
									<u>\$ 671,833</u>

* Original budget was overstated due to calculation error



North American Ministries 2018

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 2018 were over 4 million. Thank you for your faithful support. Listed below are the top ten states that have excelled.

North Carolina	\$691,674.85
Alabama	\$452,597.44
Tennessee	\$430,264.38
Virginia	\$256,267.55
Oklahoma	\$224,745.66
Georgia	\$213,153.86
Missouri	\$191,574.89
Ohio	\$190,896.79
Arkansas	\$138,018.80
Kentucky	\$124,502.83

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 (CPT) Amir Ashoori, U.S. Army Reserves, Fresno, CA

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 (MAJ) Kevin Trimble, Fort Leavenworth, Kansas

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

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

CH (LT) Hal Jones IV, Naval Base Okinawa, Japan

CH (CPT) David Dodson, Ft. Bragg, NC

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, Lori Ransom 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

June 12, 2018

Motion, seconded and carried to approve a Joint Project between Tennessee state mission board, North American Ministries and Chad Kivette to plant a church in Sevierville, Tennessee.

December 5, 2018

Motion, seconded and carried to honor the "I Will Build My Church Endowment" request for grant/funds from Altom/Jones Team (Greensburg, PA and Bennett/Suggs Team (Tifton, GA for \$20,000 each.

Motion was made, seconded and carried to allow The Gwen Hendrix Bible Institute to change their name to North American Ministries Free Will Baptist Hispanic Bible Institute.

Motion, seconded and carried to adopt the Staff Reorganization of NAM titles presented by Executive Director, David Crowe.

Motion, seconded and carried to receive report of Minutes and Meeting Agenda (written form) with correction on agenda of dates on 2019 Board Meeting and National Convention.



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, 2018 and 2017, and the related consolidated statements of activities, functional expenses 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, 2018 and 2017, 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

Joel D. Collum, Jr., CPA

Nashville, Tennessee
May 1, 2019

**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, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 277,789	\$ 330,439
Investments	4,818	5,304
Investments in Church Extension Fund	320,090	307,915
Investments in Free Will Baptist Foundation	31,850	31,535
Endowments	95,828	107,001
Accounts receivable	-	2,500
Inventory	25,707	31,411
Property & equipment, at cost less accumulated less accumulated depreciation of \$125,212 (\$130,288 in 2017)	234,890	234,055
TOTAL ASSETS	<u>\$ 990,972</u>	<u>\$ 1,050,160</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 15,497	\$ 15,227
Capital lease payable	22,214	7,640
Total liabilities	<u>37,711</u>	<u>22,867</u>

COMMITMENTS

NET ASSETS

NET ASSETS		
Without donor restrictions		
Operating	288,743	101,787
Board designated	-	343,255
Total Without Donor Restrictions	<u>288,743</u>	<u>445,042</u>
With donor restrictions	664,518	582,251
Total net assets	<u>953,261</u>	<u>1,027,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 990,972</u>	<u>\$ 1,050,160</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, 2018 AND 2017**

	2018	2017
WITHOUT DONOR RESTRICTIONS		
REVENUES		
Cooperative program	\$ 223,896	\$ 234,922
Designated contributions	535,049	625,595
Dues	6,536	4,666
Fund-raising special events	30,525	29,686
Management fees - Note 4	690,000	780,000
Investment income	13,367	28,706
Gain (loss) on sale of property & equipment	(16,353)	(1,695)
Realized gain (loss) on sale of investment	-	(963)
Unrealized gain (loss) on value of investment	(6,065)	(381)
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>3,386,604</u>	<u>3,415,611</u>
Total revenue	<u>4,863,559</u>	<u>5,116,147</u>
EXPENSES		
Home Missions' management and general expenses	1,580,341	1,720,438
Home Missions' missionary expenses	3,290,172	3,337,272
Master's Men management and general expenses	49,755	51,990
Master's Men fundraising expenses	18,265	25,283
Master's Men disaster relief expenses	<u>81,325</u>	<u>78,339</u>
Total expenses	<u>5,019,858</u>	<u>5,213,322</u>
Increase (decrease) in net assets without donor restrictions	<u>(156,299)</u>	<u>(97,175)</u>
WITH DONOR RESTRICTIONS		
REVENUES		
Cooperative program	448,422	363,514
Designated contributions	3,020,449	3,047,970
Net assets released from restrictions:		
Restrictions satisfied by payments		
Missionary expenses	(3,290,172)	(3,337,272)
Master's Men disaster relief fund	<u>(96,432)</u>	<u>(78,339)</u>
Increase (decrease) in net assets with donor restrictions	<u>82,267</u>	<u>(4,127)</u>
Total increase (decrease) in net assets	<u>(74,032)</u>	<u>(101,302)</u>
Net assets - beginning of year	<u>1,027,293</u>	<u>1,128,595</u>
Net assets - end of year	<u>\$ 953,261</u>	<u>\$ 1,027,293</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.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Master's Men		Home Missions		
	Program services	Management and General	Fundraising	Program services	Operations Management and General
				Missionaries	Total
<i>EXPENSES AND OTHER DEDUCTIONS</i>					
Salaries and wages	\$ -	\$ -	\$ -	\$ 2,603,571	\$ 3,081,241
Payroll taxes	-	-	-	-	12,467
Housing allowance and employee benefits	-	-	-	-	110,600
Retirement	-	-	-	50,974	12,570
Literature	-	-	-	149,522	468
Promotion expense	-	-	-	19,271	88,614
Utilities	-	-	-	-	107,885
Office expense	-	7,704	-	-	25,359
Printing and postage	-	-	-	94,835	49,478
Rent expense	-	2,844	-	-	41,774
Professional fees	-	-	-	-	131,207
Auto and travel expense	-	25,401	-	121,846	36,372
Board meeting expense	-	-	-	-	61,739
Power Conference expense	-	-	-	-	64,583
Insurance expense	-	2,258	-	49,263	8,700
Telephone	-	-	-	271,298	418,545
Computer and internet	-	385	-	-	8,188
Scholarships	-	-	-	-	8,188
Flowers and gifts	-	-	-	-	73,569
Fund-raising special events expense	-	81,325	-	18,265	73,569
Disaster relief expenses	-	-	-	-	158,722
Project expense	-	-	-	-	158,722
Resource development	-	18	-	-	7,331
Miscellaneous	-	-	-	106,389	7,331
One magazine	-	8,655	-	-	385
Missionary land and buildings	-	-	-	94,501	7,500
Interest expense	-	-	-	-	81,325
Depreciation	-	2,490	-	-	18,265
Total expenses and other deductions	\$ 81,325	\$ 49,755	\$ 18,265	\$ 329,172	\$ 5,019,858

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.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

EXPENSES AND OTHER DEDUCTIONS	Master's Men			Home Missions		
	Program services	Management and General	Fundraising	Program services	Management and General	Total
	Disaster Relief	Master's Men	Operations	Missionaries	Operations	
Salaries and wages	\$	\$	\$	\$ 2,477,641	\$ 487,431	\$ 2,965,072
Payroll taxes	-	-	-	-	12,315	12,315
Housing allowance and employee benefits	-	-	-	-	110,400	110,400
Retirement	-	-	-	47,638	12,760	60,398
Literature	-	-	-	166,313	17,913	184,226
Promotion expense	-	-	-	43,566	80,411	123,977
Utilities	-	-	-	-	22,292	22,292
Office expense	-	7,515	-	-	46,148	53,663
Printing and postage	-	-	-	104,434	27,682	132,116
Rent expense	-	2,824	-	-	61,205	64,029
Professional fees	-	2,000	-	-	8,500	10,500
Auto and travel expense	-	21,548	-	142,353	330,010	493,911
Board meeting expense	-	-	-	-	17,854	17,854
Power Conference expense	-	-	-	-	77,764	77,764
Insurance expense	-	3,203	-	54,867	87,642	145,712
Telephone	-	-	-	-	6,498	6,498
Computer and internet	-	903	-	-	-	903
Scholarships	-	-	-	-	13,500	13,500
Flowers and gifts	-	-	-	-	178,759	178,759
Fund-raising special events expense	-	78,339	-	25,283	-	25,283
Disaster relief expenses	-	-	-	-	-	78,339
Project expense	-	4,293	-	-	-	4,293
Resource development	-	65	-	-	-	65
Miscellaneous	-	-	-	140,639	6,427	147,066
One magazine	-	8,407	-	-	71,022	79,429
Missionary land and buildings	-	-	-	159,821	-	159,821
Interest expense	-	-	-	-	988	988
Depreciation	-	1,232	-	-	42,917	44,149
Total expenses and other deductions	\$ 78,339	\$ 51,990	\$ 25,283	\$ 3,337,272	\$ 1,720,438	\$ 5,213,322

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, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (74,032)	\$ (101,302)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	46,626	44,149
(Gain) loss on sale of property & equipment	16,353	1,695
(Gain) loss on sale of investment	-	963
(Gain) loss on value of investment	6,064	(13,269)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	2,500	
(Increase) decrease in inventories	5,704	(812)
Increase (decrease) in accounts payable and accrued expenses	270	9,795
Net Cash Provided (Used) By Operating Activities	<u>3,485</u>	<u>(58,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of investments	5,280	141,045
Acquisition of investments	(12,175)	(20,460)
Purchases of property and equipment	<u>(44,873)</u>	<u>(49,784)</u>
Net Cash Provided (Used) By Investing Activities	<u>(51,768)</u>	<u>70,801</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments made	<u>(4,367)</u>	<u>(4,508)</u>
Net Cash Provided (Used) by Financing Activities	<u>(4,367)</u>	<u>(4,508)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,650)	7,512
Cash and cash equivalents at beginning of years	<u>330,439</u>	<u>322,927</u>
Cash and cash equivalents at end of years	<u>\$ 277,789</u>	<u>\$ 330,439</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 1,575</u>	<u>\$ 988</u>
Non-cash investing and financing activity:		
Total cost of purchase and equipment purchased	\$ 79,273	\$ -
Trade-in value of automobile	(11,500)	-
Capital lease obligation	(22,900)	-
Purchases of property and equipment	<u>\$ 44,873</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, 2018 AND 2017**

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 2018 or 2017.

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 as either nets assets without donor restrictions or net assets with donor restrictions.

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, 2018 and 2017.

Cost Allocation

The Organization believes that the expenses are properly classified as expended. Accordingly allocation of costs is not required.

**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, 2018 AND 2017**

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 without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

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.

**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, 2018 AND 2017**

2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2018	2017
Land - Puerto Rico	\$ 105,000	\$ 105,000
Automobile	110,536	136,640
Computer equipment	1,228	1,228
Equipment	18,087	2,980
Trailers	1,950	1,950
Office furniture & equipment	123,301	116,545
	<hr/> 360,102	<hr/> 364,343
Less: Accumulated depreciation	(125,212)	(130,288)
	<hr/> \$ 234,890	<hr/> \$ 234,055
Depreciation for the year	<hr/> <hr/> \$ 46,626	<hr/> <hr/> \$ 44,149

3. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Missionaries	\$ 405,847	\$ 306,587
Build a House program	50,181	50,181
Disaster Relief Program	104,244	121,237
Haiti	146	146
Ridge Church	2,850	2,850
Life Member endowment	101,250	101,250
	<hr/> \$ 664,518	<hr/> \$ 582,251

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

4. DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

During 2001 the Board designated \$165,000 in net assets without donor restrictions to reduce the deficits in missionary accounts. During 2005 the Board designated \$178,255 in net assets without donor restrictions to reduce deficits in missionary accounts. The total amount of Board designated net assets without donor restrictions was \$343,255. During 2018 the Board removed this restriction.

**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, 2018 AND 2017**

5. 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 \$690,000 (\$780,000 in 2017) 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, 2018 and 2017 was \$320,090 and \$307,915 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.

6. 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, 2018 and 2017 amounted to \$64,583 and \$64,029.

7. CONCENTRATION OF CREDIT RISK

The Board maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2018 and 2017, the excess amount over the federally insured limit was \$-0- 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 \$320,090 and \$307,915 invested in a demand note of the Church Extension Loan Fund at December 31, 2018 and 2017 respectively. This note is uninsured.

8. PENSION PLAN

The Board participates in the master pension plan of the Board of Retirement and Insurance of the National Association of Free Will Baptists. The Board contributes 5% of gross salary for administrative employees with 5 or more years of service and 2% of gross salary for administrative employees with less than 5 years of service. The Board contributes 2% of gross salary for missionaries on their first mission project and 5% of gross salary for missionaries on their second and all subsequent mission projects. Pension expenses amounted to \$63,544 (\$60,398 in 2017). 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.

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NATIONAL ASSOCIATION OF FREE WILL BAPTISTS
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9. 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, 2018 and 2017, 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.

10. FUNDRAISING EXPENSES

Fundraising expenses amounted to \$18,265 and \$25,283 for the years ended December 31, 2018 and 2017.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through May 1, 2019 which is the date the financial statements were available to be issued.

12. INVESTMENTS

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

	December 31, 2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 5,685	\$ 4,818	\$ (867)

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ (487)</u>
---	-----------------

	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 5,685	\$ 5,304	\$ (381)

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ (381)</u>
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13. 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:

	2018	2017
Build A House	\$ 5,832	\$ 6,191
Disaster Relief Trust	16,866	16,413
Ridge Trust	7,993	7,778
Build A House reserve	659	656
Master's Men	500	497
Life Member Endowment	95,828	107,001
	<u>\$ 127,678</u>	<u>\$ 138,536</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<u>\$ (5,578)</u>	<u>\$ 13,650</u>
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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, 2018		
	Fair Value	(Level 1)	(Level 2)
Equity securities	\$ 4,818	\$ 4,818	\$ -
Investment in the FWB Foundation	127,678	-	127,678
	<u>\$ 132,496</u>	<u>\$ 4,818</u>	<u>\$ 127,678</u>

	Fair Value Measurements at December 31, 2017		
	Fair Value	(Level 1)	(Level 2)
Equity securities	\$ 5,304	\$ 5,304	\$ -
Investment in the FWB Foundation	138,536	-	138,536
	<u>\$ 143,840</u>	<u>\$ 5,304</u>	<u>\$ 138,536</u>

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14. 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 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.

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.

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, 2018, has a cost of \$22,900. The lease agreement provides for minimum annual lease payments of \$7,280.

Future minimum payments under the lease are as follows:

2019	\$ 7,280
2020	7,280
2021	7,280
2022	7,280
2023	5,462
	34,582
Less amount representing interest	(12,368)
Present value of net minimum lease payments	<u><u>\$ 22,214</u></u>

The depreciation expense related to this office equipment amounted to \$4,035.

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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 net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions 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.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors have required the Organization to retain as a fund of perpetual duration. Deficiencies of this nature reported in net assets without donor restrictions are approximately \$5,421 at December 31, 2018. There were no such deficiencies as of December 31, 2017. These deficiencies resulted from unfavorable market fluctuations along with a withdrawal to pay operating expenses in the past.

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16. ENDOWMENT - CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Net Assets
December 31, 2018			
Board designated endowment funds	(\$ 5,421)	\$ -	(\$ 5,421)
Donor-restricted endowment funds	- <hr/>	101,250 <hr/>	101,250 <hr/>
	(\$ 5,421)	\$ 101,250	\$ 95,829
December 31, 2017			
Board designated endowment funds	\$ 5,751	\$ -	\$ 5,751
Donor-restricted endowment funds	- <hr/>	101,250 <hr/>	101,250 <hr/>
	\$ 5,751	\$ 101,250	\$ 107,001

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Net Assets
December 31, 2018			
Beginning balance	\$ 5,751	\$ 101,250	\$ 107,001
Total gains or losses (realized and unrealized) included in the Statement of Activities	(5,280)	- <hr/>	(5,280) <hr/>
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(5,892)	- <hr/>	(5,892) <hr/>
Ending balance	(\$ 5,421)	\$ 101,250	\$ 95,829

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16. ENDOWMENT - CONTINUED

	December 31, 2017		
Beginning balance	(\$ 3,932)	\$ 101,250	\$ 97,318
Total gains or losses (realized and unrealized) included in the Statement of Activities	12,162	-	12,162
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(2,479)	-	(2,479)
Ending balance	<u><u>\$ 5,751</u></u>	<u><u>\$ 101,250</u></u>	<u><u>\$ 107,001</u></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.

	2018	2017
Total assets	<u><u>\$ 73,425,705</u></u>	<u><u>\$ 66,627,313</u></u>
Total liabilities	<u><u>\$ 71,643,149</u></u>	<u><u>\$ 65,299,093</u></u>
Net assets	<u><u>\$ 1,782,556</u></u>	<u><u>\$ 1,328,220</u></u>
Revenue	<u><u>\$ 4,075,871</u></u>	<u><u>\$ 3,606,344</u></u>
Expenses	<u><u>\$ 3,621,535</u></u>	<u><u>\$ 3,757,364</u></u>

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18. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Board has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Board's financial statements:

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption ASU 2016-14
Unrestricted net assets	\$ 445,042	\$ -
Temporarily restricted net assets	481,001	
Permanently restricted net assets	101,250	
Without donor restrictions	-	445,042
With donor restrictions	582,251	
	<u>\$ 1,027,293</u>	<u>\$ 1,027,293</u>

19. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Board's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes.

	2018	2017
Financial assets at year-end	\$ 730,375	\$ 782,194
Less those unavailable for general expenditures within one year due to:		
Reserved for Board designations	- (343,255)	
Reserved for net assets with donor restrictions	(664,518) (582,251)	
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 65,857</u>	<u>(\$ 143,312)</u>

	2018	2019	2020
Executive Director: David Crowe			
Salary	\$67,764.76	\$70,337.70	\$72,987.83
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$4,600.00	\$4,700.00	\$4,800.00
Retirement	\$8,230.56	\$8,400.00	\$8,500.00
Insurance*	\$16,000.00	\$16,500.00	\$17,000.00
TOTALS	\$114,595.32	\$117,937.70	\$121,287.83
Office car furnished			

Director of Church Planting: Brad Ransom			
Salary	\$55,946.42	\$58,164.81	\$60,449.75
Housing	\$18,000.00	\$18,000.00	\$18,000.00
Utilities	\$4,900.00	\$5,000.00	\$5,100.00
Retirement	\$1,478.93	\$3,808.24	\$3,922.49
Insurance*	\$16,000.00	\$16,500.00	\$17,000.00
TOTALS	\$96,325.35	\$101,473.05	\$104,472.24
Office car furnished			

Director of Church Revitalization: Jim McComas			
Salary	\$52,346.42		
Housing	\$21,600.00		
Utilities	\$3,600.00		
Retirement	\$1,478.93		
Insurance*	\$8,000.00		
TOTALS	\$87,025.35	\$0.00	\$0.00
Office car furnished			

Master's Men Director: Ken Akers			
Salary	\$ 49,946.42	\$ 52,164.81	\$ 54,449.75
Housing	\$ 24,000.00	\$ 24,000.00	\$ 24,000.00
Utilities	\$ 3,300.00	\$ 3,500.00	\$ 5,100.00
Retirement	\$ 3,697.32	\$ 3,808.24	\$ 3,922.49
Insurance*	\$ 16,000.00	\$ 16,500.00	\$ 17,000.00
TOTALS	\$ 96,943.74	\$ 99,973.05	\$ 104,472.24
Office car furnished			

Insurance: Travel, Life, Health, Dental

	Adm.	Budget	Actual Expenses	Missionary Budget	Actual Expenses	Total Budget	Total Expenses
Year 2018							
Salaries/Housing	\$525,000.00	\$588,270.28	\$3,000,000.00	\$2,603,571.33	\$3,525,000.00	\$3,191,841.61	
Retirement	\$6,500.00	\$12,569.60	\$40,000.00	\$50,974.22	\$46,500.00	\$63,543.82	
Insurance	\$60,000.00	\$107,200.92	\$40,000.00	\$49,262.94	\$100,000.00	\$156,463.86	
Auto and Travel	\$225,000.00	\$271,297.55	\$125,000.00	\$121,846.16	\$350,000.00	\$393,143.71	
Power Conference							
Postage	\$73,569.21	\$12,451.77	\$25,000.00	\$20,915.54	\$40,000.00	\$33,367.31	
Printing	\$10,000.00	\$23,919.96	\$85,000.00	\$73,919.10	\$95,000.00	\$97,839.06	
Promotion/Advertising	\$125,000.00	\$88,614.32	\$5,000.00	\$19,270.67	\$130,000.00	\$107,884.99	
Office Supplies/Maintenance	\$35,000.00	\$43,349.36			\$35,000.00	\$43,349.36	
ONE Magazine	\$72,000.00	\$73,543.56			\$72,000.00	\$73,543.56	
Utilities	\$25,000.00	\$25,359.21			\$25,000.00	\$25,359.21	
Board Expense	\$15,000.00	\$8,188.28			\$15,000.00	\$8,188.28	
Literature	\$3,000.00	\$468.26	\$175,000.00	\$149,521.53	\$178,000.00	\$149,989.79	
Rent	\$60,000.00	\$61,739.04			\$60,000.00	\$61,739.04	
Phone and FAX	\$5,000.00	\$7,331.05			\$5,000.00	\$7,331.05	
Depreciation	\$40,000.00	\$44,136.41			\$40,000.00	\$44,136.41	
Payroll Taxes	\$10,000.00	\$10,103.67			\$10,000.00	\$10,103.67	
Medicare Taxes	\$2,500.00	\$2,362.95			\$2,500.00	\$2,362.95	
Legal and Audit	\$8,000.00	\$8,700.00			\$8,000.00	\$8,700.00	
Misc.	\$5,000.00	\$10,462.08	\$75,000.00	\$72,392.40	\$80,000.00	\$82,854.48	
Scholarships	\$5,000.00	\$7,500.00			\$5,000.00	\$7,500.00	
Flowers/Gifts	\$3,000.00	\$99,204.04			\$3,000.00	\$99,204.04	
Misc. Receipts							
Land/Building							
Foreign Missions Exchange	\$1,255,000.00	\$1,580,341.52	\$3,745,000.00	\$3,290,171.03	\$5,000,000.00	\$4,870,512.55	
TOTALS							

2020 State Quotas

Alabama	\$525,000.00
Arizona	\$70,000.00
Arkansas	\$170,000.00
California	\$125,000.00
Canada	\$5,000.00
Colorado	\$50,000.00
Florida	\$125,000.00
FWB Foundation	\$50,000.00
Georgia	\$175,000.00
Hawaii	\$3,500.00
Idaho	\$1,000.00
Illinois	\$150,000.00
Indiana	\$60,000.00
Iowa	\$2,500.00
Kansas	\$10,000.00
Kentucky	\$130,000.00
Maine	\$2,500.00
Michigan	\$85,000.00
Mid-Atlantic	\$20,000.00
Mississippi	\$190,000.00
Missouri	\$225,000.00
Montana	\$1,000.00
New Hampshire	\$2,000.00
New Mexico	\$2,000.00
New York	\$10,000.00
North Carolina	\$750,000.00
Ohio	\$200,000.00
Oklahoma	\$250,000.00
Oregon	\$2,000.00
Other Income	\$350,000.00
Other States	\$28,000.00
Pennsylvania	\$50,000.00
Rhode Island	\$5,000.00
South Carolina	\$150,000.00
Tennessee	\$500,000.00
Texas	\$110,000.00
Utah	\$3,000.00
Virgin Islands	\$60,000.00
Virginia	\$200,000.00
Washington	\$5,000.00
West Virginia	\$125,000.00
WNAC	\$20,000.00
Wyoming	\$2,500.00
TOTAL	\$5,000,000.00

2020 Budget

	Administrative	Missionary	Total
Salaries/Housing	\$550,000.00	\$2,650,000.00	\$3,200,000.00
Retirement	\$12,000.00	\$50,000.00	\$62,000.00
Insurance	\$90,000.00	\$55,000.00	\$145,000.00
Auto and Travel	\$300,000.00	\$150,000.00	\$450,000.00
Postage	\$15,000.00	\$25,000.00	\$40,000.00
Printing	\$15,000.00	\$85,000.00	\$100,000.00
Promotion/Adv.	\$125,000.00	\$10,000.00	\$135,000.00
Off. Supplies/Maint.	\$45,000.00		\$45,000.00
ONE Magazine	\$75,000.00		\$75,000.00
Utilities	\$25,000.00		\$25,000.00
Board Expense	\$20,000.00		\$20,000.00
Literature	\$10,000.00	\$200,000.00	\$210,000.00
Rent	\$65,000.00		\$65,000.00
Phone/Fax	\$7,000.00		\$7,000.00
Depreciation	\$45,000.00		\$45,000.00
Payroll Taxes	\$10,000.00		\$10,000.00
Medicare Taxes	\$2,500.00		\$2,500.00
Legal/Audit	\$8,500.00		\$8,500.00
Misc.	\$5,000.00	\$75,000.00	\$80,000.00
Scholarships	\$10,000.00		\$10,000.00
Flowers/Gifts	\$5,000.00		\$5,000.00
Power Conference	\$80,000.00		\$80,000.00
Misc. Receipts		\$15,000.00	\$15,000.00
Land/Building		\$150,000.00	\$150,000.00
FM Exchange		\$15,000.00	\$15,000.00
TOTALS	\$1,520,000.00	\$3,480,000.00	\$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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
April 30, 2019

CHURCH EXTENSION LOAN FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 3,394,532	\$ 3,079,846
Investment in the Free Will Baptist Foundation	1,114,187	2,057,827
Investment in the Free Will Baptist Ministries Partnership	750,000	750,000
Notes receivable, net of allowance		
for doubtful accounts of \$937,038		
(\$937,038 in 2017)	67,828,409	60,441,856
Accrued interest receivable	338,577	297,784
Property & equipment, at cost		
less accumulated depreciation of \$55,130		
(\$55,130 in 2017)	-	-
TOTAL ASSETS	<u>\$ 73,425,705</u>	<u>\$ 66,627,313</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accrued interest	\$ 751	\$ 668
Irrevocable trusts	1,361,850	1,337,228
Notes payable	70,274,863	63,955,512
Other accrued liabilities	5,685	5,685
Total liabilities	<u>71,643,149</u>	<u>65,299,093</u>
NET ASSETS		
Without donor restrictions		
Operating	1,782,556	1,315,015
Board designated	-	13,205
Total net assets	<u>1,782,556</u>	<u>1,328,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,425,705</u>	<u>\$ 66,627,313</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, 2018 AND 2017

	2018	2017
	Without Donor Restrictions	
REVENUES		
Investment income	\$ 67,657	\$ 58,247
Interest income on notes receivable	<u>4,008,214</u>	<u>3,548,097</u>
Total revenue	<u>4,075,871</u>	<u>3,606,344</u>
EXPENSES		
Program expenses		
Interest expense	2,661,907	2,505,563
Build My Church Project expense	40,000	40,000
Bad debt expense	-	221,539
Total program expenses	<u>2,701,907</u>	<u>2,767,102</u>
Operating expenses		
Office expense	98,693	77,392
Management fee - Note 4	690,000	780,000
Promotion	73,574	106,866
Professional fees	38,823	26,004
Unrelated Business Income Tax	18,538	-
Total operating expenses	<u>919,628</u>	<u>990,262</u>
Total expenses	<u>3,621,535</u>	<u>3,757,364</u>
Increase (decrease) in operating net assets	<u>454,336</u>	<u>(151,020)</u>
Net assets - beginning of year	<u>1,328,220</u>	<u>1,479,240</u>
Net assets - end of year	<u>\$ 1,782,556</u>	<u>\$ 1,328,220</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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 454,336	\$ (151,020)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	-	221,539
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(40,793)	(10,919)
Increase (decrease) in other accrued liabilities	-	(40,000)
Increase (decrease) in accrued interest payable	83	67
Net Cash Provided (Used) By Operating Activities	<u>413,626</u>	<u>19,667</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to notes and bonds receivable	(9,559,570)	(6,507,067)
Collection on notes receivable	2,173,017	5,479,868
Purchase of Free Will Baptist Foundation investment	(56,360)	(791,580)
Redemption of Free Will Baptist Foundation investment	<u>1,000,000</u>	<u>41,922</u>
Net Cash Provided (Used) By Investing Activities	<u>(6,442,913)</u>	<u>(1,776,857)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to trust	102,858	92,615
Terminations of trust	(78,236)	(90,254)
Additions to notes payable	13,103,639	8,698,443
Repayment of notes payable	<u>(6,784,288)</u>	<u>(3,951,897)</u>
Net Cash Provided (Used) by Financing Activities	<u>6,343,973</u>	<u>4,748,907</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	314,686	2,991,717
Cash and cash equivalents at beginning of years	<u>3,079,846</u>	<u>88,129</u>
Cash and cash equivalents at end of years	<u>\$ 3,394,532</u>	<u>\$ 3,079,846</u>
SUPPLEMENTAL DISCLOSURES		
Interest received	<u>\$ 3,967,421</u>	<u>\$ 3,537,178</u>
Interest paid	<u>\$ 2,661,824</u>	<u>\$ 2,505,496</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans written off	<u>\$ -</u>	<u>\$ 287,951</u>

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

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$221,588 unrelated business income for 2018 (\$178,341 for 2017).

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 as either nets assets without donor restrictions or net assets with donor restrictions.

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, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Cost Allocation

The Fund believes that the expenses are properly classified as expended. Accordingly allocation of costs is not required.

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 net assets without donor restrictions.

2. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2018	2017
Office equipment	\$ 55,130	\$ 55,130
Less: Accumulated depreciation	(55,130)	(55,130)
	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

3. NOTES PAYABLE

Notes payable consist of 2.5 - 4% (2.5 - 4% in 2017) 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.

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 \$690,000 (\$780,000 at December 31, 2017) 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, 2017).

Several directors and trustees were invested in the Church Extension Loan Fund's notes payable described in Note 3 at December 31, 2018. The interest rate paid on these notes was based on the balance of the account as prescribed by the program guidelines.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2017) 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, 2018 was \$187,750 (\$187,750 at December 31, 2017).

6. CONCENTRATION OF CREDIT RISK

The Fund maintains cash deposits in excess of the federally insured amount of \$250,000. At December 31, 2018, the excess amount over the federally insured limit was \$3,144,532 (\$2,829,846 in 2017). 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 \$1,114,187 (\$2,057,827 at December 31, 2017) invested with the Free Will Baptist Foundation, Inc. at December 31, 2018.

7. CONCENTRATION

Included in notes receivable at December 31, 2018 are nineteen loans which total \$37,586,203 (seventeen which total \$32,346,737 in 2017). This balance represents 54.66% (52.45% in 2017) of total notes receivable.

Notes payable include twenty-four notes which total \$22,448,342 or 31.94% (twenty-one notes which total \$20,030,140 or 31.32% in 2017) of total notes payable.

8. IRREVOCABLE TRUSTS

Seven irrevocable 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, 2018 amounted to \$100,517 (\$99,483 at December 31, 2017).

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018, 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 only the return filed for to the year ended December 31, 2017 is subject to examination.

10. DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

In prior years the Board designated a monthly amount of net assets without donor restrictions for contingencies. The balance in the Board designated account at year end was \$-0- (\$13,205 at December 31, 2017).

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 30, 2018 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:

	2018	2017
Investment in the Free Will Baptist Foundation	<u>\$ 1,114,187</u>	<u>\$ 2,057,827</u>
Income earned on the trust	<u>\$ 56,360</u>	<u>\$ 56,580</u>

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:

	2018	2017
Investment in the FWB Ministries Partnership	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Income earned on the partnership	<u>\$ -</u>	<u>\$ -</u>

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018		
	Fair Value	(Level 1)	(Level 2)
Investment in the FWB Foundation	\$ 1,114,187	\$ 1,069,030	\$ 45,157
Invest. in the FWB Ministries Partnership	750,000	-	750,000
	\$ 1,864,187	\$ 1,069,030	\$ 795,157

	Fair Value Measurements at December 31, 2017		
	Fair Value	(Level 1)	(Level 2)
Investment in the FWB Foundation	\$ 2,057,827	\$ 1,022,315	\$ 1,035,512
Invest. in the FWB Ministries Partnership	750,000	-	750,000
	\$ 2,807,827	\$ 1,022,315	\$ 1,785,512

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, 2018 AND 2017

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 2017) 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 \$937,038 (\$937,038 in 2017) 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:

	2018	2017
Beginning balance	\$ 937,038	\$ 1,003,450
Loan written off	-	-
Current year provision	-	(66,412)
Ending balance	<u>\$ 937,038</u>	<u>\$ 937,038</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:

	2018	2017
Loans evaluated individually	<u>\$ 937,038</u>	<u>\$ 937,038</u>

The ending balance of notes evaluated individually as follows:

Loans evaluated individually	<u>\$ 14,887,324</u>	<u>\$ 15,158,735</u>
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CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 was \$0- (\$0- for 2017).

The following tables provide informative data at December 31, 2018 and 2017 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.

		December 31, 2018		For the Year Ended December 31, 2018	
		Unpaid Principal Investment In Impaired Notes	Allowance for Doubtful Balance of Impaired Notes	Average Recorded Investment In Impaired Notes	Interest Income Recognized While Notes Were Impaired
Recorded					
Investment					
In Impaired					
Notes					

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

		December 31, 2017		For the Year Ended December 31, 2017	
		Unpaid Principal Investment In Impaired Notes	Allowance for Doubtful Balance of Impaired Notes	Average Recorded Investment In Impaired Notes	Interest Income Recognized While Notes Were Impaired
Recorded					
Investment					
In Impaired					
Notes					

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, 2018 AND 2017

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, 2018. The amount shown as past due represent the total amount of loans in each category that have past due amounts.

	Financing Receivables					
	Total	Financing Receivables	Total	Financing Receivables	Total	Financing Receivables
	90 Days or Greater	Past Due	90 Days or Greater	Past Due	90 Days or Greater	Past Due
Current	30-59 Days	60-89 Days	90 Days or Greater	Past Due	90 Days or Greater	Past Due
Notes receivable	\$ 53,878,123	\$ 1,330,243	\$ 1,835,013	\$ 11,722,068	\$ 14,887,324	\$ 68,765,447
	<u>\$ 53,878,123</u>	<u>\$ 1,330,243</u>	<u>\$ 1,835,013</u>	<u>\$ 11,722,068</u>	<u>\$ 14,887,324</u>	<u>\$ 68,765,447</u>
						<u>\$ 7,458,834</u>
						<u>\$ 7,428,490</u>

There is one note 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.

CHURCH EXTENSION LOAN FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

18. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Fund has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Fund's financial statements:

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption ASU 2016-14
Unrestricted net assets	\$ 1,328,220	\$ -
Without donor restrictions	-	1,328,220
	<u>\$ 1,328,220</u>	<u>\$ 1,328,220</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

19. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Fund's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes.

	2018	2017
Financial assets at year-end	\$ 73,087,128	\$ 66,329,529
Less those unavailable for general expenditures within one year due to:		
Reserved for holders of notes payable	(70,274,863)	(63,955,512)
Reserved for holders of irrevocable trusts	(1,361,850)	(1,337,228)
Reserved for the Build My Church program	(2,187,750)	(2,187,750)
Board designation	-	(13,205)
Financial assets available to meet cash needs for general expenditures within one year	<u>(\$ 737,335)</u>	<u>(\$ 1,164,166)</u>



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 Master's Men

2018 was another busy year for Master's Men.

Throughout the year, I was able to attend several men's retreats and connect with the men of our denomination as well as several state meetings.

We continued our sports fellowship events with the Deep South Golf Tournament in Albany, GA in April and our two days of National Golf Tournament in September.

We assisted with the NAM Power Conference in May, plus assisted with the NAM Church Planters and Pastors Boot Camp and NAM summit.

In July, we coordinated IMPACT Little Rock and coordinated ushering for our National Convention.

In August, we continued our restoration work on the Ridge Church in New Durham, NH.

In September, we were actively involved in Disaster Response. We worked with local churches in North Carolina and Florida, by sending supplies and funds to assist in relief.

Master's Men continues to offer training and opportunities for our men to be involved in the Lord's work. We look forward to collaborating with more of our churches to help them help their men.

Kenneth W. Akers
Director of Men's Ministries

2020 Proposed Budget	2020 Projected Income
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Office Operations

Rent	3000	Gifts	9200
Equipment & Supplies	3000		
Telephone	400	Golf	7000
Misc.	1320		
			1420
Postage	2500	Sales	
Total	10220	Endowment Income	5000
Accounting		TOTAL	22620
Audit	2000		

Resource Development

ONE Magazine	8400
Printed Materials	1000
Total	9400

National Association 1000

TOTAL 22620



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, 2018 and 2017, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
April 30, 2019

**FREE WILL BAPTIST MASTER'S MEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS

ASSETS	2018	2017
Cash	\$ 89,766	\$ 110,705
Investment in Free Will Baptist Foundation	31,850	31,535
Investment in Church Extension Loan Fund	53,542	51,717
Endowments	95,828	107,001
Property and equipment, at cost, net of accumulated depreciation of \$5,729 (\$3,239 in 2017)	<u>15,536</u>	<u>2,919</u>
TOTAL ASSETS	<u>\$ 286,522</u>	<u>\$ 303,877</u>

LIABILITIES AND NET ASSETS

LIABILITIES	2018	2017
Accounts payable	\$ 2,415	\$ -
Total Liabilities	<u>2,415</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	25,436	28,213
With donor restrictions	<u>258,671</u>	<u>275,664</u>
Total Net Assets	<u>284,107</u>	<u>303,877</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 286,522</u>	<u>\$ 303,877</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, 2018 AND 2017

	2018	2017
<i>WITHOUT DONOR RESTRICTIONS</i>		
REVENUES		
Donations	\$ 16,827	\$ 31,995
Dues	6,536	4,666
Fund-raising special events income	30,525	29,686
Interest income	1,825	1,766
Investment gains (losses)	(5,578)	13,650
Contributed services received	76,535	76,049
Net assets released from restrictions:		
Restrictions satisfied by payments:	<u>96,432</u>	<u>78,339</u>
Total revenue	<u>223,102</u>	<u>236,151</u>
EXPENSES		
Disaster relief expenses	81,325	78,339
Management and general expenses	126,290	128,039
Fund-raising special events expense	<u>18,265</u>	<u>25,283</u>
Total expenses	<u>225,880</u>	<u>231,661</u>
Increase (decrease) in net assets without donor restrictions	<u>(2,778)</u>	<u>4,490</u>
<i>WITH DONOR RESTRICTIONS</i>		
REVENUES		
Donations	79,440	177,557
Net assets released from restrictions:		
Restrictions satisfied by payments:	<u>(96,432)</u>	<u>(78,339)</u>
Increase (decrease) in net assets with donor restrictions	<u>(16,992)</u>	<u>99,218</u>
Total increase (decrease) in net assets	<u>(19,770)</u>	<u>103,708</u>
Net assets - beginning of the year	<u>303,877</u>	<u>200,169</u>
Net assets - end of the year	<u>\$ 284,107</u>	<u>\$ 303,877</u>

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

FREE WILL BAPTIST MASTER'S MEN
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Program Services	Operations	Fund-Raising	Total	Disaster Relief	Management and General
EXPENSES AND OTHER DEDUCTIONS						
Salaries and wages	76,535	-	-	76,535	-	76,049
Director's insurance	2,258	-	-	2,258	-	3,203
Office expense	7,704	-	-	7,704	-	7,515
Computer and internet	385	-	-	385	-	903
Rent expense	2,844	-	-	2,844	-	2,824
Professional fees	-	-	-	-	-	2,000
Automobile expense	1,397	-	-	1,397	-	307
Travel expense	23,510	-	-	23,510	-	20,529
Convention expense	494	-	-	494	-	712
Resource development	18	-	-	18	-	65
Fund-raising special events expense	-	-	18,265	18,265	-	25,283
Disaster relief expenses	81,325	-	-	81,325	78,339	-
Project expense	-	-	-	-	4,293	4,293
One Magazine	8,655	-	-	8,655	-	8,407
Depreciation	-	2,490	-	2,490	-	1,232
Total deductions	81,325	126,290	18,265	225,880	78,339	128,039
						25,283
						231,661

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, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (19,770)	\$ 103,708
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,490	1,232
Investment (gains) losses	5,578	(13,650)
Increase (decrease) in:		
Accounts payable	<u>2,415</u>	<u>(129)</u>
Net Cash Used by Operating Activities	<u>(9,287)</u>	<u>91,161</u>
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(15,107)	-
Redemption of investment	5,280	17,424
Acquisition of investment	<u>(1,825)</u>	<u>(1,766)</u>
Net Cash Used by Investing Activities	<u>(11,652)</u>	<u>15,658</u>
Cash Flows From Financing Activities:		
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(20,939)	106,819
Cash - Beginning of Year	<u>110,705</u>	<u>3,886</u>
Cash - End of Year	<u>\$ 89,766</u>	<u>\$ 110,705</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, 2018 AND 2017

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 2018 or 2017.

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 as either nets assets without donor restrictions or net assets with donor restrictions.

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, 2018 and 2017.

Cost Allocation

The Organization believes that the expenses are properly classified as expended. Accordingly allocation of costs is not required.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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.

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 without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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

2. RELATED PARTY TRANSACTIONS

Free Will Baptist Home Missions provides personnel services to the Organization without charge. The Organization recognized revenue and related expenses of \$76,535 and \$76,049 for these services for the years ending December 31, 2018 and 2017 respectively.

3. FUNDRAISING EXPENSES

Fundraising expenses amounted to \$18,265 and \$25,283 for the years ended December 31, 2018 and 2017 respectively.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Computer equipment	\$ 1,228	\$ 1,228
Equipment	18,087	2,980
Trailers	1,950	1,950
	<hr/> 21,265	<hr/> 6,158
Less: Accumulated depreciation	(5,729)	(3,239)
	<hr/> <u>\$ 15,536</u>	<hr/> <u>\$ 2,919</u>

Depreciation for the year ended December 31, 2018 was \$2,490 (\$1,232 for December 31, 2017).

5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Build a House Program	\$ 50,181	\$ 50,181
Disaster Relief Fund	104,244	121,237
Haiti	146	146
Ridge Church	2,850	2,850
Lifetime Members endowment	101,250	101,250
	<hr/> <u>\$ 258,671</u>	<hr/> <u>\$ 275,664</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2018	2017
Disaster Relief Fund	<hr/> <u>\$ 96,432</u>	<hr/> <u>\$ 78,339</u>

7. 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, 2018 and 2017 the Organization had uninsured amounts in the amount of \$-0- and \$-0- respectively.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

8. 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 \$2,844 and \$2,824 for 2018 and 2017 respectively.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through April 30, 2019 which is the date the financial statements were available to be issued.

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.

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 net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions 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.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

10. ENDOWMENT - CONTINUED

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.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors have required the Organization to retain as a fund of perpetual duration. Deficiencies of this nature reported in net assets without donor restrictions are approximately \$5,421 at December 31, 2018. There were no such deficiencies as of December 31, 2017. These deficiencies resulted from unfavorable market fluctuations along with a withdrawal to pay operating expenses in the past.

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
December 31, 2018			
Board designated endowment funds	(\$ 5,421)	\$ -	(\$ 5,421)
Donor-restricted endowment funds	- \$ 101,250	101,250	101,250
	<u>(\$ 5,421)</u>	<u>\$ 101,250</u>	<u>\$ 95,829</u>
December 31, 2017			
Board designated endowment funds	\$ 5,751	\$ -	\$ 5,751
Donor-restricted endowment funds	- \$ 101,250	101,250	101,250
	<u>\$ 5,751</u>	<u>\$ 101,250</u>	<u>\$ 107,001</u>

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

10. ENDOWMENT - CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
December 31, 2018			
Beginning balance	\$ 5,751	\$ 101,250	\$ 107,001
Total gains or losses (realized and unrealized) included in the Statement of Activities	(5,280)	-	(5,280)
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(5,892)	-	(5,892)
Ending balance	<u><u>\$ 5,421</u></u>	<u><u>\$ 101,250</u></u>	<u><u>\$ 95,829</u></u>
December 31, 2017			
Beginning balance	(\$ 3,932)	\$ 101,250	\$ 97,318
Total gains or losses (realized and unrealized) included in the Statement of Activities	12,162	-	12,162
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(2,479)	-	(2,479)
Ending balance	<u><u>\$ 5,751</u></u>	<u><u>\$ 101,250</u></u>	<u><u>\$ 107,001</u></u>

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.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

11. INVESTMENT THE FREE WILL BAPTIST FOUNDATION - CONTINUED

A summary of investments in the Foundation are as follows:

	2018	2017
Build A House	\$ 5,832	\$ 6,191
Disaster Relief Trust	16,866	16,413
Ridge Trust	7,993	7,778
Build A House reserve	659	656
Master's Men	500	497
Life Member Endowment	95,828	107,001
	<hr/> <u>\$ 127,678</u>	<hr/> <u>\$ 138,536</u>

Investment return is summarized as follows:

Net realized and unrealized income (loss)	<hr/> <u>\$ (5,578)</u>	<hr/> <u>\$ 13,650</u>
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12. FAIR VALUE MEASUREMENTS

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

	Fair Value Measurements at December 31, 2018	
	Fair Value	(Level 2)
Investment in the FWB Foundation	<hr/> <u>\$ 127,678</u>	<hr/> <u>\$ 127,678</u>

	Fair Value Measurements at December 31, 2017	
	Fair Value	(Level 2)
Investment in the FWB Foundation	<hr/> <u>\$ 138,536</u>	<hr/> <u>\$ 138,536</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 Organization 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 1 or Level 3 investments.

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.

FREE WILL BAPTIST MASTER'S MEN
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

13. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption ASU 2016-14
Unrestricted net assets	\$ 28,213	\$ -
Temporarily restricted net assets	\$ 174,414	
Permanently restricted net assets	\$ 101,250	
Without donor restrictions	-	28,213
With donor restrictions		275,664
	<u>\$ 303,877</u>	<u>\$ 303,877</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes.

	2018	2017
Financial assets at year-end	\$ 270,986	\$ 300,958
Less those unavailable for general expenditures within one year due to:		
Reserved for net assets with donor restrictions	(258,671)	(275,664)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,315</u>	<u>\$ 25,294</u>



Free Will
Baptist
Board of
Retirement

PREPARING FOR FUTURE MINISTRY

BOARD OF RETIREMENT JOHN BRUMMITT, PRESIDENT AND CEO



Galatians 6:9 "And let us not grow weary of doing good, for in due season we will reap, if we do not give up."

YEAR IN REVIEW

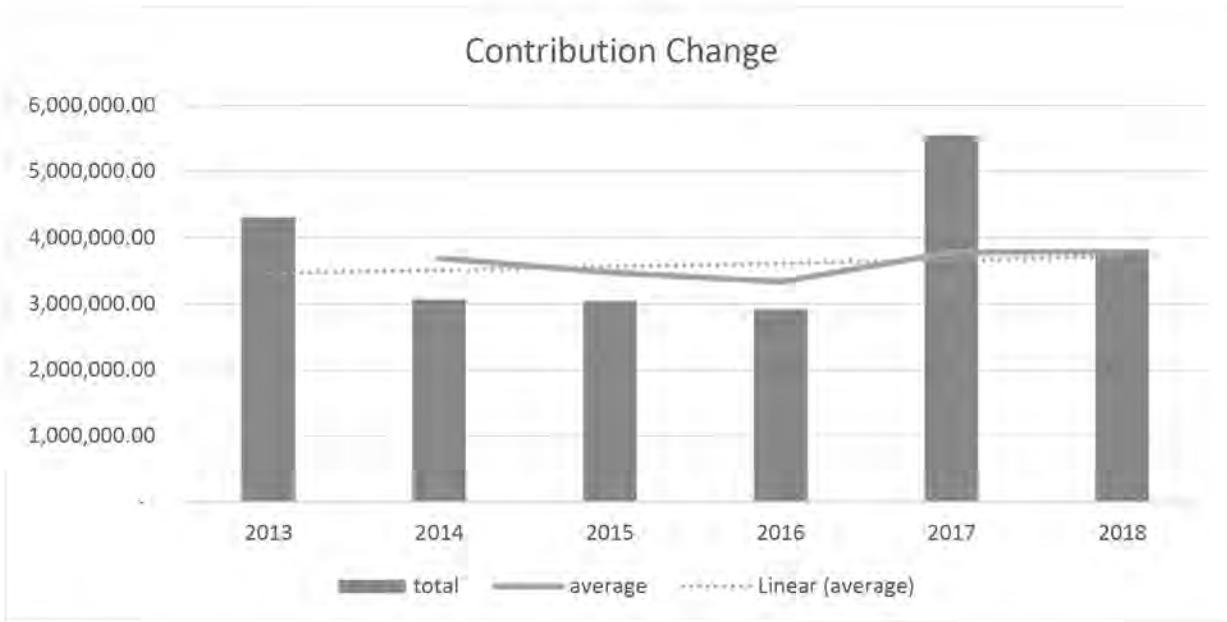
2018 seemed to fly past, and 2019 is starting the same way. I have found myself having to look back at our timeline to say, "That was just six months ago," because so much has taken place in those few months. Last year, our big project was having a benchmarking study done. We did this study for multiple reasons. The first was to set a record of what services we provide for our participants based on the fees that are taken to run the plan. The second was to see what we needed to do to improve our plan to a level that would make us not only good for a church plan but any retirement plan that is out on the open market. In having the benchmarking study done, we have begun to develop the areas that we believe will take our plan to the next level.

In doing all of this, we didn't stop any of our current operations and continued to add more to the list of services that our office is putting out. Our enrollment numbers missed a new record last year by three enrollees. For the last three years, we have averaged over 120 new enrollees. Our enrollment average is up 41.1% from the average of the years prior. So while we missed a new record, we are still very pleased with the growth that we have seen in our enrollment. We are having more and more word of mouth enrollments from events we didn't even know were in existence three years ago. More and more FWB churches and organizations are beginning to use our plan to provide benefits to their employees. A change like this is a huge win for our plan –that we are starting to get the recognition that we are the best plan for our churches and schools, even compared to plans out on the open market. We are pushing to make our plan even better this year and setting us up to continue to improve and gain more clients in the future.

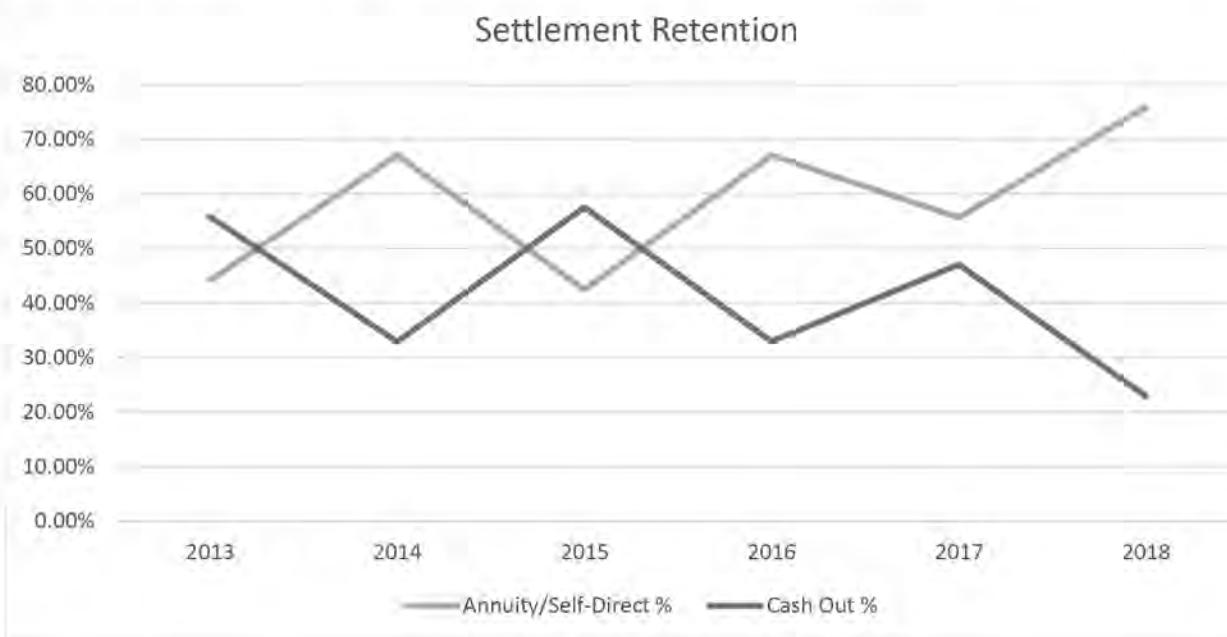
	2016	2017	2018	2019
ENROLLMENTS	124	125	123	30
CONTRIBUTIONS	\$2,441,646.47	\$3,716,839.10	\$2,961,546.34	\$1,076,290.38
INSTITUTIONAL	N/A	\$1,835,000.00	177,040.72	132,787.51
TOTAL	\$2,441,646.47	\$5,551,839.10	3,138,587.06	1,209,077.89

Contributions were lower in 2018, which is to be expected since 2018 was a much more volatile year in the stock market. We still received over \$3M in new funds into our plan. We are beating our contribution average for the past six years.

"Coming together is a beginning; keeping together is progress; working together is success." – Henry Ford



While new contributions were not at the level of 2017, we have focused new efforts on explaining what it realistically takes for our participants to be prepared for their future ministry.



Our settlement retention of assets increased for the third year in a row with 75.95% of all settlements in 2018 going into our Annuity Pool or Self Directed Pool. This is significant since this is an indication that our participants are building enough assets to cover living expenses in their retirement years. We will always have cash out options taken by some of our participants. Our goal with setting up settlements that remain with us is two-fold: 1.) funds that are paid over a longer time-horizon benefits the participant by reducing their tax liability in one year and also provides sustained income over the years. 2.) the funds

that we retain in our Annuity and Self-Directed pools allow us to generate revenue, causing us to have lower fees for all participants.

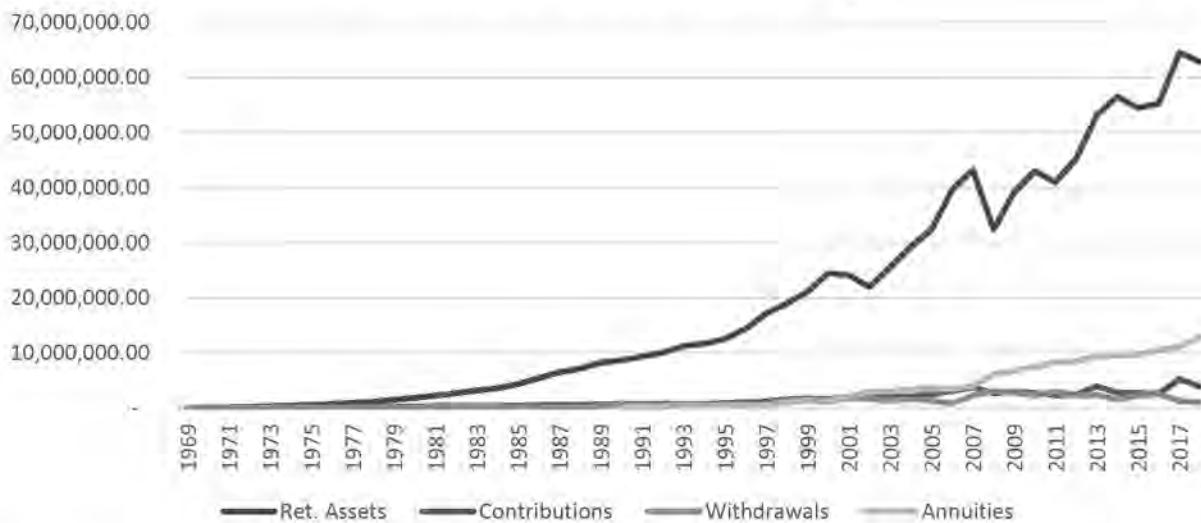
Withdrawals from the plan decreased for the second year in a row, dropping last year by 15.36%; these are funds (lump sum and rollovers) leaving our program. Total settlements for 2018 were \$4.2M, but \$3.29M of that remained with us in our Annuity Pool and Self-Directed Pool. We also saw a \$1.49M loss from our investments last year and a net decrease to our plan of 2.1 million dollars for 2018. We also paid out \$1.9M in monthly payments to annuitants and retirees which contributed to the net decrease in assets. 2019, has recouped the losses from 2018 investment and increased total assets a quarter of a million dollars in the first two months.

50-YEAR REVIEW

2018 was a good year for BOR financial, even though investment fell off in the fourth quarter. Our office performed well with our revenue and expense management. The Lord has truly blessed our office. In our 50-year history, asset growth of our retirement fund has performed well. We began in 1969 with \$11,760 in assets. We now receive more than this per day into our plan. Our expense ratio for the first year was 79.22%. Gratefully it didn't stay there long. In 1972, we had our first withdrawals from the retirement program. Those first withdrawals made up 1.89%, \$3,403, of the total asset, \$180,183.



Retirement Fund 50-Year History



In 1982, the IRS established the 403(b)(9) section of the code. This established regulations and guidance that our plan would be subject to from that point forward, making us the most regulated department under the National Association of Free Will Baptists header. At the end of 1982, our assets had grown to

\$2.6M. Our yearly average, in new contributions, over the past six years is \$3.7M. In 1990, our plan began offering annuities to our participants to guarantee they didn't outlive their retirement savings. The first annuities amounted to a total of \$35,052 that first year. Currently, our monthly annuity payout is \$96,163 per month, almost 2.75 times that first years total. Our annuity program has taken off since that first year totaling \$12.7M as of February 2019. In 2006, final regulations came out for 403(b)(9) plans, which the word "final" in the title is misleading as they have been updated every year. These regulations made the 403(b)(9) section of the code even more complex and caused another wave of changes for our plan. The major change this brought about requiring a written plan document. In 2006, assets were at \$39.5M, and our annuity program had grown to \$3.3M, it is also the year that I began working with the office. Two years later we had the largest negative one year change in our 50-year history. In 2008, we saw a -24.9% drop in assets at the same time we saw our annuity pool increase 54.5% in one year, also the largest in our history. The downturn in assets and uptick in annuity contracts caused us to take a deep look at the structure of our plan. A major outcome was that in 2010 and 2012 we added additional investment options for our participants. These options allowed participants for the first time in our history to choose how they would like to invest their funds to best suit their situation. In 2019, our plan has grown to over \$63M in assets, and our annuity pool has grown to over \$12M in assets.

The Lord has truly blessed our office over the past 50 years. We have been helping our participants accumulate assets and draw down those assets to sustain them in their golden years, but the success of our past doesn't allow us to rest. Today's retirement programs are more scrutinized than ever before. Regulatory changes and lawsuits make running a retirement program more difficult than even three years ago. Our office will strive to continue in our 50-year heritage, developing new programs and options to help our participants reach their retirement goals and never losing focus that our main goal in all of our efforts is to prepare people for the future ministry the Lord has for each of us in the next stage of our lives.

Investment Returns 2017 – 18

	12/31/2017	12/31/2018	Equity Range
<i>Default</i>	13.734%	-4.024%	35 – 70%
<i>Conservative</i>	5.632%	-0.678%	5 – 35%
<i>Moderate</i>	7.900%	-2.218%	30 – 60%

<i>Maximum</i>	24.773%	-3.454%	80 – 99%
<i>Discipline Value</i>	10.158%*	-3.130%	95 – 100%

*Discipline Value started on June 30, 2017, actual rate for time period.

While we cannot control the outcome of the market, we try very hard to be competitive with what the overall market is doing. The fourth quarter of 2018 had a large negative correction right at the end of the year. This downturn caused our rates to turn negative at the end of 2018. The first part of 2019 we have seen a positive correction from this downturn in 2018.

FINANCIAL EDUCATION/GRAANT

In 2018, we were fortunate to receive grant funds from the FWB Foundation's grant program. The focus of this grant has been on helping to develop our financial literacy resources and educational workshops. I want to share some of the fruits of this endeavor. These funds have helped us develop and present several financial education seminars at the National Convention, State meetings, and Local association meetings. It has also allowed us to develop online resources for our FWB churches.



One of the largest developments from this grant was the development of a partnership with the ECFA (Evangelical Council for Financial Accountability) to provide our churches and congregants with a wealth of resources. This partnership provides best practices resources for church financial management and quality evaluation tools for the church's financial health.

As mentioned last year, this year we will host the Reinvestment conference, which we hope to be a beneficial event, to help train our young/new ministers and leaders in the areas of biblical financial management and denominational leadership.

re:invest
CONFERENCE

This conference is more of a joint effort of all the National Agencies. We are striving to make the cost of this conference zero. It will be an invitation-only event so that we can control cost, but also allows us to work directly with state leaders to help develop the next generation of denominational leadership. The focus will be on training in finance and the leadership responsibilities that are many times overlooked when taking on a leadership role. For example, a new minister becomes a lead pastor in a state; he then is elected to serve in his local association, and on a committee at the state level. While he can handle the responsibility, the committees that he was asked to serve on he has no background or experience. He could bring great value to the committee, but without the confidence and knowledge, most likely no real change will happen. To address this, training and exposure are needed to allow them to be fruitful in this new area they have been asked to serve. The Reinvestment conference is simply that: reinvesting in these new leaders or future leaders to help build their confidence and exposure to some of the challenges that they will face during their career. This will benefit our denomination and their ministries. Our first conference will be October 17-19. We are planning for 30 couples to be in attendance, with the only expense for them being travel to the event. We are partnering with all of the other National Agencies to cover everything from food, resources, training/seminars, and fun networking events. We believe this will be a great way of reinvesting into the denomination for future ministry.

GET STARTED

The majority of Americans don't start saving for their future until later in life, causing us to have a retirement crisis here in the U.S. Many people sacrifice their future needs for their present wants. This is not the model that we have been instructed to follow. In Proverbs 6:6-8, we are instructed to look to the ant and consider her ways and be wise. She prepares herself for all seasons by putting back a little from her labor. We are told this is wise. Board of Retirement was created 49 years ago to give Free Will Baptists a vehicle in which we could accomplish this preparation. The longer you put off preparing for the future, the harder it becomes to be prepared. Our vision is that every Free Will Baptist employee, church, and church agency be prepared for the future ministry God has for them. It doesn't happen overnight, and it will not happen without work, but starting as soon as possible and being consistent in your contributions will make all the difference. We are here to help. Contact our office or stop by our booth and get started today.

Synopsis of Board Meetings 2018

Board of Retirement

March 19, 2018

All board members were present with the exception of Ron Barber and Larry Clyatt. A number of reports were presented and approved including: Director's Report, Financial Report, Auditor's Report, and Proposed Budget.

Several motions were made and carried:

1. Approve and adopt a Board Member Handbook pending discussion and final vote
2. Hire Retirement Plan Analytics to do a benchmarking study every 3-5 years
3. Set 5% overfunded as benchmark to consider increase to annuity participants
4. Raise rate on future new account loans to 7%
5. Continue to allow 100% of annuity to count as housing
6. Retain slate of officers and committees for 2018-2019

The Board discussed potential opportunities for the ministry such as hiring a record-keeper, extending services to Free Will Baptist churches not in the National Association, and continuing to develop educational resources and learning opportunities for the denomination and beyond.

December 4, 2018

All board members and staff were present except for Ron Barber.

The Director's Report and Financial Report were both presented and approved.

There was discussion by the Board on the topics of hiring a new Investment Consultant, plans for celebrating the ministry's 50th anniversary, and making sure the plan documents for the services offered are compliant with new laws and acts.



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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
March 30, 2019

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
OPERATING ASSETS		
Cash and cash equivalents	\$ 1,044	\$ 10,222
Funds invested with Free Will Baptist Foundation	154,939	146,279
Endowment	37,574	67,566
Investment in marketable securities and instruments, at fair market value	122,574	56,419
Total Operating Assets	<u>316,131</u>	<u>280,486</u>
RETIREMENT ASSETS		
Cash and cash equivalents	1,808,027	1,881,538
Investment in marketable securities and instruments, at fair market value	60,893,778	62,571,993
Prepaid annuitant benefits	(90)	(50)
Notes receivable, net of allowance for doubtful accounts	4,739	2,828
Total Retirement Assets	<u>62,706,454</u>	<u>64,456,309</u>
OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES		
at cost, net of accumulated depreciation	<u>93,526</u>	<u>87,049</u>
TOTAL ASSETS	<u>\$ 63,116,111</u>	<u>\$ 64,823,844</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 FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable - annuitants	\$ 12,856,525	\$ 10,992,841
Accounts payable - self-directed	3,031,403	3,034,614
Accounts payable, accrued expenses and other liabilities	10,329	4,634
Capital lease payable	10,469	-
Total liabilities	<u>15,908,726</u>	<u>14,032,089</u>

NET ASSETS

Without Donor Restrictions

Operations:

Operating funds (deficit)	75,920	40,135
Designated for future assets purchases	80,436	80,383
Designated for future payments to annuitants	112,077	133,462
Net invested in equipment	93,526	87,049
Total Operating Net Assets	<u>361,959</u>	<u>341,029</u>

Retirement Accounts:

Net assets available for participants	46,992,959	49,845,852
Designated as reserve funds	(194,890)	582,252
Total Retirement Net Assets	<u>46,798,069</u>	<u>50,428,104</u>

With Donor Restrictions

Total net assets	<u>47,207,385</u>	<u>50,791,755</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 63,116,111

\$ 64,823,844

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, 2018 AND 2017**

	2018			2017		
	With Donor Restrictions	Without Donor Restrictions		With Donor Restrictions	Without Donor Restrictions	
		Retirement Accounts	Operations		Retirement Accounts	Operations
SUPPORT, REVENUE AND OTHER ADDITIONS						
Contributions from participants	\$ -	\$ 3,437,055	\$ -	\$ 3,437,055	\$ -	\$ 5,203,469
Contributions to participant accounts	-	348,956	-	348,956	-	348,370
Repayment of participant loans	-	3,786,011	-	3,786,011	-	5,551,839
						5,551,839
Investment income:						
Gains of investment portfolio:	-	2,155,505	-	2,155,505	-	3,121,401
Net realized gains (losses)	-	(4,405,286)	(5,336)	(4,410,622)	-	3,711,324
Net unrealized gains (losses)	-	(2,249,781)	(5,336)	(2,255,117)	-	6,832,725
Interest and dividends from investments (net investment fees)	-	743,480	-	743,480	-	645,615
Total investment income	-	(1,506,301)	(5,336)	(1,511,637)	-	7,478,340
						7,478,340
Income earned from interest bearing notes:						
Interest income	-	25,061	582	25,643	-	21,424
Gain (loss) on sale of property and equipment	-	-	(6,279)	(6,279)	-	-
Total income earned from interest and sale of property	-	25,061	(5,697)	19,364	-	21,424
						13,647
Gifts:						
25,000	-	64,140	64,140	-	-	59,690
212	-	5,337	5,549	25,000	22,650	-
Total other income	25,000	212	69,477	94,689	22,650	-
						59,690
Total additions	25,000	2,304,983	58,444	2,388,427	22,650	13,051,603
Allocation for Operations	-	(716,076)	585,506	(130,570)	-	(543,929)
Net additions after allocation for operations	\$ 25,000	\$ 1,588,907	\$ 643,950	\$ 2,257,857	\$ 22,650	\$ 12,507,674
						\$ 620,691
						\$13,151,015

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 FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Program Services		Total	Program Services		Total
	Education	Retirement Accounts		Operations	Education	
EXPENSES AND OTHER DEDUCTIONS						
Withdrawals from participants	-	2,636,391	-	2,636,391	-	1,228,836
Participant loans	-	394,350	-	394,350	-	350,100
Transfers to annuities by participants	-	1,047,762	-	1,047,762	-	930,801
Transfers to self-directed by participants	-	673,495	-	673,495	-	388,576
Insurance deductions from participants accounts	-	23,567	-	23,567	-	24,154
Income allocated to annuitant obligations	-	292,920	-	292,920	-	527,524
Income allocated to self-directed accounts	-	146,561	-	146,561	-	156,252
Salaries	-	-	198,739	198,739	-	194,485
Housing	-	-	23,000	23,000	-	26,428
Fringe Benefits	-	-	105,767	105,767	-	103,740
Travel and promotional	-	-	55,188	55,188	-	33,582
Auto maintenance and expense	-	-	9,774	9,774	-	6,394
Office supplies and expense	-	2,911	83,623	86,534	-	84,860
Occupancy	-	-	34,244	34,244	-	33,604
Board members expense	-	-	16,133	16,133	-	17,632
Legal and accounting	-	-	43,728	43,728	-	17,454
Grant expense	265	-	-	265	28	28
Depreciation	-	-	28,985	28,985	-	28,518
Annuity benefit payments	-	-	23,178	23,178	-	17,325
Miscellaneous	-	985	661	1,646	-	6,707
Total deductions	265	5,218,942	623,020	5,842,227	28	3,609,278
					159	567,853
						4,177,159

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, 2018 AND 2017**

		2018			2017		
With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			Without Donor Restrictions		
		Retirement Accounts	Operations	Total	Retirement Accounts	Education	Total
\$ 25,000	\$ 1,588,907	\$ 643,950	\$ 2,257,857	\$ 22,650	\$ 12,507,674	\$ 620,691	\$13,151,015
EXPENSES AND OTHER DEDUCTIONS							
Net additions after allocation for operations							
Total expenses and other deductions	265	5,218,942	623,020	5,842,227	28	3,609,278	567,853
Total deductions	265	5,218,942	623,020	5,842,227	28	3,609,278	567,853
Increase (decrease) in net assets	24,735	(3,630,035)	20,930	(3,584,370)	22,622	8,898,396	52,838
NET ASSETS - beginning of year	22,622	50,428,104	341,029	50,791,755	-	44,765,833	288,191
Transfers to establish self-directed liability	-	-	-	-	-	(3,236,125)	-
NET ASSETS - beginning of year - as restated	22,622	50,428,104	341,029	50,791,755	-	41,529,708	288,191
NET ASSETS - end of year	\$ 47,357	\$46,798,069	\$ 361,959	\$47,207,385	\$ 22,622	\$50,428,104	\$ 341,029
							\$50,791,755

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

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		2017			
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from:						
Contributions from participants and employers	\$ 3,786,011	\$ -	\$ 3,786,011	\$ 5,551,839	\$ -	\$ 5,551,839
Gifts	-	64,140	64,140	-	59,690	59,690
Income earned from interest and sale of loan property	25,061	-	25,061	21,424	-	21,424
Investment income	743,480	(4,754)	738,726	645,615	13,647	659,262
Grant income	-	25,000	25,000	-	22,650	22,650
Miscellaneous income	212	5,337	5,549	-	3,425	3,425
Cash paid for:						
Supplies and employees	(7,716)	(602,976)	(610,692)	(27,096)	(546,142)	(573,238)
Withdrawal of funds by participants	(4,751,998)	-	(4,751,998)	(2,898,313)	-	(2,898,313)
Income allocated to self-directed accounts	(146,561)	-	(146,561)	(156,252)	-	(156,252)
Income allocated to annuitant obligations	(292,920)	-	(292,920)	(527,524)	-	(527,524)
Net Cash Provided (Used) By Operating Activities	(644,431)	(513,253)	(1,157,684)	2,609,693	(446,730)	2,162,963
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of office furniture, equipment and automobiles	-	(51,741)	(51,741)	-	(10,460)	(10,460)
Proceeds from sale of automobile	-	10,000	10,000	-	-	-
Investments:						
Purchases of investment securities	(51,939,322)	(71,491)	(52,010,813)	(45,565,029)	(56,419)	(45,621,448)
Funds invested with Free Will Baptist Foundation	-	21,332	21,332	-	(19,082)	(19,082)
Proceeds from sale of investment securities	51,367,756	-	51,367,756	44,141,993	-	44,141,993
Notes receivable:						
New loans made	(394,350)	-	(394,350)	(350,100)	-	(350,100)
Collection of notes receivable	392,439	-	392,439	349,651	-	349,651
Net Cash Provided (Used) By Investing Activities	(573,477)	(91,900)	(665,377)	(1,423,485)	(85,961)	(1,509,446)

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, 2018 AND 2017**

	2018		2017			
	Retirement Accounts	Operations	Total	Retirement Accounts	Operations	Total
CASH FLOWS FROM FINANCING ACTIVITIES:						
Allocation for operations	\$ (716,076)	\$ 385,506	\$ (130,570)	\$ (543,929)	\$ 543,929	\$ -
Net to additions to (withdrawals from):						
Annuities payable	1,863,684	-	1,863,684	510,229	-	510,229
self-directed accounts	(3,211)	-	(3,211)	(20,511)	-	(20,511)
New borrowing on capital lease	-	12,777	12,777	-	(4,373)	(4,373)
Rewpayments on capital lease	-	(2,308)	(2,308)	-	(4,373)	(4,373)
Net Cash Provided (Used) By Financing Activities	1,144,397	595,975	1,740,372	(235,211)	539,556	304,345
INCREASE (DECREASE) IN CASH	(73,511)	(9,178)	(82,689)	950,997	6,865	957,862
Cash and cash equivalents at beginning of years	1,881,538	10,222	1,891,760	930,541	3,357	933,898
Cash and cash equivalents at end of years	<u>\$ 1,808,027</u>	<u>\$ 1,044</u>	<u>\$ 1,809,071</u>	<u>\$ 1,881,538</u>	<u>\$ 10,222</u>	<u>\$ 1,891,760</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES:						
Increase (decrease) in net assets	\$ (3,630,035)	\$ 45,665	\$ (3,584,370)	\$ 8,898,396	\$ 75,460	\$ 8,973,856
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization	-	28,985	28,985	-	28,518	28,518
Allocation for operations	716,076	(585,506)	130,570	543,929	(543,929)	-
Loss (gains) on investment transactions	2,249,781	5,336	2,255,117	(6,832,725)	(6,832,725)	-
Loss (gains) on sale of assets	-	6,279	6,279	-	-	-
(Increase) decrease in prepaid expenses	40	-	40	-	-	-
Increase (decrease) in accounts payable, accrued expenses and other	19,707	(14,012)	5,695	93	(6,779)	(6,686)
Total adjustments	<u>2,985,604</u>	<u>(558,918)</u>	<u>2,426,686</u>	<u>(6,288,703)</u>	<u>(522,190)</u>	<u>(6,810,893)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (644,431)</u>	<u>\$ (513,253)</u>	<u>\$ (1,157,684)</u>	<u>\$ 2,609,693</u>	<u>\$ (446,730)</u>	<u>\$ 2,162,963</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.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, effective January 1, 2018 the plan was updated to comply with the new tax law.

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. 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, 2018 AND 2017**

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 as net assets with donor restrictions or net assets without donor restrictions based on the existence of donor-imposed restrictions.

Income Taxes:

The Board is exempt from income taxes; accordingly, no provision for income taxes has been made in the accompanying financial statements.

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.

Cost Allocation

The Board believes that the expenses are properly classified as expended. Accordingly allocation of costs is not required.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

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 2018 amounted to \$15,522 (\$15,255 for 2017).

2. OFFICE FURNITURE, EQUIPMENT AND AUTOMOBILES

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

	2018	2017
Office furniture and fixtures	\$ 50,277	\$ 54,326
Computer hardware and software	163,810	163,810
Automobiles	102,782	88,318
	316,869	306,454
Less: Accumulated depreciation	(223,343)	(219,405)
	<u>\$ 93,526</u>	<u>\$ 87,049</u>

3. NOTES RECEIVABLE

Following is a summary of notes receivable:

	2018	2017
Participant notes (net) secured by retirement account balances	<u>\$ 4,739</u>	<u>\$ 2,828</u>

The notes bear interest at 3.0% - 7.0% and mature at various dates from 2019 through 2023.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. INVESTMENTS IN MARKETABLE SECURITIES AND INSTRUMENTS

	2018		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Common Stocks	\$ 30,448,151	\$ 28,205,799	\$ 2,242,352
U.S. Government Issues	20,671,915	20,710,355	(38,440)
Corporate Bonds	9,085,077	9,325,473	(240,396)
Asset Back Securities	755,818	762,711	(6,893)
Real Estate Investment Trusts	55,391	55,739	(348)
 Total Investments	 <u>\$ 61,016,352</u>	 <u>\$ 59,060,077</u>	 <u>\$ 1,956,275</u>

For 2018, total investment gain (loss) relating to marketable securities and instruments amounted to (\$1,511,637) and consisted of investment gains (losses) of (\$2,255,117) and interest and dividends of \$743,480 (net of investment fees of \$513,435). Investment income (loss) represented yields of (2.45%) and (2.62%) based on the average market value and average cost of such investments.

	2017		
	Market Value	Cost	(Depreciation) Appreciation
Investments:			
Common Stocks	\$ 30,855,599	\$ 24,351,600	\$ 6,503,999
U.S. Government Issues	19,557,068	19,650,551	(93,483)
Corporate Bonds	11,285,462	11,326,175	(40,713)
Asset Back Securities	902,428	907,378	(4,950)
Real Estate Investment Trusts	27,855	25,813	2,042
 Total Investments	 <u>\$ 62,628,412</u>	 <u>\$ 56,261,517</u>	 <u>\$ 6,366,895</u>

For 2017, total investment gain (loss) relating to marketable securities and instruments amounted to \$7,478,340 and consisted of investment gains (losses) of \$6,832,725 and interest and dividends of \$645,615 (net of investment fees of \$478,115). Investment income (loss) represented yields of 12.79% and 13.86% based on the average market value and average cost of such investments.

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 \$1.23 (\$1.16 in 2017) per square foot per month. The Board shares a portion of the space with the Free Will Baptist Foundation. Total lease payments were \$34,244 and \$33,604 for the years ended December 31, 2018 and 2017, respectively.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, the recorded liability amounted to \$12,856,525 and \$10,992,841 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, 2018 by \$1,469,341 (by \$502,675 at December 31, 2017). Management will request an 8% pension benefit increase for 2018.

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, 2018 and 2017:

	2018		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 4,739	\$ 4,739	\$ -
Cash and cash equivalents	609,888	250,000	359,888
Funds invested with the Free Will Baptist Foundation	154,939	154,939	-
Short-term liquid investments	1,199,183	1,000,000	199,183
Endowment	37,574	37,574	-
Corporate bonds	9,085,077	-	9,085,077
Common stocks	30,448,151	-	30,448,151
U.S. Treasury notes and bills	20,671,915	20,671,915	-
Asset backed securities	755,818	755,818	-
Real estate investment Trusts	55,391	-	55,391
	<u>\$ 63,022,675</u>	<u>\$ 22,874,985</u>	<u>\$ 40,147,690</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

7. INFORMATION REGARDING FINANCIAL INSTRUMENTS - CONTINUED

	2017		
	Account Balance	Amount Insured/ Secured	Amount of Accounting Risk of Loss
Notes receivable, net of allowance for doubtful collections	\$ 2,828	\$ 2,828	-
Cash and cash equivalents	481,548	250,000	231,548
Funds invested with the Free Will Baptist Foundation	146,279	146,279	-
Short-term liquid investments	1,410,212	1,000,000	410,212
Endowment	67,566	67,566	-
Corporate bonds	11,285,462	-	11,285,462
Common stocks	30,855,599	-	30,855,599
U.S. Treasury notes and bills	19,557,068	19,557,068	-
Asset backed securities	902,428	902,428	-
Real estate investment Trusts	27,855	-	27,855
	<u>\$64,736,845</u>	<u>\$21,926,169</u>	<u>\$42,810,676</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, 2018 Using			
	Quoted Prices			
	In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Fair Value (Level 1)	(Level 2)	(Level 3)	
Common Stocks	\$30,448,151	\$30,448,151	\$ -	\$ -
U.S. Government Issues	20,671,915	7,180,403	13,491,512	-
Corporate Bonds	9,085,077	3,261,805	5,823,272	-
Asset backed securities	755,818	755,818	-	-
Real estate investment Trusts	55,391	-	55,391	-
Foundation investments	154,939	154,939	-	-
Endowment	37,574	37,574	-	-
	<u>\$61,208,865</u>	<u>\$41,838,690</u>	<u>\$19,370,175</u>	<u>\$ -</u>

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2017 Using			
	Quoted Prices			
	In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	(Level 3)
	Fair Value (Level 1)	(Level 2)	(Level 2)	(Level 3)
Common Stocks	\$30,855,599	\$30,855,599	\$ -	\$ -
U.S. Government Issues	19,557,068	6,556,194	13,000,874	-
Corporate Bonds	11,285,462	2,487,668	8,797,794	-
Asset backed securities	902,428	902,428	-	-
Real estate investment Trusts	27,855	-	27,855	-
Foundation investments	146,279	146,279	-	-
Endowment	67,566	67,566	-	-
	<u>\$62,842,257</u>	<u>\$41,015,734</u>	<u>\$21,826,523</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, 2018 AND 2017**

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 \$4,679.

Future minimum payments under the lease are as follows:

2019	\$ 4,679
2020	4,679
2021	4,679
	<hr/>
	14,037
Less amount representing interest	<hr/> <u>(3,568)</u>
	<hr/>
Present value of net minimum lease payments	<u>\$ 10,469</u>

The depreciation expense related to this office equipment amounted to \$2,555.

The imputed interest included in the payments for this equipment amounted to \$2,371.

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. 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, 2018, 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.

12. SELF-DIRECTED LIABILITY

Retirees who do not elect to participate in the annuity program can elect to participate in a self-directed plan where they can choose to receive benefits over a certain period of time or receive a certain amount each month. In order to comply with IRS regulations the Organization transferred money to a specific investment account for this program and transferred \$3,236,125 from net assets available for participants to the self-directed liability to establish the liability for retirees already participating.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

13. INSTITUTIONAL INVESTING PROGRAM

The Board provides Free Will Baptist churches and church organizations with the opportunity to manage their assets for growth and development of their ministries by investing in the Board's institutional investing program. The funds are invested in the Board's investment account based on the investment strategy selected by the investing church or church organization.

14. 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, 2018 AND 2017**

14. ENDOWMENT - CONTINUED

The Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	With Donor Restrictions	Total Net Endowment Net Assets
Board designated endowment funds	\$ 37,574	\$ 37,574
	<hr/>	<hr/>
	<hr/>	<hr/>
	\$ 37,574	\$ 37,574

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

	With Donor Restrictions	Total Net Endowment Net Assets
Beginning balance	\$ 67,566	\$ 67,566
Total gains or losses (realized and unrealized) included in the Statement of Activities	(3,155)	(3,155)
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(26,837)	(26,837)
Ending balance	<hr/>	<hr/>
	<hr/>	<hr/>
	\$ 37,574	\$ 37,574

The Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	With Donor Restrictions	Total Net Endowment Net Assets
Board designated endowment funds	\$ 67,566	\$ 67,566
	<hr/>	<hr/>
	<hr/>	<hr/>
	\$ 67,566	\$ 67,566

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

14. ENDOWMENT - CONTINUED

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

	With Donor Restrictions	Total Net Endowment Net Assets
Beginning balance	\$ 70,531	\$ 70,531
Total gains or losses (realized and unrealized) included in the Statement of Activities	9,400	9,400
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(12,365)	(12,365)
Ending balance	<u><u>\$ 67,566</u></u>	<u><u>\$ 67,566</u></u>

15. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Board has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Board's financial statements:

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption ASU 2016-14
Unrestricted net assets	\$ 50,791,755	\$ -
Without donor restrictions	-	50,769,133
With donor restrictions	-	22,622
	<u><u>\$ 50,791,755</u></u>	<u><u>\$ 50,791,755</u></u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**BOARD OF RETIREMENT AND INSURANCE OF
THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Board's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes.

	2018	2017
Financial assets at year-end	\$63,022,585	\$64,736,795
Less those unavailable for general expenditures within one year due to:		
Reserved for annuitants	(12,856,525)	(10,992,841)
Reserved for self-directed participants	(3,031,403)	(3,034,614)
Reserved for participant retirement	(46,798,069)	(50,791,755)
Reserved for future payments to annuitants	(112,077)	(133,462)
Donor restricted net assets	(47,357)	(22,622)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 177,154</u>	<u>(\$ 238,499)</u>

17. PRIOR PERIOD ADJUSTMENTS

The Board determined that the grants that it receives from the Foundation should be classified as With Donor Restrictions and that last year's amount should be reclassified. Accordingly, \$22,622 was reclassified from Without Donor Restrictions to With Donor Restriction and the 2017 financial statement was restated to reflect that change.

The Board determined that certain investments should be classified as Operating rather than Retirement and that last year's amount should be reclassified. Accordingly, \$56,419 was reclassified from Retirement to Operating and the 2017 financial statement, including the Allocations for Operations, was restated to reflect the change.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through March 30, 2019 which is the date the financial statements were available to be issued.

Board of Retirement Insurance
Proposed Budget for 2020

2018 Actual 2018 Budget 2019 Budget 2020 Proposed

Revenue

Service Fees From Retirement	582,494.09	570,500.00	593,320.00	608,000.00
Insurance Administrative Fees	304.50	500.00	500.00	500.00
The Together Way	61,920.08	58,000.00	58,000.00	58,000.00
Other State Gifts	260.00	510.00	300.00	300.00
Rest Of The Family Offering	1,959.76	2,000.00	2,000.00	2,000.00
Interest Income Checking Savings		2,000.00	2,000.00	2,000.00
Interest Income Future Purchases	1,801.38	0		
Investment Income Annuitants	1,934.51	0		
Investment Income Endowment	(9,184.24)	0		
Investment Income Retained Earnings	(6,335.56)			
Grant Income	25,000.00	0		
Gain Loss on Sale of Assets	(6,279.33)	0		
Miscellaneous Income	<u>5,032.75</u>	<u>3,000.00</u>	<u>3,000.00</u>	<u>3,000.00</u>
Total Revenue	<u>665,937.94</u>	<u>636,510.00</u>	<u>659,120.00</u>	<u>673,800.00</u>

Expenses

Salaries and Wages	198,739.16	207,075.26	209,826.76	230,547.11
Fringe Benefits	105,767.10	120,000.00	120,000.00	120,000.00
Housing	23,000.12	23,000.00	23,000.00	23,000.00
Travel and Promotion	55,187.80	55,000.00	55,000.00	55,000.00
Auto Maintenance and Expense	9,773.48	5,500.00	8,000.00	8,000.00
Future Purchases*	38,659.92	38,659.74	50,000.00	0.00
Payments to Annuitants	16,427.80			0.00
Plant Fund	34,244.48	37,000.00	37,000.00	37,000.00
Office Expense	33,504.48	36,000.00	36,000.00	36,000.00
Equipment	1,771.00	10,000.00	10,000.00	10,000.00
Equipment Lease	2,073.45	2,000.00	2,000.00	2,000.00
Education/Training	9,598.56	10,000.00	15,000.00	20,000.00
Publications	24,164.24	27,500.00	27,500.00	27,500.00
Board Member Expense	16,133.29	15,000.00	15,000.00	18,000.00
Website Development/Maintaince	681.65	7,500.00	7,500.00	7,500.00
Legal Expense	27,377.86	12,000.00	12,000.00	12,000.00
Auditing Expense	16,350.00	17,500.00	17,500.00	17,500.00
Offsite Backup Storage	3,449.99	1,200.00	1,200.00	1,200.00
Software Support	8,106.16	5,500.00	5,500.00	5,500.00
Depreciation Expense*	29,234.28	0	0.00	41,052.89
Miscellaneous Expense	521.00	6,075.00	7,093.24	2,000.00
Grant Expense	<u>264.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenses	<u>655,030.52</u>	<u>636,510.00</u>	<u>659,120.00</u>	<u>673,800.00</u>

*Future Purchases has been reallocated to Depreciation Expense.

Board of Retirement and Insurance

Compensation Package Detail
2019 Proposed

	2017 Approved	2018 Approved	2019 Approved	2020 Proposed
President and CEO: John Brummitt				
Salary	75,075.00	83,000.00	87,150.00	93,250.00
SS and Med	5,743.24	6,349.50	6,666.98	7,133.63
Christmas	1,443.75	1,596.15	1,675.96	1,793.27
Retirement	5,356.31	5,810.00	6,100.50	6,527.50
Insurance	12,354.08	14,517.00	19,597.95	19,597.95
Total Cost of Employment	99,972.38	111,272.65	121,191.39	128,302.35
Accounting Administrator: Joshua Eidson				
Salary	50,400.00	52,416.00	55,036.80	61,650.00
SS and Med	3,855.60	4,099.82	4,210.32	4,716.23
Christmas	969.23	1,008.00	1,058.40	1,185.58
Retirement	3,595.85	3,669.12	3,852.57	4,315.50
Insurance	17,872.52	22,358.76	25,700.00	25,700.00
Total Cost of Employment	76,693.20	83,551.70	89,858.09	97,567.31
Communication Officer: Chris Compton				
Salary/Housing	47,250.00	49,140.00	51,597.00	57,800.00
SS and Med	3,614.63	3,759.21	3,947.17	4,421.70
Christmas	908.65	945.00	992.25	1,111.54
Retirement	3,371.11	3,439.80	3,611.79	4,046.00
Insurance	17,872.52	16,293.00	19,597.95	19,597.95
Total Cost of Employment	73,016.90	73,577.01	79,746.16	86,977.19
Admin. Assistant: Audrey Hollifield				
Salary	33,000.00	34,650.00	36,036.00	
SS and Med	2,524.50	2,650.73	2,756.75	
Christmas	634.62	666.35	693.00	
Retirement	2,310.00	2,425.50	2,522.52	
Insurance	9,856.32	9,900.00	9,900.00	
Total Cost of Employment	48,325.44	50,292.58	51,908.27	



**Report to the Delegates
National Association of Free Will Baptists
July 2019**

Introduction

After completing various writing projects and reclaiming my elective reading time, I began a two-year goal to read a quality historical biography on every president of the United States. I have read several prior to this initiative, but I have many to go. Reading leadership books is beneficial but often biographies illustrating how leaders handled challenging situations are far more helpful.

Every president plans for domestic and foreign policy achievements, which you hear in the campaign speeches leading up to inauguration. Even the most notable leaders of the United States faced challenges from culture, staff, enemies, inflation, and even other branches of government. Sometimes the accomplishments were not even part of the original agenda; for others, their accomplishments occurred in spite of the interruptions. Reagan was weighed down with Iran Contra guns for arms; Kennedy greatly mishandled the Bay of Pigs; Johnson inherited the civil rights crisis. Probably the most obvious example: George W. Bush responded to the attack on 9/11. Eisenhower said it well, "Sometimes you have to plan for how things are rather than how you wish they were."

Our leadership team is taking proactive steps to position Randall House for both now and the future. We all have watched the ups and downs that represent the vacillating publishing world. Randall House has experienced two good years and used them to reinvest in equipment and products, but now we are experiencing a lean period where we need to steward carefully in order to weather the challenges ahead.

In the ongoing changing climate of publishing, we all wished the climate were different but we must operate in reality. Publishers downsized staff by nearly half; LifeWay is closing all 174 stores. In previous years, Zondervan and Thomas Nelson, bought out by secular New York publisher Harper Collins, have combined their workforces after downsizing considerably. In 2017 Family Christian Stores closed all 240 of their locations. The point is that publishing, Christian and secular, continues to move through a disruptive era. It is strongly felt, however, that publishing is not a "Buggy Whip" (something no longer needed) industry but more like a

Blockbuster/Netflix industry. We are shifting from one means to another and dealing with new sets of operating margins. We live on much more narrow margins yet the cost of doing business has not declined. While the publishing world continues to be unhealthy, people still desire our products, events, and services.

I am pulling back the curtain to share possibilities that I have lived with for years. If we need to reduce staff at some point in the future, Randall House's ability to remain effective and innovative will be drastically reduced if not eliminated. Without a publishing house, every denomination that has lost their curriculum has either died within a decade or faded into obscurity.

Disruption and the Process

Disruption occurs when an idea, leader, or invention offers a different approach that changes previous norms. A couple examples include when the automobile disrupted the horse and buggy industry, and when Blockbuster failed to adapt the content delivery while disruptive companies like Netflix and Redbox discovered a different platform to deliver content.

Amazon disrupts more industries than almost any other company with the historical exception of Apple whose apps have single handedly replaced a multitude of products people use everyday from GPS devices to cameras and alarm clocks. Ask companies like Eastman Kodak, Rand McNally, and Webster. Apple disrupted their business plans.

As Amazon has grown, they moved from a book sales company to offering any product that can be sold through the mail/shipping system. Recently, they announced a clothing purchase option where the consumers order a box of clothing to try on at home, return what they do not want, and are charged for only what they keep. The point is they are cleverly reinventing ways to manage everyday purchases. Numerous bricks and mortar stores have reduced or eliminated their presence as a result of this post-Amazon culture, and shopping malls are being disrupted as well.

Post-Amazon Culture

The reason why many other publishers continue to downsize is how potential profit margins continue to shrink due to the online method of selling. Let's evaluate why this occurs through the LifeWay lens. While there are numerous variables that determine the cost per book, let's assign an average arbitrary cost of \$4 to bring a book to market. In the Pre-Amazon Culture a LifeWay title retailing for \$15.99 sold in a LifeWay Store would bring a margin of \$12.00. Without retail stores, LifeWay will now face selling 100% through online channels. Amazon has the lion's share of all online sales for every publisher regardless of one's own website. The one-click convenience, prime member free shipping, and ability to see and read more about the product has made Amazon the premiere retailer. However, in the \$15.99 scenario, that same LifeWay title sold on Amazon will only bring \$4, which is a two-thirds reduction in margins.

Can you imagine adjusting your profit margins to operate by two-thirds less in order to run your operations and overall organization? This is the current Post-Amazon Culture we live in. While

we would love to drive more people to our own website, Amazon has conditioned people to find most everything online and in one place. See diagram below to illustrate this concept.



The Post-Amazon Culture creates smaller margins, which require a smaller workforce unless the organization scales the quantity of product sold. For curriculum publishers, the margins are already thin. Now add the second problem to the equation: a church writes its own curriculum in the form of discussion questions that often focus on the application of the pastor's message. The problem with this model is two-fold: it lacks the commentary to assist with Bible interpretation preventing odd tangents and bad direction in application. The second unintended consequence reveals how this form of study still limits discipleship to a church activity. Discipleship is a misnomer unless it is practiced everyday. **Too many ministry leaders concentrate on church wins rather than home wins – people need daily wins that keep them on track and focused on Christ.** When larger churches think they have outgrown curriculum, they inadvertently create a narrow perspective that does not see the end game – they only see the present.

The trend of churches writing their own curriculum or not using curriculum at all is limited to a few churches. When 5-8% of the churches try something different, the effect on our operating budget can be devastating when we work annually so close to our margins. For example, when we budget for \$780,000 quarters in curriculum sales and 5% of customers try an alternative curriculum for the summer (or longer), or when 1-2 classes out of 10 do not buy curriculum, the loss is \$39,000 per quarter. This results in a \$160,000 loss over a year. **The end result is that 5-10% of our churches could negatively affect our ability to produce product for the remaining 90%.**

The stewardship to stay within our means requires a balancing of expenses when unsure of a steady income. With curriculum sales so volatile, this is the situation we find ourselves. **The vast majority of Free Will Baptists support Randall House, but the churches are slowly declining in their numbers. Our growth has to come from outside the denomination.** New

growth usually occurs from churches that select our D6 Curriculum looking for their “next big thing” and use it until the next big thing takes them away. This two-year cycle of turn over means that we can hit a downturn in sales due to a competitor’s new release, and when attrition combines with any one or two other marketplace triggers, the results can affect us by 5-8% decline in sales.

I have the experience (I will call it a blessing) of living through the ups and downs of approximately four cycles of downturns in my brief 17 years. I walked into one when I started, and we launched CLEAR Curriculum to help break out of the decline. After the new car smell wore off, the slump began again, and we launched the D6 Conference and rebranded the curriculum. As the other competitors copied our approach, we re-tooled and released D6 2nd Generation. We are now four years into the release and facing another slide. There is very little consolation in the fact that this ebb and flow is indicative of trends with every other curriculum publisher.

We are dangerously close to the point that if we cut more staff, we may not be in a sustainable mode to produce new content. Several of our supporting departments are at minimal staffing. We are planning on adjustments from many areas to balance this year and next while continuing to evaluate the trends of curriculum. The adjustments will include all of the following (plus others): reduced hours, reduction in staff, continued budget initiatives, product promotion at our two biggest events, a key book release, and evaluation of product reduction.

New Initiatives

For our pastors and teachers: the final volume of the Randall House New Testament Bible Commentary – Luke by Dr. Thomas Marberry. The twelve volumes complete this nearly four-decade project. In addition to completing your commentary set, we thought it is time to offer matching dust jackets on all volumes. Available now in our Randall House booth and website (www.randallhouse.com) for \$29.99.

For your families: a new app completely free for you and the families in your church. Download instructions are available at www.D6Family.com.

For readers: a new book to pre-order before its September release. This new release provides a fresh way to measure what the church does. In the past, we counted nickels and noses (offerings and attendance) but effective growing churches measure more such as behaviors that reflect real discipleship, Christ-likeness, and the sharing of ones faith. Preorder *Recalibrate: A New Measure for Family Ministry* today.

Jon Forrest’s book on games was a sensational hit because it got to the heart of student ministry. His new study will help you navigate some of life’s most difficult battles. The ultimate goal is fighting to conform to the image of a holy God who fought and won the war for us.

We also have new works from Dr. Robert Picirilli, Dr. Eddie Moody, and more.

For your church: a new campaign to strengthen your church. We are offering it at no charge because discipleship is one of our key roles. This simple campaign helps you track important discipleship milestones via a simple chart. Available now on our website: www.randallhouse.com.

Summary

I am optimistic that we can work within the Post-Amazon Culture. Yes, it limits us. But I was reminded recently of a contest in 1960 between 2 men over a \$50 wager as to who could write an entertaining children's book using only 50 distinctly different words. The 2 men were Bennett Cerf, founder of Random House, and Theodor Geisel who would become very famous after this contest. The idea of limiting the use of only 50 unique words creates real restraints but it also opens one's mind to evaluate the options based upon what you have. Theo saw the exercise as a chance to explore, create, and play around with possibilities. Dr. Seuss (Theodore Geisel) used the restraints and wrote *Green Eggs and Ham*, which went on to sell 200 million copies and prompted the same formula for *The Cat and the Hat*.

We will adapt and brainstorm the ways we can do more with less. Our constraints will help develop creativity, become more disciplined, and recognize that the size of the canvas does not determine our masterpiece. Based upon our history, the constraints may lead right back to more services and products for our denomination.

Leading is Serving and I am Proud to Serve.



Ron Hunter Jr. Ph.D.
Executive Director & CEO



Hill, Harper & Associates
A Professional Limited Liability Company
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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.

A Professional Limited Liability Company
Franklin, Tennessee
April 4, 2019

Terry A. Hill

615 417 - 7414

terryhill37027@comcast.net

P O Box 680788

Franklin, Tennessee 37068

Ernest R. Harper

615 417 - 6358

e.harper@comcast.net

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

Statements of Financial Position

December 31, 2018
With comparative amounts for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents:		
Cash and interest bearing deposits	\$ 99,913	118,662
Cash invested with the Free Will Baptist Foundation	184,115	213,169
	284,028	331,831
Accounts receivable - trade, net of allowance for doubtful accounts and returns	79,644	116,275
Inventory	595,332	616,735
Prepaid expenses	115,985	129,742
	1,074,989	1,194,583
Total current assets		
Property, plant and equipment, at cost:		
Land	110,341	110,341
Building	753,220	726,468
Printing service equipment	1,143,444	1,201,582
Office and administrative equipment	241,218	179,020
Automobiles and trucks	59,986	70,859
	2,308,209	2,288,270
Less accumulated depreciation and amortization	1,711,937	1,800,521
	596,272	487,749
Net property, plant and equipment		
	\$ 1,671,261	1,682,332
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 284,215	183,989
Line of credit advances	150,000	-
Current portion of notes payable and long term debt	105,184	152,612
Deferred revenues	78,259	64,058
Accrued expenses	61,323	51,790
	678,981	452,449
Total current liabilities		
Long term debt	104,760	136,408
	783,741	588,857
Net assets:		
Net assets without donor restriction	887,520	1,043,475
Net assets with donor restriction	-	50,000
	887,520	1,093,475
	\$ 1,671,261	1,682,332
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, 2018

With comparative totals for 2017

	2018			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	2017 Totals
Revenues:				
Sales:				
RHP product lines (including curriculum)	\$ 3,210,576	-	3,210,576	3,330,732
RHP books	205,885	-	205,885	206,942
National Convention	16,822	-	16,822	19,562
Printing sales	272,406	-	272,406	259,795
Third party sales	57,779	-	57,779	63,805
Freight and handling	235,432	-	235,432	240,354
Total sales	3,998,900	-	3,998,900	4,121,190
Events:				
D6 Conference	296,852	-	296,852	331,466
Vertical 3	391,209	-	391,209	403,529
Total events	688,061	-	688,061	734,995
Other operating revenues:				
Commissions	64,719	-	64,719	42,113
Interest income	5,946	-	5,946	4,174
Miscellaneous events, net and other revenues	1,925	-	1,925	2,372
Total other operating revenues	72,590	-	72,590	48,659
Total revenues	4,759,551	-	4,759,551	4,904,844
Expenses:				
Program services:				
Cost of production	2,110,181	-	2,110,181	2,036,703
Distribution center	379,830	-	379,830	296,392
Events	520,697	-	520,697	496,283
Vertical 3 (Youth)	391,128	-	391,128	393,966
Customer services	337,430	-	337,430	304,110
	3,739,266	-	3,739,266	3,527,454
Supporting services				
Administrative	1,241,240	-	1,241,240	1,173,643
Total expenses	4,980,506	-	4,980,506	4,701,097
Increase (decrease) in net assets from operations	(220,955)	-	(220,955)	203,747
Non operating income (expense):				
Grant from Free Will Baptist Foundation	30,000	-	30,000	50,000
Printing contributed to the denomination	(15,000)	-	(15,000)	(15,000)
Net assets released from restrictions	50,000	(50,000)	-	-
Net non operating income (expense)	65,000	(50,000)	15,000	35,000
Increase (decrease) in net assets	(155,955)	(50,000)	(205,955)	238,747
Net assets:				
Beginning of year	1,043,475	50,000	1,093,475	854,728
End of year	\$ 887,520	-	887,520	1,093,475

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended December 31, 2018

With comparative totals for 2017

2018

	Program Services						2017	
	Costs of Sales	Distribution Center	Events	Vertical 3	Customer Services	Program Service Totals	Administrative	Totals
Employee costs:								
Salaries and wages	\$ 926,258	101,670	35,763	36,858	200,390	1,300,939	463,270	1,764,209
Ministers housing allowance	31,800	-	30,000	-	24,168	85,968	45,260	131,228
Payroll taxes	58,385	6,432	2,082	2,331	12,496	81,726	28,388	110,114
Retirement	35,794	2,076	1,980	1,980	5,740	47,570	16,876	64,446
Health insurance	146,371	16,383	913	14,435	43,787	221,889	68,177	290,066
	1,198,608	126,561	70,738	55,604	286,581	1,738,092	621,971	2,360,063
Operating expenses:								
Finished products purchased, net of change in inventory	252,029	-	-	-	-	252,029	-	252,029
Raw materials	141,403	-	-	-	-	141,403	-	141,403
Expenses of D6 conferences	-	409,799	-	-	-	409,799	-	409,799
Outside services	265,252	-	-	-	-	265,252	3,560	268,812
Writers fees	77,386	-	-	-	-	77,386	-	77,386
Travel, entertainment, conventions and conferences	12,689	-	31,648	317,109	22,204	383,650	56,055	439,705
Travel for Board of Directors	-	-	-	-	-	-	23,867	23,867
Royalties	20,304	-	-	-	-	-	-	20,304
Supplies	15,040	21,101	1,438	1,289	3,703	42,571	20,089	62,660
Equipment maintenance	72,980	-	-	-	-	72,980	-	72,980
Postage	-	25,610	-	-	378	25,988	-	25,988
Equipment rental	-	9,276	-	-	954	10,230	17,601	27,831
Freight	-	195,803	-	-	-	195,803	-	195,803
Telephone	1,567	-	316	384	19,754	22,021	2,919	24,940
Legal and professional Advertising	-	-	-	-	-	-	87,590	87,590
Promotion	-	-	-	-	-	-	95,156	95,156
Occupancy	-	-	-	-	-	-	101,463	101,463
Interest expense	-	-	-	-	-	-	15,083	15,083
Service charges	-	-	-	-	-	-	50,766	50,766
One Magazine funding	31,324	-	1,479	6,758	16,742	3,856	31,324	48,229
Depreciation	21,599	-	-	-	-	-	54,049	85,373
Other	-	-	-	-	-	-	24,623	75,057
	\$ 2,110,181	379,830	520,697	391,128	337,430	3,739,266	1,241,240	4,980,506
								4,701,099

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

Statements of Cash Flows

**For the years ended December 31, 2018
With comparative amounts for 2017**

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities</u>		
Increase (decrease) in net assets	\$ (205,955)	238,747
Adjustments to reconcile decrease in net assets to net operating activities:		
Depreciation and amortization	85,373	88,095
(Increase) decrease in:		
Receivables	36,631	(14,301)
Inventories	21,403	(37,623)
Prepaid expenses	13,757	(61,050)
Increase (decrease) in:		
Accounts payable	100,226	20,772
Deferred revenues	14,201	5,434
Accrued expenses	9,533	(2,443)
Net operating activities	75,169	237,631
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment	(205,642)	(34,089)
Net investing activities	(205,642)	(34,089)
<u>Cash Flows from Financing Activities</u>		
Line of credit, net transactions	150,000	-
Proceeds from long term debt	62,084	50,000
Repayments of long term debt	(129,414)	(97,777)
Net financing activities	82,670	(47,777)
Increase (decrease) in cash and cash equivalents	(47,803)	155,765
Cash and cash equivalents:		
Beginning of year	331,831	176,066
End of year	\$ 284,028	331,831
Cash and cash equivalents, as reported on statement of financial position, as follows:		
Cash and interest bearing deposits	\$ 99,913	118,662
Cash invested with the Free Will Baptist Foundation	184,115	213,169
\$ 284,028	331,831	
Supplemental disclosures:		
Interest paid	\$ 15,837	16,206

See accompanying notes to financial statements.

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

Notes to Financial Statements

**December 31, 2018
With comparative amounts for 2017**

Randall House operates under the auspices of the National Association of Free Will Baptists and is governed by a Board of Directors. The mission of Randall House is BUILDING BELIEVERS THROUGH CHURCH AND HOME; accomplished in both evangelism and discipleship through curriculum, books and events.

(1) Summary of Significant Accounting Policies

Basis of Presentation

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

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 15, 2017, accordingly the effects of this pronouncement are included in these financial statement for December 31, 2018, and applied retrospectively for all periods presented. This update primarily addresses the following:

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"

Temporarily restricted and permanently restricted net assets have been combined and renamed "net assets with donor restrictions"

Deficiencies in information about liquidity and availability of resources

This information is presented in the following Note 2.

Lack of consistency in the type of information provided about expenses and investment return

This information is presented in the statement of functional expenses, investment return is not applicable.

Basis of Presentation

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

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations. These funds may be designated for specific purposes by action of the governing body. (See above - Unrestricted Net Assets previously)

Net assets with donor restrictions - Net assets whose use is subject to donor imposed stipulations and / or the passage of time. (See above - Temporarily Restricted and Permanently Restricted Net Assets previously)

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non-operating activities are limited to resources that generate return from investment, if any, and other activities of a more unusual or non recurring nature.

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.

**RANDALL HOUSE PUBLICATIONS OF THE
Notes to Financial Statements**

Notes to Financial Statements, continued

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 efforts 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, 2018 and 2017, amounted to \$5,000. Changes in the valuation account have not been material to the financial statements.

	2018	2017
Accounts receivable, net of allowances	\$ 79,644	116,275

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:

	2018	2017
D6 Conference registrations	\$ 59,654	48,147
Truth and Peace leadership training registrations	16,505	15,911
Other deferred revenues	2,100	-
	<hr/> <u>\$ 78,259</u>	<hr/> <u>64,058</u>

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.

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 2018 and 2017. 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.

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Advertising Costs

Advertising costs are expensed as incurred and amount to \$84,048 in 2018 and \$54,280 in 2017.

Contributions, Including Grants

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets of with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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 \$184,115 in 2018 and \$213,169 in 2017 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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in statement of activities. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program service and administrative expenses. Administrative expenses consist of administration, accounting, IT, marketing, building maintenance, shared occupancy costs and other general expenses.

Subsequent Events

Subsequent events were evaluated through April 4, 2019, which is the date these financial statements were available to be issued. Randall House is not aware of any material subsequent events.

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) Liquidity and Availability of Financial Assets

The following reflects Randall House's financial assets as of balance sheet dates available for expenditure within one year from the balance sheet date.

	2018	2017
Financial assets at end of year:		
Cash and interest bearing deposits	\$ 99,913	118,662
Cash invested with the Free Will Baptist Foundation	184,115	213,169
Accounts receivable	<u>79,644</u>	<u>116,275</u>
Financial assets available to meet general expenditures the next twelve months	363,672	448,106
Less amount not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>50,000</u>
	<u>\$ 363,672</u>	<u>398,106</u>

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

Notes to Financial Statements, continued

(3) Inventory

Inventory consists of the following:

	2018	2017
Current assets:		
Print inventory:		
Finished curriculum	\$ 231,709	\$ 281,964
Work in progress	154,711	123,451
Printing raw materials	45,413	39,405
Hymnals	-	-
Warehoused other books and merchandise	\$ 232,499	\$ 230,915
Less allowance for loss	<u>69,000</u>	<u>59,000</u>
	<u>163,499</u>	<u>171,915</u>
	<u><u>\$ 595,332</u></u>	<u><u>\$ 616,735</u></u>

(4) Notes Payable and Long - Term Debt

	2018	2017
4.5% note payable to Free Will Baptist Foundation, due September 2018 secured by inventory.	\$ -	50,000
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.	196,516	207,371
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.	13,428	17,597
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.	-	14,052
	<u>209,944</u>	<u>289,020</u>
Current portion of long-term debt	<u>105,184</u>	<u>152,612</u>
Long - term debt	<u><u>\$ 104,760</u></u>	<u><u>136,408</u></u>

Scheduled retirements of long-term debt are \$105,184 in 2019; \$101,541 in 2020; and \$3,219 in 2021.

(5) Line of Credit

Variable interest rate lines of credit with local banks with a maximum amount of \$500,000. \$150,000 is outstanding at December 31, 2018 bearing interest at 6%. These lines of credit expire December 2019 and November 2021.

(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 a contribution of 5% of compensation is made by Randall House. Employees with one year of service may participate at anniversary date of employment. Pension expense amounted to \$64,446 in 2018 and \$59,766 in 2017. 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. As their share of the funding requirement Randall House provided \$48,229 in 2018 and \$46,575 in 2017. Further, Randall House designs, prints and provides mailing services for One Magazine, and reported revenues of \$215,627 and \$205,520 for these services during 2018 and 2017, respectively.

Free Will Baptist Foundation

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

	2018	2017
Interest bearing accounts	\$ 184,115	213,169
Indebtedness	\$ 196,516	207,371

The Foundation provided a \$50,000 grant in 2017 and an additional \$30,000 grant in 2018, restricted for infrastructure enhancements as follows:

Plate making for offset presses and pre-press software; digital press; and

Customer Relationship Management (CRM) software, which encompasses marketing, order management, e-commerce and reporting.

These expenditures occurred during the year ending December 31, 2018.

(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 \$27,831 in 2018 and \$25,880 in 2017. The minimum payments required are \$14,220 for 2019, \$10,600 for 2020, \$12,612 for 2021 and 2022, and \$9,459 in 2023.

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:

	2018	2017
Revenue from conferences and related services	\$ 391,209	403,529
Expenditures:		
Conferences and related services	313,274	312,434
Expenses for facility use and other services	16,000	16,000
Operating expenses	61,854	65,531
	<hr/> 391,128	<hr/> 393,965
Excess of revenues over expenses	\$ 81	9,564

Randall House Proposed 2020 Budget

	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
				ACTUAL	ACTUAL
Income					
300 · RHP Product Lines	\$3,217,000	\$3,341,500	\$3,290,750	3,210,576.19	3,330,731.61
303 · RHP Books	\$202,000	\$202,250	\$199,750	205,885.07	206,942.07
305 · Event/ Off Site Sales	\$357,500	\$373,000	\$392,500	313,700.03	351,028.07
307 · Third Party Sales (Non RHP)	\$57,750	\$64,250	\$76,250	57,779.27	63,804.73
308 · Other Revenue	\$508,750	\$518,250	\$491,000	595,681.95	506,696.07
309 · Commission Income	\$41,750	\$41,750	\$43,000	64,718.53	42,112.59
TOTAL REVENUE	\$4,384,750	\$4,541,000	\$4,493,250	4,448,341.04	4,501,315.14
Cost of Goods Sold					
310 · COS - RHP Product Lines	\$162,550	\$208,000	\$211,000	175,215.68	180,643.04
313 · COS - RHP Books	\$34,800	\$35,050	\$35,300	31,820.49	31,245.53
315 · COS - Events/ Off Site	\$371,000	\$358,500	\$372,750	409,799.45	376,922.48
317 · COS - 3rd Party Sales (Non RHP)	\$34,800	\$35,400	\$47,750	34,356.20	42,400.05
318 · COS - Other	(\$10,000)	-\$6,000	-\$500	10,635.90	(43,653.14)
Total COGS	\$592,950	\$630,950	\$666,300	661,827.72	587,557.94
Departmental Expense					
350 · Printing Production	\$774,100	\$860,800	\$861,100	834,950.92	867,627.58
355 · Depreciation Printing Equipment	\$36,000	\$30,000	\$35,000	31,324.48	30,150.80
360 · Editorial	\$553,350	\$555,200	\$529,650	563,672.80	526,565.20
400 · Administrative/Accounting	\$462,000	\$472,600	\$423,000	437,519.18	438,754.98
410 · Sales	\$338,300	\$345,750	\$327,750	337,428.61	304,109.71
420 · Design	\$282,000	\$312,500	\$299,500	315,011.86	298,878.76
425 · RHP Book Division	\$110,150	\$108,800	\$108,250	113,191.71	102,844.87
430 · Distribution Center	\$334,500	\$312,250	\$319,250	379,829.42	296,391.97
435 · IT Division	\$67,300	\$67,050	\$63,950	63,721.02	62,754.43
440 · Plant Maintenance	\$103,750	\$116,750	\$118,000	103,272.30	111,482.49
460 · Marketing	\$370,250	\$366,050	\$358,750	383,177.93	319,511.94
490 · General	\$198,000	\$202,000	\$203,750	205,322.72	194,565.60
495 · Events	\$108,700	\$113,750	\$125,250	110,898.22	119,360.54
Total Departmental Expense	\$3,738,400	\$3,863,300	\$3,773,200	3,879,321.17	3,672,998.88
Youth Department - Vertical Three					
9100 · Vertical Three Revenue	\$402,000	\$407,000	\$364,000	391,209.11	403,529.41
450 · Vertical Three Expense	(\$384,350)	-\$388,750	-\$360,000	(391,127.68)	(393,965.60)
	\$17,650	\$18,250	\$4,000	81.43	9,563.81
Denominational Ministries					
445 · Denominational Ministries Expense	(\$64,500)	-\$65,000	-\$54,250	(63,228.60)	(61,575.12)
	(\$64,500)	-\$65,000	-\$54,250	(63,228.60)	(61,575.12)
TOTAL EXPENSE	\$4,780,200	\$4,948,000	\$4,853,750	4,995,505.17	4,716,097.54
Annual Profit/Loss	\$6,550	\$0	\$3,500	(155,955.02)	188,747.01
Income					
300 · RHP Product Lines					
300.03 · Dated Studies/ SS-Curriculum	\$3,060,000	\$3,160,000	\$3,125,000	3,057,998.76	3,173,589.12
300.09 · Mid Week Teens	\$0	\$0	\$0	25.63	188.69
300.15 · Children's Church Sales	\$75,000	\$85,000	\$75,000	72,644.34	77,485.48
300.18 · Online Non Dated Studies-(A)	\$1,000	\$1,000	\$1,500	1,218.78	959.04
300.21 · D6 Leader Network	\$65,000	\$80,000	\$75,000	61,031.48	61,674.56
300.24 · Church Supplies	\$1,500	\$1,500	\$1,500	1,010.03	1,442.50
300.27 · RHP/D6 T-Shirts/Merchandise	\$500	\$500	\$750	687.64	347.25
300.30 · Vertical 3 Resources	\$13,000	\$13,000	\$12,000	12,829.73	13,610.37
300.33 · Miscellaneous Sales	\$500	\$0	\$0	629.80	503.88
300.36 · D6 International	\$500	\$500	\$0	2,500.00	930.72
Total 300 · RHP Product Lines	\$3,217,000	\$3,341,500	\$3,290,750	3,210,576.19	3,330,731.61
303 · RHP Books					
303.03 · Pastoral/Church Leadership	\$30,000	\$30,000	\$35,000	29,824.47	26,389.61
303.06 · Family/Parenting	\$77,500	\$75,000	\$70,000	79,073.81	75,155.42
303.09 · Drama/Plays	\$250	\$250	\$250	74.98	134.97
303.12 · Missions	\$250	\$250	\$250	37.48	219.50
303.15 · Small Group Studies	\$7,500	\$7,500	\$5,000	5,242.46	9,176.42
303.18 · Biblical Studies	\$9,250	\$7,500	\$10,000	9,541.17	7,284.78
303.21 · Theology/Doctrine	\$22,500	\$22,500	\$22,500	23,174.54	22,804.17
303.27 · Christian Living	\$7,500	\$10,000	\$22,500	7,234.99	9,976.03
303.30 · Fiction	\$250	\$250	\$250	148.33	548.56
303.33 · Children/Youth	\$10,000	\$12,500	\$0	10,737.48	16,478.42
303.36 · International Languages	\$1,000	\$1,000	\$1,000	1,148.05	973.84
303.39 · Rejoice FWB Hymnal Sales	\$32,500	\$32,500	\$20,000	32,679.04	35,608.81
303.42 · Rejoice Worship Hymnal Sales	\$15,000	\$15,000	\$25,000	16,538.08	14,689.99
303.48 · (Off Site RH Book Sales)	(\$20,000)	-\$20,000	-\$20,000	(18,883.12)	(21,806.03)
303.54 · RHP Titles in Software	\$3,500	\$3,000	\$3,000	5,017.16	3,142.89
303.60 · Miscellaneous	\$5,000	\$5,000	\$5,000	4,296.15	6,164.69

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	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
Total 303 · RHP Books	\$202,000	\$202,250	\$199,750	205,885.07	206,942.07
305 · Event/ Off Site Sales					
305.03 · D6 Conference Registration	\$200,000	\$205,000	\$225,000	164,617.38	186,603.18
305.06 · D6 Conference Sponsorship	\$105,000	\$112,500	\$110,000	101,725.00	111,900.00
305.09 · D6 Conference Sales	\$35,000	\$38,000	\$40,000	30,509.86	32,963.12
305.15 · National Sales	\$17,000	\$17,000	\$17,000	16,822.31	19,561.77
305.21 · Misc. Event Sales	\$500	\$500	\$500	25.48	-
Total 305 · Event/ Off Site Sales	\$357,500	\$373,000	\$392,500	313,700.03	351,028.07
307 · Third Party Sales (Non RHP)					
307.03 · Curriculum (Dated)	\$45,000	\$50,000	\$55,000	45,253.12	48,315.71
307.06 · VBS	\$500	\$500	\$2,500	374.97	1,642.90
307.12 · Church Supplies	\$3,000	\$3,500	\$6,000	2,785.72	3,465.38
307.15 · Bibles (Non RHP Imprint)	\$250	\$250	\$250	228.85	214.71
307.18 · Books (Non RHP Imprint)	\$7,000	\$8,000	\$10,000	6,558.82	8,001.42
307.24 · Miscellaneous	\$2,000	\$2,000	\$2,500	2,577.79	2,164.61
Total 307 · Third Party Sales (Non RHP)	\$57,750	\$64,250	\$76,250	57,779.27	63,804.73
308 · Other Revenue					
308.03 · Printing/Design Services	\$265,000	\$260,000	\$260,000	272,405.79	259,795.27
308.06 · Freight and Handling Income	\$235,000	\$250,000	\$225,000	235,432.29	240,354.14
308.09 · Interest Income	\$4,500	\$4,250	\$1,500	5,945.68	4,173.99
308.12 · Service Charges	\$1,500	\$1,000	\$1,000	1,548.08	1,237.51
308.15 · Sale/Disposal of Assets	\$2,500	\$2,500	\$2,500	(23.90)	772.85
308.18 · In House Functions	\$250	\$500	\$1,000	256.00	295.00
308.21 · Construction/Gifts/Grants	\$0	\$0	\$0	80,118.01	67.31
Total 308 · Other Revenue	\$508,750	\$518,250	\$491,000	595,681.95	506,696.07
309 · Commission Income					
309.03 · Bulletins	\$20,000	\$20,000	\$22,000	20,933.30	19,314.45
309.06 · Signs	\$500	\$500	\$500	-	-
309.09 · Furniture/Steeple/etc.	\$750	\$750	\$500	969.31	1,038.14
309.12 · Advertising/Other	\$20,500	\$20,500	\$20,000	42,815.92	21,760.00
Total 309 · Commission Income	\$41,750	\$41,750	\$43,000	64,718.53	42,112.59
Total Income	\$4,384,750	\$4,541,000	\$4,493,250	4,448,341.04	4,501,315.14
Cost of Goods Sold					
50000 · Cost of Goods Sold					
310 · COS - RHP Product Lines					
310.03 · COS - Dated Studies/ SS-Cur	\$100,000	\$107,500	\$125,000	100,430.56	110,437.98
310.15 · COS - Children's Church Sales	\$31,400	\$50,000	\$30,000	35,535.50	27,183.62
310.18 · COS - Online Non Dated Studies	\$500	\$500	\$1,000	666.80	555.20
310.21 · COS - D6 Plus	\$25,000	\$45,000	\$50,000	35,611.04	40,842.36
310.24 · COS - Church Supplies	\$650	\$650	\$650	563.03	602.54
310.27 · COS - RHP/D6 T-shirt Merch.	\$1,000	\$350	\$350	1,363.00	-
310.30 · COS - Vertical Three Resources	\$4,000	\$4,000	\$4,000	2,971.50	3,581.46
310 · COS - RHP Product Lines - Other	\$0	\$0	\$0	(1,925.75)	(2,560.12)
Total 310 · COS - RHP Product Lines	\$162,550	\$208,000	\$211,000	175,215.68	180,643.04
313 · COS - RHP Books					
313.03 · COS - Pastoral/Ch. Leadership	\$10,000	\$12,000	\$8,000	8,300.59	10,239.40
313.06 · COS - Family/Parenting	\$12,500	\$17,500	\$20,000	11,288.70	14,618.61
313.09 · COS - Drama/Plays	\$100	\$100	\$100	29.39	151.05
313.12 · COS - Missions	\$100	\$100	\$100	20.26	69.16
313.15 · COS - Small Group Studies	\$4,000	\$5,000	\$2,500	3,146.09	7,332.82
313.18 · COS - Biblical Studies	\$4,000	\$4,000	\$4,500	3,249.74	3,580.10
313.21 · COS - Theology/Doctrine	\$8,500	\$8,000	\$8,000	8,572.93	7,825.58
313.27 · COS - Christian Living	\$3,000	\$3,500	\$8,000	1,924.35	2,611.97
313.30 · COS - Fiction	\$100	\$100	\$100	96.49	372.75
313.33 · COS - Children/Youth	\$3,500	\$3,750	\$0	2,973.93	3,995.66
313.36 · COS - International Language	\$500	\$500	\$500	365.73	526.96
313.39 · COS - Rejoice FWB Hymnals	\$13,000	\$13,000	\$10,000	13,363.31	13,924.29
313.42 · COS - Rejoice Worship Hymnals	\$9,500	\$7,500	\$12,500	9,559.24	7,002.60
313.60 · COS - Miscellaneous	\$1,000	\$1,000	\$1,000	807.21	1,039.15
313 · COS - RHP Books - Other	(\$35,000)	-\$41,000	-\$40,000	(31,877.47)	(42,044.57)
Total 313 · COS - RHP Books	\$34,800	\$35,050	\$35,300	31,820.49	31,245.53
315 · COS - Events/ Off Site					
315.03 · COS - D6 Conf Registration	\$350,000	\$335,000	\$350,000	389,687.79	353,836.96
315.09 · COS - D6 Conf Sales	\$17,500	\$20,000	\$20,000	16,599.57	18,746.81
315.15 · COS - National Sales	\$3,500	\$3,500	\$2,500	3,138.47	4,371.53

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	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
315.21 · COS - Misc. Event Sales	\$0	\$0	\$250	373.62	(32.84)
Total 315 · COS - Events/ Off Site	\$371,000	\$358,500	\$372,750	409,799.45	376,922.46
317 · COS - 3rd Party Sales (Non RHP)					
317.03 · COS - Curriculum (Dated)	\$27,500	\$27,500	\$35,000	27,914.05	30,588.39
317.06 · COS - VBS	\$250	\$300	\$1,500	355.58	1,007.69
317.12 · COS - Church Supplies	\$2,000	\$2,000	\$3,000	1,634.53	1,974.67
317.15 · COS - Bibles (Non RHP)	\$250	\$500	\$500	149.69	203.20
317.18 · COS - Books (Non RHP)	\$4,500	\$5,000	\$7,500	4,271.85	5,349.93
317.24 · COS - Miscellaneous	\$100	\$100	\$250	30.50	3.30
317 · COS - 3rd Party Sales (Non RHP) - Other	\$0	\$0	\$0	-	3,292.87
Total 317 · COS - 3rd Party Sales (Non RHP)	\$34,600	\$35,400	\$47,750	34,356.20	42,400.05
318 · COS - Other					
318.03 · Freight In RHP	\$5,000	\$9,000	\$4,500	4,233.40	8,969.03
318.09 · COS - Yearbook	(\$15,000)	-\$15,000	-\$5,000	(15,000.00)	(15,000.00)
318.15 · COS - Change In Inventory	\$0	\$0	\$0	21,402.50	(37,622.17)
Total 318 · COS - Other	-\$10,000	-\$6,000	-\$500	10,635.90	-43,653.14
Total COGS	\$592,950	\$630,950	\$666,300	661,827.72	587,557.94
Gross Profit	\$3,791,800	\$3,910,050	\$3,826,950	3,786,513.32	3,913,757.20
Expense					
350 · Printing Production					
350.02 · PP - Salaries	\$232,000	\$305,000	\$295,000	302,775.17	298,100.28
350.06 · PP - Supplies	\$1,000	\$1,000	\$1,500	840.58	888.86
350.07 · PP - Equipment Maint.	\$250	\$250	\$250	986.67	-
350.12 · PP - Dues & Subscriptions	\$250	\$250	\$250	-	30.00
350.16 · PP - Entertainment	\$100	\$100	\$100	280.14	89.98
350.18 · Outside Printing	\$240,000	\$190,000	\$190,000	196,476.98	229,072.57
350.19 · Outside Bindery	\$35,000	\$40,000	\$45,000	38,844.34	34,261.74
350.26 · PP - FICA	\$15,750	\$21,500	\$20,000	19,150.52	19,363.14
350.29 · PP - Retirement	\$10,000	\$12,500	\$11,000	11,630.24	12,373.14
350.32 · PP - Insurance	\$27,000	\$32,500	\$27,500	32,910.10	28,559.06
350.34 · Pressroom Supplies	\$7,500	\$7,500	\$10,000	5,881.94	5,845.47
350.36 · Pressroom Maintenance	\$2,000	\$2,000	\$2,000	1,724.50	1,515.51
350.38 · Pressroom Parts	\$5,000	\$5,000	\$5,000	3,066.40	6,961.84
350.40 · Pressroom Stock	\$95,000	\$140,000	\$150,000	118,464.67	128,262.33
350.42 · Pressroom Ink	\$7,000	\$7,000	\$7,000	8,029.19	6,620.41
350.44 · Bindery Supplies	\$250	\$250	\$500	54.58	7.00
350.46 · Bindery Maintenance	\$250	\$250	\$250	-	9.29
350.48 · Bindery Parts	\$250	\$250	\$250	-	1,067.95
350.50 · Pre-Press Supplies	\$1,750	\$2,500	\$2,500	1,293.51	1,849.10
350.52 · Proofing Supplies	\$2,250	\$2,500	\$2,500	1,802.74	2,441.11
350.54 · CTP Maintenance	\$250	\$250	\$1,500	-	-
350.56 · Digital Press Supplies	\$0	\$250	\$250	-	-
350.62 · Plates	\$12,500	\$13,500	\$12,500	14,909.24	13,086.91
350.88 · Outside Purchases-Ess. Pkts	\$6,000	\$6,000	\$6,000	5,560.95	6,476.86
350.89 · Digital Press Maintenance	\$72,500	\$70,000	\$70,000	70,268.46	70,745.03
350.90 · PP - Miscellaneous	\$250	\$250	\$250	-	-
Total 350 · Printing Production	\$774,100	\$860,600	\$861,100	834,950.92	867,627.58
355.00 · Depreciation Printing Equipment	\$36,000	\$30,000	\$35,000	31,324.48	30,150.80
360 · Editorial					
360.02 · Edit - Salaries	\$320,000	\$337,000	\$325,000	331,083.97	323,768.40
360.03 · Edit - Housing Allowance	\$33,750	\$33,750	\$31,800	31,800.00	31,800.00
360.04 · Edit - Travel	\$3,500	\$3,500	\$3,500	5,920.59	1,911.85
360.06 · Edit - Supplies	\$1,500	\$1,500	\$2,000	1,077.32	899.68
360.09 · Digital Development	\$500	\$1,000	\$5,000	-	-
360.10 · Edit - Conventions & Seminars	\$1,500	\$1,500	\$1,500	562.99	672.00
360.11 · Software Supply	\$250	\$250	\$250	-	-
360.12 · Edit - Dues & Subscriptions	\$2,000	\$4,000	\$4,000	1,719.00	9,741.26
360.15 · National Expense	\$0	\$100	\$100	-	-
360.16 · Edit - Entertainment	\$2,000	\$2,000	\$2,000	2,190.57	1,652.49
360.23 · Edit - Telephone	\$850	\$850	\$1,000	756.66	861.74
360.26 · Edit - FICA	\$21,000	\$23,000	\$25,000	20,933.90	21,017.08
360.29 · Edit - Retirement	\$15,000	\$12,000	\$12,000	14,098.03	10,728.24
360.32 · Edit - Insurance	\$67,000	\$57,500	\$38,500	62,128.46	50,100.04
360.34 · Curriculum Development	\$1,000	\$750	\$1,000	2,082.10	333.22
360.35 · Product Improvement	\$250	\$250	\$250	233.21	38.00
360.36 · Writer's Fees	\$69,000	\$70,000	\$70,000	77,386.00	71,247.00
360.37 · Register of Copyrights	\$6,500	\$4,000	\$1,500	6,700.00	935.00
360.88 · Outside Editing/Proofing	\$7,500	\$2,000	\$5,000	5,000.00	859.20
360.90 · Edit - Miscellaneous	\$250	\$250	\$250	-	-

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	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
Total 360 · Editorial	\$563,350	\$555,200	\$529,650	563,672.80	526,565.20
400 · Administrative/Accounting					
400.02 · AD/AC - Salaries	\$266,000	\$265,000	\$250,000	257,244.06	261,657.50
400.03 · AD/AC - Housing Allowance	\$47,000	\$48,000	\$37,000	45,259.92	42,273.28
400.04 · AD/AC - Travel Expense	\$35,000	\$40,000	\$35,000	34,418.83	44,134.52
400.06 · AD/AC - Supplies	\$5,000	\$6,500	\$6,000	3,917.85	6,719.09
400.10 · AD/AC - Conventions & Seminars	\$1,000	\$1,000	\$1,500	688.00	899.00
400.12 · AD/AC - Dues & Subscriptions	\$7,500	\$5,000	\$4,000	8,463.03	5,761.18
400.16 · AD/AC - Entertainment	\$6,500	\$6,000	\$6,000	7,047.05	5,494.30
400.20 · AD/AC - Postage	\$250	\$250	\$250	-	-
400.23 · AD/AC - Telephone	\$1,750	\$1,800	\$1,750	1,695.96	1,723.78
400.26 · AD/AC - FICA	\$17,000	\$18,000	\$16,000	16,266.94	16,952.07
400.29 · AD/AC - Retirement	\$13,500	\$13,000	\$11,000	12,935.52	12,330.90
400.32 · AD/AC - Insurance	\$47,500	\$50,000	\$38,500	41,413.68	40,090.66
400.70 · AD/AC - Automobile Expense	\$3,500	\$3,500	\$3,500	3,542.18	2,771.31
400.88 · DS International Travel/Expense	\$10,000	\$14,000	\$10,000	4,626.16	(2,769.60)
400.90 · AD/AC - Miscellaneous	\$500	\$750	\$2,500	-	717.00
Total 400 · Administrative/Accounting	\$462,000	\$472,600	\$423,000	437,519.18	438,754.99
410 · Sales					
410.02 · Sales - Salaries	\$190,000	\$195,000	\$200,000	200,389.72	186,470.38
410.03 · Sales - Housing Allowance	\$25,000	\$25,500	\$24,000	24,168.00	24,168.00
410.04 · Sales - Travel Expense	\$15,000	\$12,000	\$12,000	18,735.64	12,345.18
410.06 · Sales - Supplies	\$3,500	\$2,500	\$3,000	3,702.81	1,923.50
410.08 · Sales - Equipment Rental	\$1,500	\$1,500	\$1,500	953.62	1,449.52
410.11 · Sales - Conventions & Seminars	\$750	\$1,000	\$1,500	489.00	573.00
410.12 · Sales - Dues & Subscriptions	\$1,800	\$3,500	\$4,500	3,856.34	1,803.00
410.15 · Sales - CRM Software	\$20,000	\$20,000	\$0	-	-
410.20 · Sales - Postage	\$500	\$2,500	\$2,500	378.30	2,157.98
410.23 · Sales - Telephone	\$20,000	\$20,000	\$20,000	19,753.54	20,053.87
410.26 · Sales - FICA	\$11,500	\$14,000	\$13,000	12,496.06	12,087.08
410.29 · Sales - Retirement	\$6,000	\$6,000	\$7,500	5,739.76	5,572.32
410.32 · Sales - Insurance	\$40,000	\$40,000	\$36,000	43,786.93	33,029.83
410.88 · Sales - Entertainment	\$2,500	\$2,000	\$2,000	2,978.89	2,476.07
410.90 · Sales - Miscellaneous	\$250	\$250	\$250	-	-
Total 410 · Sales	\$338,300	\$345,750	\$327,750	337,428.61	304,109.71
420 · Design					
420.02 · Design - Salaries	\$187,000	\$225,000	\$218,000	226,082.62	216,399.44
420.04 · Design - Travel Expense	\$250	\$250	\$250	486.78	76.50
420.06 · Design - Supplies	\$1,500	\$1,500	\$1,000	1,000.39	1,646.43
420.10 · Design - Conventions & Seminars	\$250	\$250	\$250	52.65	90.00
420.12 · Design - Dues & Subscriptions	\$2,500	\$1,000	\$250	2,414.86	1,169.16
420.14 · Art Services	\$35,000	\$19,000	\$18,000	19,370.45	21,538.74
420.16 · Design - Entertainment	\$1,500	\$1,500	\$1,500	1,531.35	1,269.93
420.26 · Design - FICA	\$11,500	\$15,000	\$15,000	14,296.44	14,046.62
420.29 · Design - Retirement	\$5,000	\$6,500	\$8,000	6,958.64	6,250.84
420.32 · Design - Insurance	\$37,500	\$42,500	\$37,000	42,817.68	36,391.10
420.90 · Design - Miscellaneous	\$0	\$0	\$250	-	-
Total 420 · Design	\$282,000	\$312,500	\$299,500	315,011.86	298,878.76
425 · RHP Book Division					
425.02 · RB - Salaries	\$67,500	\$68,000	\$65,000	66,316.40	66,873.70
425.04 · RB - Travel Expense	\$750	\$500	\$500	1,000.63	561.19
425.06 · RB - Supplies	\$250	\$250	\$250	21.83	343.38
425.10 · RB - Conventions & Seminars	\$500	\$500	\$500	279.00	239.00
425.11 · Royalty Payments	\$17,000	\$17,000	\$18,000	20,303.86	16,619.94
425.12 · RB - Dues & Subscriptions	\$500	\$750	\$750	72.00	581.80
425.23 · RB - Telephone	\$800	\$800	\$1,000	809.84	861.75
425.26 · RB - FICA	\$4,500	\$4,500	\$4,000	4,004.00	4,184.15
425.29 · RB - Retirement	\$3,500	\$3,250	\$3,000	3,107.26	3,016.78
425.32 · RB - Insurance	\$9,000	\$6,000	\$5,000	8,515.04	5,025.58
425.66 · Editing/Proofing	\$3,600	\$5,000	\$7,500	6,986.24	2,600.33
425.88 · RB - Entertainment	\$250	\$250	\$250	383.61	209.65
425.89 · Product Development	\$2,000	\$2,000	\$2,500	1,392.00	1,727.62
425.90 · RB - Miscellaneous	\$0	\$0	\$0	-	-
Total 425 · RHP Book Division	\$110,150	\$108,800	\$108,250	113,191.71	102,844.87
430 · Distribution Center					
430.02 · DC - Salaries	\$96,000	\$90,000	\$80,000	101,669.82	83,909.84
430.06 · DC - Supplies	\$21,000	\$19,000	\$20,000	21,101.20	18,377.13
430.07 · DC - Equipment Maintenance	\$250	\$250	\$250	-	-

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	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
430.08 · DC - Equipment Rental	\$9,000	\$8,000	\$8,000	9,275.62	7,321.88
430.12 · DC - Dues & Subscriptions	\$1,500	\$500	\$1,000	1,453.78	314.00
430.16 · DC - Entertainment	\$250	\$500	\$500	25.00	30.45
430.20 · DC - Postage	\$22,500	\$20,000	\$20,000	25,610.23	20,317.99
430.26 · DC - FICA	\$6,000	\$6,500	\$5,500	6,431.58	5,445.52
430.29 · DC - Retirement	\$2,500	\$2,500	\$4,000	2,075.84	2,016.04
430.32 · DC - Insurance	\$18,000	\$12,500	\$10,000	16,382.87	10,051.16
430.40 · DC - Freight Expense	\$157,500	\$152,500	\$170,000	195,803.48	148,607.98
Total 430 · Distribution Center	\$334,500	\$312,250	\$319,250	379,829.42	296,391.97
 435 · IT Division					
435.02 · IT - Salaries	\$46,250	\$46,000	\$44,000	44,225.68	43,251.43
435.04 · IT - Travel	\$100	\$100	\$100	-	-
435.06 · IT - Supplies	\$2,500	\$1,500	\$1,500	2,804.14	1,872.56
435.08 · IT - Software Services	\$100	\$100	\$100	-	-
435.10 · IT - Conventions/Seminars	\$100	\$100	\$100	-	-
435.12 · IT - Dues & Subscriptions	\$6,000	\$7,000	\$7,000	5,432.24	7,226.34
435.23 · IT - Telephone	\$350	\$350	\$400	366.64	471.77
435.26 · IT - FICA	\$3,000	\$3,500	\$3,500	2,796.60	2,809.33
435.29 · IT - Retirement	\$2,400	\$2,400	\$2,250	2,170.12	2,097.42
435.32 · IT - Insurance	\$6,500	\$6,000	\$5,000	5,925.60	5,025.58
Total 435 · IT Division	\$67,300	\$67,050	\$63,950	63,721.02	62,754.43
 440 · Plant Maintenance					
440.02 · PM - Salaries	\$13,000	\$15,000	\$17,000	12,534.73	11,633.06
440.06 · PM - Supplies	\$8,500	\$8,500	\$7,500	7,654.26	8,633.58
440.07 · PM - Equipment Maintenance	\$500	\$500	\$500	-	-
440.08 · PM - Overhead (Youth Department)	(\$16,000)	-\$16,000	-\$16,000	(16,000.00)	(16,000.00)
440.23 · PM - Telephone	\$0	\$500	\$1,000	-	78.75
440.26 · PM - FICA	\$750	\$1,250	\$1,500	625.03	1,016.11
440.34 · PM - Building Maintenance	\$18,000	\$28,000	\$27,500	17,019.24	27,946.73
440.40 · Utilities	\$52,000	\$52,000	\$52,000	54,576.04	51,974.26
440.45 · Building Insurance	\$27,000	\$27,000	\$27,000	26,863.00	26,200.00
Total 440 · Plant Maintenance	\$103,750	\$116,750	\$118,000	103,272.30	111,482.49
 460 · Marketing					
460.02 · Mkt - Salaries	\$150,000	\$147,500	\$140,000	149,265.63	146,871.26
460.04 · Mkt - Travel Expense	\$6,000	\$6,000	\$5,000	5,888.94	5,999.19
410.05 · Mkt - Conventions & Seminars	\$500	\$500	\$500	372.43	1,070.00
460.06 · Mkt - Supplies	\$3,500	\$3,500	\$3,500	2,961.04	2,864.29
460.07 · Mkt - Equipment Maintenance	\$100	\$250	\$250	-	-
460.08 · Mkt - Equipment Rental	\$500	\$250	\$250	889.36	-
460.12 · Mkt - Dues & Subscriptions	\$10,000	\$5,500	\$6,000	9,496.30	5,163.19
460.20 · Mkt - Postage	\$100	\$250	\$250	-	-
460.23 · Mkt - Telephone	\$800	\$800	\$1,000	856.65	854.24
460.26 · Mkt - FICA	\$8,750	\$10,500	\$11,000	8,699.79	9,575.83
460.29 · Mkt - Retirement	\$2,000	\$1,000	\$1,000	1,770.58	-
460.32 · Mkt - Insurance	\$25,000	\$27,500	\$28,000	20,759.45	22,398.26
460.34 · Mkt - Advertising	\$80,000	\$77,500	\$77,500	84,047.59	54,280.58
460.35 · Mkt - Wholesale Mkt	\$0	\$5,000	\$5,000	-	-
460.36 · Mkt - Promotion	\$80,000	\$77,500	\$77,500	95,156.11	67,637.51
460.40 · Mkt - Entertainment	\$3,000	\$2,500	\$2,000	3,014.08	2,797.59
Total 460 · Marketing	\$370,250	\$366,050	\$358,750	383,177.93	319,511.94
 490 · General					
490.06 · GE - Supplies	\$2,500	\$1,000	\$1,000	2,751.34	980.83
490.08 · GE - Equipment Rental	\$17,500	\$20,000	\$20,000	16,711.56	20,935.40
490.14 · Depreciation	\$52,000	\$57,500	\$59,000	54,048.84	57,944.18
490.15 · Interest Expense	\$17,500	\$15,000	\$22,500	15,083.14	16,206.05
490.18 · Bank Service Charges	\$47,500	\$47,500	\$40,000	50,766.19	46,722.32
490.20 · Insurance	\$250	\$250	\$250	78.75	196.40
490.25 · RHP - Board Expense	\$17,500	\$16,500	\$17,500	23,867.15	15,974.06
490.30 · Legal & Audit	\$18,000	\$18,000	\$16,000	18,218.75	17,718.95
490.35 · GE - Automobile Expense	\$2,000	\$2,500	\$3,000	1,574.74	1,271.10
490.40 · Bad Debts	\$250	\$250	\$1,000	12.49	(3,242.40)
490.45 · In House Functions	\$15,000	\$15,000	\$15,000	14,879.38	11,541.85
490.50 · Taxes	\$3,250	\$3,500	\$3,500	3,004.76	3,043.35
490.55 · Payroll Services	\$3,750	\$4,000	\$4,000	3,559.71	4,184.10
490.90 · GE - Miscellaneous	\$1,000	\$1,000	\$1,000	765.92	1,089.41
Total 490 · General	\$198,000	\$202,000	\$203,750	205,322.72	194,565.60
 495 · Events					
495.02 · Events - Salaries	\$37,000	\$31,500	\$72,000	35,763.15	65,325.83

Randall House Proposed 2020 Budget

	Budget 2020	Budget 2019	Budget 2018	Jan - Dec 18	Jan - Dec 17
495.03 · Events - Housing	\$31,000	\$31,500	\$0	30,000.00	-
495.04 · Events - Travel Expense	\$3,000	\$3,000	\$2,500	4,266.56	3,040.33
410.06 · Events - Supplies	\$1,500	\$2,500	\$2,500	1,438.19	1,633.84
495.11 · Events - Conventions & Seminars	\$500	\$500	\$1,000	388.00	274.00
495.12 · Events - Dues & Subscriptions	\$3,500	\$3,000	\$2,000	3,428.52	3,356.43
495.15 · National Expense	\$25,000	\$25,000	\$25,000	26,480.93	25,651.19
495.20 · Events - Postage	\$0	\$250	\$250	-	-
495.23 · Events - Telephone	\$350	\$1,000	\$1,000	316.17	1,414.07
495.26 · Events - FICA	\$2,100	\$3,000	\$5,500	2,081.66	4,142.49
495.29 · Events - Retirement	\$2,250	\$4,000	\$4,000	1,979.95	4,432.67
495.32 · Events - Insurance	\$1,500	\$7,500	\$8,500	913.27	5,989.97
495.70 · Events - Miscellaneous	\$250	\$250	\$250	3,329.29	3,329.29
495.88 · Events - Entertainment	\$750	\$750	\$750	512.53	770.43
Total 495 · Events	\$108,700	\$113,750	\$125,250	110,898.22	119,360.54
9000 · Verticle Three					
9100 · V3 Revenue					
300.62 · V3 Conference Income	\$135,000	\$135,000	\$115,000	130,522.01	136,279.25
300.64 · Truth & Peace Fees	\$235,000	\$240,000	\$215,000	231,249.18	234,421.44
300.66 · NYET Fees	\$30,000	\$30,000	\$31,500	27,400.00	30,345.00
300.70 · Youth Collections	\$1,000	\$1,000	\$1,500	1,148.52	1,101.01
300.73 · Buck-A-Week Revenues	\$1,000	\$1,000	\$1,000	859.40	892.71
300.74 · V3 Misc. Events	\$0	\$0	\$0	30.00	490.00
Total 9000 · Verticle 3 Revenue	\$402,000	\$407,000	\$364,000	391,209.11	403,529.41
450 · Verticle Three Expense					
450.02 · V3 - Salaries	\$38,000	\$37,500	\$43,000	36,857.95	45,512.21
450.04 · V3 - Travel Expense	\$2,000	\$1,500	\$2,500	3,443.80	856.57
450.06 · V3 - Supplies	\$1,500	\$2,500	\$3,000	1,289.20	769.21
450.07 · V3 - Equipment Maint.	\$0	\$250	\$250	-	-
450.08 · V3 - Overhead	\$16,000	\$16,000	\$16,000	16,000.00	16,000.00
450.10 · V3 - Conventions & Seminars	\$0	\$0	\$250	-	-
450.12 · V3 - Dues & Subscriptions	\$750	\$750	\$1,000	742.00	472.95
450.16 · V3 - Entertainment	\$500	\$750	\$750	391.79	321.64
450.23 · V3 - Telephone	\$400	\$1,000	\$1,000	383.58	804.78
450.26 · V3 - FICA	\$2,450	\$2,500	\$3,250	2,331.27	3,057.14
450.29 · V3 - Retirement	\$2,250	\$1,000	\$1,000	1,979.94	947.96
450.32 · V3 - Insurance	\$17,500	\$14,500	\$13,500	14,434.88	12,788.78
450.34 · V3 Conf. Expense	\$122,500	\$120,000	\$115,000	130,609.30	118,949.69
450.36 · Truth & Peace Expense	\$150,000	\$160,000	\$127,500	153,240.46	160,113.59
450.38 · NYET Expense	\$30,000	\$30,000	\$31,500	29,423.51	29,888.52
450.88 · Buck-A-Week Expenses	\$500	\$500	\$500	-	-
450.90 · V3 - Miscellaneous	\$0	\$0	\$0	-	3,502.56
Total 450 · Verticle 3 Expense	\$384,350	\$388,750	\$360,000	391,127.68	393,965.60
445 · Denominational Ministries Expense					
445.65 · Yearbook Printing	\$15,000	\$15,000	\$5,000	15,000.00	15,000.00
445.66 · ONE Magazine	\$49,000	\$49,000	\$48,250	48,228.60	46,575.12
445.93 · Scholarships	\$500	\$1,000	\$1,000	-	-
Total 445 · Denominational Ministries	\$64,500	\$65,000	\$54,250	63,228.60	61,575.12

Executive Director & CEO Ronald Hunter Jr.	2019 Package	2020 Projected Package*
Salary	\$64,000	\$65,920
Housing Allowance	\$45,260	\$46,618
Retirement	<u>\$13,840</u>	<u>\$14,255</u>
COMPENSATION TOTAL	\$123,100	\$126,793
Christmas Bonus	<u>\$1,900</u>	<u>\$1,957</u>
TOTAL PAY PACKAGE	\$125,000	\$128,750

Medical, Dental, Vision and Life insurance in 2019 is \$18,897. An increase is projected for 2020.

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

Editorial Director Danny Conn	2019 Package	2020 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>
	<u>\$4,108</u>	<u>\$4,231</u>
TOTAL PAY PACKAGE	\$67,306	\$69,325

Medical, Dental, Vision and Life insurance in 2019 is \$14,108. An increase is projected for 2020.

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

Director of Events/Vertical Three Tim Owen	2019 Package	2020 Projected Package*
Salary	\$30,000	\$30,900
Housing Allowance	<u>\$30,000</u>	<u>\$30,900</u>
COMPENSATION TOTAL	\$60,000	\$61,800
Retirement	\$3,000	\$3,090
Christmas Bonus	<u>\$900</u>	<u>\$927</u>
	<u>\$3,900</u>	<u>\$4,017</u>
TOTAL PAY PACKAGE	\$63,900	\$65,817

Medical, Dental, Vision and Life insurance in 2019 is \$16,926. An increase is projected for 2020.

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

**Summary of the Minutes
For the Randall House Board
2018-2019**

The Randall House Board had a vote via email Wednesday, June 13, 2018, regarding a new policy for endorsing outside books and organizations. Agenda items were presented electronically to each board member five days prior to the meeting for review. The Board approved a new endorsement policy for Randall House, D6, and all employees of Randall House and D6.

The Randall House Board met at the National Association of Free Will Baptists on Tuesday morning, July 23, 2018, in Little Rock, AR. Committee positions for the coming year were assigned. A financial update for 2018 was received as information.

The Randall House Board met in Nashville at Randall House Publications on December 4, 2018, after the Leadership Conference. Reports were received from the Executive Director and the various departments, including an update from the Events Department on the "Plan to Protect Policy," a policy to protect students and event staff. The Curriculum, Finance, and Vertical III committees presented their reports. The Board gave approval for the Events Department to secure speakers for the Vertical III (*VIII*) Conference. The Board gave approval for the chairman and clerk to send a letter to Pinnacle Bank giving the Director of Operations and CEO permission to conduct business on behalf of Randall House, thus resulting in a change of banks for the organization. The board discussed holding the Spring Board Meeting in central Florida in order to visit churches and tour the 2019 D6 venue.

The final meeting of the Board of Randall House Publications was in central Florida on April 7 and 8, 2019. The Board received the report from the Executive Director. The 2018 audit, a report of current financials, and the proposed 2020 budget were received and approved. The Curriculum, Finance, and Vertical III committees presented their reports. The Board gave the Events Department approval to implement the "Plan to Protect Policy" at all Vertical III (*VIII*) events. It was a blessing for the Board members to worship in various FWB congregations and treat the pastor and his family to lunch. The Board was also able to tour the venue for the 2019 D6 Conference.



National Association 2019

INTRODUCTION

Each year sails by powered by the winds of change, constants, and challenges. Each shift of the wind calls for intentional action based on prayer and discussion. Actions are launched with robust faith and anticipation of what God will do. Eventually, we analyze them through the lens of faithfulness and fruitfulness.

In one of my first reports to the National Association, I used a ship as a metaphor to describe the Mission's situation. I want to return to that analogy, but this time specify a sailing ship. The term "sailing ship" is most often used to describe any large marine vessel using sails to harness the power of the wind.

With this image in mind, let's look at the last year (April 2018 to April 2019) from the angle of the *winds of change, constants, and challenges*.

CHANGE

Most people are somewhat resistant to change. Recently, I heard our director of member care, Neil Gilliland, ask a congregation, "*How many of you don't like change?*" A few brave souls raised their hands. Neil then asked, "*So you'd have been okay traveling here today either walking or riding a horse?*"

As a Mission, we are in a perpetual state of change. Working with people from many cultures, languages, economies, etc., we must adjust to those environments without compromising biblical principles.

We resist the temptation to change just to change. We are careful to not be blown about by missiological winds of change. We desire to make necessary adjustments in programs, ministry, policy, and strategy if a compelling reason to do so exists.

Personnel Shifts. In all organizations, personnel come and go. It is never pleasant when high-quality staff conclude it is time for them to move on.

Lázaro and Ariadna Riesgo felt God leading them to a pastoral ministry and tendered their resignation. We sincerely appreciate the integrity and joy with which Lázaro and Ari served at IM. They are greatly missed around the office; but we know their lives shine brightly wherever they serve.

I am greatly saddened by the retirement of **Cyndi Ludeman**. Those of you who visited our office or called in know first-hand about the excellence with which she carried out her ministry in the office. She and her husband Rich moved to North Carolina to be close to their grandchildren.

Jen Thomsen, formerly the assistant to the director of mobilization, has taken the seat vacated by Cyndi. **Leslie Nichols** was hired to take Jen's position. Both have adjusted quickly to their new positions and passed through the learning curve with no major hiccups.

We regretfully received the resignation of **Sam McVay**, IM's director of mobilization. Sam led many teams for The Hanna Project and oversaw our other short-term teams. We pray for him as he seeks the next step in God's plan for his life.

We have hired a new director of mobilization, but due to the timing of this report we are not able to announce his name. This person is fully qualified with many years of pastoral experience and a good number of THP trips to several countries. You will get to meet him at our booth.

Passing of Mission Family. Life and ministry march on. Missionaries come and go. They live, they serve, and they enter eternity. This year we experienced the loss of several former colleagues. Each one knew what it meant to live a life of obedience, integrity, and sacrifice. They served faithfully and now enjoy their eternal rewards. Surely, this includes many they led to the Lord during their time on and off the field. Some of our IM family experienced the loss of immediate family members as well. Those who went to be with the Father are:

- **Sarah Mayhew**, former missionary to Côte d'Ivoire, joined her Heavenly Father on May 23, 2018.
- **Paul Robinson**, former missionary to Uruguay, passed on August 19, 2018.
- **Charlie Hingst**, retiree who volunteered at IM for over 25 years, went to be with the Lord on September 11, 2018.
- **Jean Deeds**, former missionary to Brazil, made her final journey on September 12, 2018.
- CFO Rob Conley's father **Mendon Conley** entered Heaven on February 22, 2019.
- **Bessie Richards**, former missionary to Côte d'Ivoire, passed into eternity on March 4, 2019.
- Former missionary to Côte d'Ivoire Sharon Filkins Grocock's father, **Donald Dake**, joined Heaven's chorus on April 26, 2019.

CONSTANTS

A sailing ship has the smoothest sailing under the tranquility of constant wind. This is also true of an organization.

At IM, several foundational elements provide the constant winds which provide a degree of peace and stability in our sometimes chaotic and ever-changing world.

The aspects we consider essential to our stability are:

Office Ethos. I could easily go down the list of the home team (office staff) and share many examples of Christ-like qualities, positive actions, high-level performance standards, servant attitudes, and much more for each and every staff member. We have an excellent home team and I am privileged by God to work with them. It is always good to hear a staff member say "*I love coming to work here.*" IM is a great place to work and I sincerely give God the glory for bringing together such a great team.

Missionaries on Task. We don't have to expend energy motivating our IM missionaries. Weekly reports from around the globe reveal a field staff on task. Some have faced significant challenges, spiritually and physically, but have stayed on target. You can be assured your missionaries know why they are where they are. That keeps them focused and moving forward.

Financial Integrity. We are blessed with a competent, committed, and extremely professional financial department. We know our financial records are done with care and can be checked and audited without fear. Our financial audit was good and for this, we continue to praise Him.

Pursuit of Excellence. We can hire people to do "jobs," but God leads people to do "ministry." Those committed to obedience to God will also be committed to the pursuit of excellence. I have the confidence, based on knowledge, observation, and experience that every member of our staff—home and field—feel compelled to not just do their job well, but to do it with excellence. When a task is assigned, I don't sit around and worry if it will be done well or not.

We fully comprehend we are to work as unto the Lord and bring glory to His name in all we do. That sets the tone for us to serve our Free Will Baptist denomination in a manner that safeguards the integrity of the church, Christianity, and FWB.

Care for Stakeholders. Approximately 275,000 Free Will Baptists live in North America. You are part of that group. We refer to you as our stakeholders. Stakeholders can either keep you in business or put you out of business. Since we believe you want to see the whole world come to know Christ, as we do, this puts us on the same track.

We find great joy in knowing many of you care deeply about missions and demonstrate this through your faithful prayers, giving, and participation in mission trips to our fields. Our missionaries count on you to stand by them at every level.

We know it is impossible to speak individually to every one of you or get to know you personally. Yet, we sincerely care about you as a stakeholder. We are ready and willing to reach out and help you in any way possible. Call us any time you have a question about missions, activities on our fields, needs around the world, or where you might serve with IM. We never want you to feel or say, "*IM doesn't care about me.*"

It is our prayer you will continue to be engaged in what God is accomplishing through FWB around the world.

E-TEAM and Other Short-term Teams. It is extremely dangerous for a mission organization to become so focused on what is happening and how they are functioning they refuse to explore new horizons.

At IM, we avoid this danger by keeping a fresh flow of new eyes and hearts to help us see new horizons and hearts being called to new places. Our E-TEAM ministry is a primary means by which we introduce young people to the people and places God may use them.

The Hanna Project teams constantly engage new people in amazing opportunities to minister to people's needs and "plow the ground" for new seeds of the gospel to be sown in difficult places.

We seek to cultivate a love for lost souls, an unwavering commitment to obeying God's will, and a challenge to find the role God has for them in fulfilling the Great Commission within short-term team participants. We cannot emphasize enough the importance of our short-term teams to our long-term existence.

CHALLENGES

Every field, role, ministry, job, etc. faces challenges with work, people, finances, administration, and more. Missions is certainly no exception to this rule of life.

A few of the front-row challenges we face are:

- Funding the general fund
- Developing international teams
- Engaging the next generation in the Great Commission
- Dealing with accounts consistently in the red, even after a deficit is erased at year-end

We must face the “winds of challenge” with tenacity and determination, staying on course “to labor with the Body of Christ to fulfill the Great Commission.”

CONCLUSION

As we sail into the coming year, let’s determine to allow God’s winds of change, constants, and challenges to guide us in all we do. Let’s do the one thing we all, ultimately, are called to do: bring honor and glory to His name.



Clint Morgan
General Director, IM

FINANCIAL SUMMARIES

Each gift to IM makes it possible for God to move in the hearts and lives of people. God uses our collective gifts to introduce people to the name of Jesus who have never heard it, to place His Word into hands that have never held it, and to bring men and women into fellowship with believers. He takes our small gifts and multiplies them...turning them into places to hold youth camps, Vacation Bible Schools, weekly English and Bible lessons, and more locations designed to share the gospel with boys and girls. **Your gifts matter.**

Consistent, monthly giving remains the best way to support those who evangelize, disciple new believers, plant churches, and train leaders and pastors overseas. **Thank you** to all who demonstrate their obedience to "go" to the ends of the earth through consistent contributions!

2018 Total Unaudited Income: \$7,124,145.93

In 2018, **94 churches gave \$10,000 or more to send the gospel around the world.** That is seven more than last year! We are thankful for every congregation who gives consistently.

Name	City and State	2018 Donations
Unity FWB Church	Greenville, NC	\$174,559.76
Donelson FWB Church	Nashville, TN	\$114,258.72
Horse Branch FWB Church	Turbeville, SC	\$81,453.89
New Hope FWB Church	Joelton, TN	\$68,082.59
Good Springs FWB Church	Pleasant View, TN	\$66,546.00
Bethel FWB Church	Kinston, NC	\$66,141.00
Lebanon FWB Church	Effingham, SC	\$49,467.85
First FWB Church	Albany, GA	\$44,871.94
Cavanaugh FWB Church	Fort Smith, AR	\$43,028.63
Westside FWB Church	Johnsonville, SC	\$42,644.36
Grace FWB Church	Lake City, SC	\$37,751.68
Macedonia FWB Church	Purdy, MO	\$37,600.00
Bethel FWB Church	Chapmansboro, TN	\$37,211.68
Cofer's Chapel FWB Church	Nashville, TN	\$36,864.03
Bethany FWB Church	Broken Arrow, OK	\$34,939.00
First FWB Church	Washington, NC	\$34,053.27
Zephyr Hills FWB Church	Asheville, NC	\$32,533.00
Fellowship FWB Church	Bryan, TX	\$31,611.73
Central Oaks Community Church	Royal Oak, MI	\$29,936.82
Connect Church	Russellville, AR	\$28,505.60
Cross Timbers FWB Church	Nashville, TN	\$26,489.97
Blue Point FWB Church	Cisne, IL	\$26,280.34
Ina FWB Church	Ina, IL	\$25,097.00
Cramerton FWB Church	Cramerton, NC	\$24,025.00
First FWB Church	Gastonia, NC	\$23,128.87
Ebenezer FWB Church	Glennville, GA	\$22,318.15

Union Grove FWB Church	Atkins, AR	\$21,680.04
New Hope FWB	Wayne City, IL	\$20,712.02
Mt. Zion FWB Church	Pell City, AL	\$20,317.59
First FWB Church	Seffner, FL	\$19,852.48
Phillips Chapel FWB Church	Springdale, AR	\$19,704.62
Calvary Fellowship FWB Church	Fenton, MO	\$19,238.90
Peace FWB Church	Wilson, NC	\$18,500.20
First FWB Church	Mountain Grove, MO	\$18,481.80
Kirby FWB Church	Flat Rock, MI	\$18,434.00
Canaan FWB Church	Creston, OH	\$17,593.37
Garner FWB Church	Garner, NC	\$17,503.00
Faith FWB Church	Lubbock, TX	\$17,274.60
Bellview FWB Church	Colquitt, GA	\$16,831.18
Temple FWB Church	Darlington, SC	\$16,477.81
Bethany FWB Church	Timmonsville, SC	\$16,460.00
First FWB Church	Bristol, VA	\$16,317.00
Sutton FWB Church	Pocahontas, AR	\$16,312.42
Grace For The World Ministries	Dickson, TN	\$16,300.00
Indian Creek Assn of FWB	Carl Junction, MO	\$16,269.65
First FWB Church	Pocahontas, AR	\$16,189.74
Bethlehem FWB Church	Ashland City, TN	\$15,893.00
Tippett's Chapel FWB Church	Clayton, NC	\$15,848.49
Winfield First FWB Church	Winfield, AL	\$15,828.89
Philadelphia FWB Church	Folkston, GA	\$15,751.45
Collinsville FWB Church	Collinsville, OK	\$15,589.89
Valley View FWB Church	Loudon, TN	\$15,273.00
Black River FWB Church	Andrews, SC	\$15,105.84
Oak Grove FWB Church	Greeneville, TN	\$14,884.74
Liberty FWB Church	Lawley, AL	\$14,500.29
North Warren FWB Church	Warren, MI	\$14,338.80
Red Bay FWB Church	Red Bay, AL	\$14,195.20
Fellowship FWB Church	Kingsport, TN	\$14,100.00
Parkers Chapel FWB Church	Greenville, NC	\$14,047.05
New Life Fellowship FWB Church	Statesboro, GA	\$13,922.09
Calvary Fwb Church	Glendale Springs, NC	\$13,834.38
Piney Grove FWB Church	Guin, AL	\$13,803.07
Sherwood Forest FWB Church	New Bern, NC	\$13,625.51
First FWB Church	Sulligent, AL	\$13,499.83
First FWB Church	O Fallon, MO	\$13,480.21
Harrison FWB Church	Minford, OH	\$13,435.39
First FWB Church	Darlington, SC	\$13,287.00
Porter FWB Church	Wheelersburg, OH	\$13,246.18
Peace FWB Church	Florence, SC	\$13,243.00
Eagle Heights FWB Church	Sugar Land, TX	\$13,236.00
Hilltop FWB Church	Fuquay Varina, NC	\$13,100.00
Gospel Light FWB Church	Bonne Terre, MO	\$12,973.38

Fayette First FWB Church	Fayette, AL	\$12,655.30
Central FWB Church	Grandview, MO	\$12,595.21
Cross Keys Free Will Fellowship	New Oxford, PA	\$12,538.00
Canyon Country FWB Church	Canyon, TX	\$12,475.90
Smithville FWB Church	Smithville, TN	\$12,316.00
Verdella FWB Church	Liberal, MO	\$12,289.34
Sherwood Forest FWB Church	El Sobrante, CA	\$12,196.81
First FWB Church	Owensboro, KY	\$11,666.34
Colquitt FWB Church	Colquitt, GA	\$11,655.43
Temple FWB Church	Winterville, NC	\$11,557.75
Freeman Chapel FWB Church	Stewartsville, MO	\$11,249.00
Trinity FWB Church	Ypsilanti, MI	\$11,230.44
Mullins-Marion FWB Church	Mullins, SC	\$11,099.00
Unity FWB Church	Johnsonville, SC	\$11,000.00
Sand Hill FWB Church	Coward, SC	\$10,925.30
Macedonia FWB Church	Millport, AL	\$10,875.93
Thomaston Community Church	Thomaston, TX	\$10,763.00
Fairview FWB Church	Spartanburg, SC	\$10,742.50
Harmony FWB Church	Ada, OK	\$10,689.72
Mineral Springs FWB Church	Muldrow, OK	\$10,689.10
Locust Grove FWB Church	Locust Grove, OK	\$10,043.33
First FWB Church	Poteau, OK	\$10,000.00

In 2018, we recorded \$600,780.40 in donations to the World Missions Offering (WMO). Twenty-four churches, each giving \$5,000 or more, donated \$291,264.72.

Name	City and State	2018 WMO
Unity FWB Church	Greenville, NC	\$47,441.50
Cavanaugh FWB Church	Fort Smith, AR	\$35,104.82
Bethel FWB Church	Kinston, NC	\$31,000.00
Zephyr Hills FWB Church	Asheville, NC	\$19,200.00
Calvary FWB Church	Glendale Springs, NC	\$12,738.00
First FWB Church	Pocahontas, AR	\$12,426.49
Sutton FWB Church	Pocahontas, AR	\$12,000.00
Macedonia FWB Church	Purdy, MO	\$10,000.00
Ebenezer FWB Church	Glennville, GA	\$10,000.00
Bethany FWB Church	Broken Arrow, OK	\$10,000.00
Sulphur FWB Church	Sulphur, OK	\$8,501.43
First FWB Church	Poteau, OK	\$8,500.00
Ina FWB Church	Ina, IL	\$8,000.00
Peace FWB Church	Florence, SC	\$7,012.00
First FWB Church	Albany, GA	\$6,784.44
Harrison FWB Church	Minford, OH	\$6,565.39

New Hope FWB Church	Joelton, TN	\$6,340.88
Oak Grove FWB Church	Greeneville, TN	\$6,208.76
First FWB Church	Dickson, TN	\$5,953.35
First FWB Church	Walnut Ridge, AR	\$5,863.85
Calvary Fellowship FWB Church	Fenton, MO	\$5,681.00
Trinity FWB Church	La Grange, NC	\$5,546.00
Sherwood Forest FWB Church	El Sobrante, CA	\$5,396.81
South Grand River Assn	Locust Grove, OK	\$5,000.00

BOARD MEETING SUMMARY

The Board of IM, Inc. met three times and held two e-votes from May 1, 2018 to April 30, 2019. Board members for the period included: Dr. Jeff Manning (NC, chairman), Jeff Nichols (TN, vice-chairman), Mark Price (OH, secretary), Dr. Jan Banks (TX), Danny Gasperson (NC), Will Harmon (AR), Nelson Henderson (AR, replaced in July), Dr. Cameron Lane (AR), Rodney Yerby (AL), and Robert Posner (TX).

Board actions throughout the year included:

- Accepting the resignation of Lázaro and Ariadna Riesgo.
- Adopting a \$7.5 million framework budget for 2020.
- Reinstating Debbie Griffin as a career missionary to Japan.
- Appointing Keren Delgado as a two-year intern to Bulgaria.
- Appointing Jacob as a two-year intern with The Hanna Project in southern France.
- Reinstating Casey Jones as a career missionary seconded to America Dream Center.
- Appointing Rachel Burns as a professional servant/educator seconded to Resourcing Christian Education (RCE) at Dakar Academy in Senegal.
- Transitioning Matt and Courtney Lindsey to professional servant/educators seconded to RCE in Japan.
- Appointing Brandon Driscoll as a two-year intern to Bulgaria.
- Appointing Debbie Trifonova as a two-year intern to Bulgaria.
- Interviewing Jonathan and Michelle Chereau who plan to serve the St. Sébastien congregation in France.

IM, Inc.

2020 Operational Budget Summary

Category	2018 Approved Budget	2018 Actuals	2019 Approved Budget	2020 Proposed Budget
Field Ministries & Projects	\$ 1,120,000.00	\$ 1,216,497.12	\$ 1,152,000.00	\$ 1,200,000.00
Missionary Compensation & Benefits	\$ 3,500,000.00	\$ 2,929,568.70	\$ 3,600,000.00	\$ 3,750,000.00
Missionary Travel/Transportation	\$ 980,000.00	\$ 896,132.88	\$ 1,008,000.00	\$ 1,050,000.00
Mobilization & Development	\$ 420,000.00	\$ 656,847.34	\$ 432,000.00	\$ 450,000.00
Administration	\$ 980,000.00	\$ 781,646.41	\$ 1,008,000.00	\$ 1,050,000.00
Grand Totals	\$ 7,000,000.00	\$ 6,480,692.45	\$ 7,200,000.00	\$ 7,500,000.00

Data not include Non-Governmental Organizations Powers, Wm. L. or other "Ministries" budgets submitted by the Board of IM, Inc.

2020 Operational Budget Representative Breakout

Functional Description	2020 Amt	Functional Description	2020 Amt
Salary - Field	\$ 1,306,958.03	Newsletters - Field	\$ 24,054.25
Office Salary	\$ 604,706.71	Stateside - Promotional/Misc	\$ 21,660.50
Medical Insurance - Field	\$ 573,674.04	Stateside - Cell Phone	\$ 20,197.78
Housing & Utilities - Field	\$ 461,379.54	Office/Computer Equipment	\$ 20,087.61
Travel O/seas - Field	\$ 355,720.48	Vehicle Insurance	\$ 18,856.57
Social Security Taxes - Field	\$ 341,178.48	Other Insurance - Field	\$ 18,056.34
Housing & Utilities - States	\$ 312,464.99	Cell Phone Usage	\$ 17,515.10
Other Supporting Efforts - Field	\$ 242,554.25	Board Members	\$ 16,121.95
Depreciation Expense	\$ 205,644.85	Vehicle Maintenance	\$ 14,789.98
Special Projects - Field	\$ 189,596.78	Christmas Bonus	\$ 14,460.41
Transportation - Field	\$ 179,532.10	Website	\$ 14,410.62
Office Insurance	\$ 175,632.63	Auditing Expenses	\$ 13,530.14
COLA - Field	\$ 165,630.32	College MK Allowance - Field	\$ 12,853.63
National Workers - Field	\$ 144,181.80	Stateside - Airfare	\$ 12,775.65
Employer Social Security	\$ 133,085.13	Vehicle Fuel	\$ 12,616.31
Office Travel Int'l	\$ 124,120.92	Mission Community Dev	\$ 12,473.71
Project Disbursements	\$ 115,024.62	Copier Expense	\$ 11,803.84
Rent - 5233 Mt View Rd	\$ 112,590.80	Exchange Rate Variance - Field	\$ 11,408.90
Office Housing	\$ 110,701.14	Regular Postage	\$ 11,127.27
Software Expense	\$ 84,063.73	Office Supplies	\$ 10,886.33
Meeting Places - Field	\$ 78,989.95	Vehicle Repairs	\$ 10,628.40
Retirement - Field	\$ 62,820.83	Bank Service Charges	\$ 8,797.38
FWB Joint Publication	\$ 62,655.37	Info Services Materials	\$ 8,050.56
Dental & Optical - Field	\$ 59,396.88	COLA Indexes	\$ 7,988.93
MK School Expense - Field	\$ 58,355.98	Other	\$ 7,500.85
Seminar/Training Expense	\$ 56,958.63	Professional Services	\$ 7,326.16
Community Development - Field	\$ 56,556.65	WMO Campaign Expenses	\$ 7,256.15
Stateside - Travel (Fuel,Parking,Tolls,etc)	\$ 54,189.51	Meals/Enter/Lodge Others	\$ 6,637.68
Equipment - Field	\$ 53,616.89	Promotional Materials	\$ 6,438.22
Stateside - Vehicle Monthly Usage Fee	\$ 43,050.44	Benevolence	\$ 5,410.28
Miscellaneous - Field	\$ 42,128.03	Donor Development	\$ 5,268.21
Overseas Shipping - Field	\$ 41,389.59	Intl Missions Retreat	\$ 4,885.72
Maintenance on Property - Field	\$ 41,301.23	Film and Art	\$ 4,225.29
Cell Phone - Field	\$ 39,155.25	WMO Ambassador Travel	\$ 3,987.64
Irs Non-Med	\$ 38,940.68	Leadership Team Retreat	\$ 3,850.16
Office Travel Domestic	\$ 38,062.23	Telephone	\$ 3,823.27
National Convention	\$ 35,037.39	Heartbeat	\$ 3,790.41
Stateside - Lodging	\$ 33,945.99	Department Insurance	\$ 3,203.91
Office Retirement	\$ 33,637.86	Employee Recognition	\$ 2,657.54
Language/Cont Ed - Field	\$ 31,427.16	Books and Subscriptions	\$ 2,656.53
Credit Card Process Fees	\$ 29,294.92	Video	\$ 2,319.36
Stateside - Meals	\$ 29,171.58	Internet Service Provider	\$ 2,305.98
COLA Equalization - Field	\$ 28,185.74	Together Way Campaign	\$ 1,993.11
Christmas Bonus - Field	\$ 27,220.34	Vehicle Registration	\$ 1,857.91
Taxes (Non-US) - Field	\$ 26,181.35	Candidate Expenses	\$ 1,727.47
Furniture/Appliances - Field	\$ 24,219.71	Field Supporting Ministries	\$ 1,334.42
Totals		\$ 7,500,000.00	

	2018 Adj Factor	2019 Adj Factor	2020 Adj Factor
	1.030	1.030	1.040
Compensation Detail - IM, Inc. Directors			

	2018 Actual	2019 Actual	2020 Proposed
General Director - Clint Morgan			
Salary	52,727.52	55,029.35	58,190.52
Housing and Utilities	24,000.00	24,000.00	24,000.00
Social Security	12,867.92	13,253.96	13,784.11
Retirement	3,836.38	3,951.47	4,109.53
Insurance	19,490.04	19,490.04	19,490.04
Christmas Bonus	1,475.53	1,519.80	1,580.59
Total Cost of Employment	114,397.39	117,244.61	121,154.79
Director of Financial Operations - Robert Conley			
Salary	64,412.09	69,661.68	72,448.15
Social Security	10,876.63	11,763.08	12,233.60
Retirement	3,220.60	3,483.08	3,622.41
Insurance	25,626.24	25,626.24	25,626.24
Christmas Bonus	1,238.69	1,339.65	1,393.23
Total Cost of Employment	105,374.26	111,873.73	115,323.63
Director of Mobilization/THP			
Salary	34,412.09	34,184.45	36,751.83
Housing and Utilities	30,000.00	30,000.00	30,000.00
Social Security	10,802.51	10,764.33	11,194.90
Retirement	3,220.60	3,209.22	3,337.59
Insurance	9,856.32	9,856.32	9,856.32
Christmas Bonus	1,238.69	1,234.32	1,283.69
Total Cost of Employment	89,530.21	89,248.64	92,424.33
Director of Field Ministry Personnel - Curt Holland			
Salary	34,412.09	37,544.46	40,246.23
Housing and Utilities	30,000.00	30,000.00	30,000.00
Social Security	10,802.51	11,327.83	11,780.95
Retirement	3,220.60	3,377.22	3,512.31
Insurance	25,286.04	25,286.04	25,286.04
Christmas Bonus	1,238.69	1,298.93	1,350.89
Total Cost of Employment	104,959.94	108,834.48	112,176.42
Director of Member Care - Neil Gilliland			
Salary	64,412.09	66,344.45	68,998.23
Social Security	10,876.63	11,202.93	11,651.05
Retirement	3,220.60	3,317.22	3,449.91
Insurance	19,490.04	19,490.04	19,490.04
Christmas Bonus	1,238.69	1,275.85	1,326.89
Total Cost of Employment	99,238.06	101,630.50	104,916.12
Director of Church Relations - Don Matchett			
Salary	38,315.00	34,184.45	36,751.83
Housing and Utilities	24,000.00	30,000.00	30,000.00
Social Security	10,450.80	10,764.33	11,194.90
Retirement	3,115.75	3,209.22	3,337.59
Insurance	25,626.24	25,626.24	25,626.24
Christmas Bonus	1,198.37	1,234.32	1,283.69
Total Cost of Employment	102,706.16	105,018.56	108,194.25

**IM, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2018**

**IM, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2018**

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BLANKENSHIP

Independent Auditors' Report

To the Board of Directors
IM, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of IM, Inc. and its Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 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, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IM, Inc. and its Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the entity adopted the provisions of Financial Accounting Standards Board ASU 2016-14 Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC

Brentwood, Tennessee

April 14, 2019

IM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash	\$ 1,066,847
Investments in trusts	1,136,673
Investments	6,969
Prepaid expenses	54,273
Advances and receivables	365,694
Property and equipment, net	<u>945,507</u>
 Total assets	 <u>\$ 3,575,963</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 176,537
Accrued employee benefits	80,324
Notes payable	<u>75,792</u>
 Total liabilities	 <u>332,653</u>
 Net assets:	
Without donor restrictions	1,044,317
With donor restrictions	<u>2,198,993</u>
 Total net assets	 <u>3,243,310</u>
 Total liabilities and net assets	 <u>\$ 3,575,963</u>

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

IM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Changes in Net Assets Without Donor Restrictions

Revenue, gains and other support:	
Contributions	\$ 1,302,654
Investment income	23,725
Other income	451
Gain on disposal of property and equipment	1,400
Net assets released from restrictions	<u>5,767,211</u>
 Total revenue, gains and other support	 <u>7,095,441</u>
Expenses:	
Program services	5,447,536
Management and general	1,020,109
Fundraising	<u>315,344</u>
 Total expenses	 <u>6,782,989</u>
Increase in net assets without donor restrictions	<u>312,452</u>

Changes in Net Assets With Donor Restrictions

Revenue:	
Contributions	5,805,568
Net assets released from restrictions	<u>(5,767,211)</u>
 Increase in net assets with donor restrictions	 <u>38,357</u>
Total increase in net assets	<u>350,809</u>
Net assets, beginning of year	<u>2,892,501</u>
Net assets, end of year	<u>\$ 3,243,310</u>

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

IM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Supporting Services			
	Management	and General	Fund- raising	Total
Compensation and benefits	\$ 2,458,091	\$ 655,331	\$ 231,831	\$ 3,345,253
Travel	805,806	96,246	25,909	927,961
Field housing and education	797,127	-	-	797,127
Field projects	756,532	-	-	756,532
Facilities and utilities	177,538	102,842	3,488	283,868
Depreciation	130,884	58,493	5,546	194,923
Equipment and supplies	36,369	105,739	2,033	144,141
Marketing and development	62,111	53,880	22,311	138,302
Training	48,773	9,715	2,204	60,692
National convention	4,723	24,456	9,473	38,652
Bank and credit card charges	4,760	30,682	-	35,442
Miscellaneous	18,223	8,641	600	27,464
Professional services	2,240	15,844	180	18,264
WMO campaign	2,500	99	11,769	14,368
 Total expenses before allocation	 5,305,677	 1,161,968	 315,344	 6,782,989
Indirect missionary expense allocation	141,859	(141,859)	-	-
 Total expenses	 <u>\$ 5,447,536</u>	 <u>\$ 1,020,109</u>	 <u>\$ 315,344</u>	 <u>\$ 6,782,989</u>

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

IM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Increase in net assets	\$ 350,809
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	194,923
Unrealized gain on investments	(163)
Gain on disposal of property and equipment	(1,400)
Increase in	
Prepaid expenses	(26,086)
Advances and receivables	(38,408)
Accounts payable and accrued expenses	5,382
Accrued employee benefits	<u>7,827</u>
Net cash provided by operating activites	<u>492,884</u>
Cash flows from investing activities:	
Purchases of investments	(523,432)
Purchases of property and equipment	(221,739)
Proceeds from sale of property and equipment	<u>74,113</u>
Net cash used in investing activities	<u>(671,058)</u>
Cash flows from financing activities:	
Payments on notes payable	<u>(28,461)</u>
Net cash used in financing activities	<u>(28,461)</u>
Decrease in cash	(206,635)
Cash, beginning of year	<u>1,273,482</u>
Cash, end of year	<u>\$ 1,066,847</u>
Supplemental disclosure of cash flow information	
Cash payments for interest	<u>\$ 5,943</u>

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

**IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

IM, Inc. 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.

During 2018, the Organization formally changed its name from the Board of International Missions of the National Association of Free Will Baptists, Inc. to IM, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying financial statements include the accounts of IM, Inc. and The Hanna Project. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash

Cash includes checking deposits and cash on hand both in the United States and 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"). 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.

IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Property and Equipment

It is the Organization's policy to capitalize all property and equipment over \$4,000. Property and equipment acquisitions are recorded at cost. Donations of equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statement of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of three to 39 years and is computed on a straight-line method.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation and benefits	Time and effort
Facilities and utilities	Time and effort
Depreciation	Time and effort
Equipment and supplies	Time and effort

IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14 Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:	
Cash	\$ 1,066,847
Investments in trust	1,136,673
Investments	6,969
Advances and receivables	<u>365,694</u>
Total financial assets	<u>2,576,183</u>
Less amounts not available to be used within one year:	
Advances for long term use	98,519
Permanently restricted portion of investments	<u>26,241</u>
	<u>124,760</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,451,423</u>

The Organization is working towards a goal to maintain financial assets to meet six months of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 - INVESTMENTS IN TRUSTS

Investments in trusts are carried at quoted fair market values or cost. The Organization's trusts at December 31, 2018 consisted of the following:

General Reserves Trust	\$ 1,100,846
Support Services Endowment	28,620
St. Sebastian Trust	4,576
MK Scholarship Endowment	<u>2,631</u>
	<u>\$ 1,136,673</u>

The total investment income was \$23,562 for 2018.

IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 4 - INVESTMENTS IN TRUSTS (CONTINUED)

US GAAP requires 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, 2018, all of the Organization's investments are valued using Level 1 measurements.

NOTE 5 - INVESTMENTS

Investments are carried at quoted fair market values. The Organization's investments at December 31, 2018 consisted of equity securities. Unrealized gains were \$163. There were no realized gains or losses. The equity securities are valued with Level 1 inputs as more fully described in Note 4.

NOTE 6 - ADVANCES AND RECEIVABLES

Included in advances and receivables is \$356,272 at December 31, 2018 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.

NOTE 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 is as follows:

Land	\$ 187,213
Buildings	561,638
Office furniture and equipment	32,273
Cameras and projectors	73,700
Automobiles	1,043,413
Computer equipment and software	<u>61,544</u>
	<u>1,959,781</u>
Less accumulated depreciation	(1,014,274)
Total	<u>\$ 945,507</u>

Depreciation expense amounted to \$194,923 for 2018.

**IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

NOTE 8 - ACCRUED EMPLOYEE BENEFITS

The Organization has had several programs that provide payments to missionaries at the time of separation to assist with their transition back to the United States. Generally, these amounts are based on the number of years of the employees' service. The most significant program was discontinued on December 31, 2009 and, when cash flow allows, the Organization will begin pay-out of these funds to all the missionaries. The remaining program provides cash payout upon separation based on reaching 25 years of service. Subsequent to year end, the Organization adopted an additional policy to provide lump sum payments to non-missionary employee based on the number of years of service.

NOTE 9 - LINE OF CREDIT

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, 2018. The arrangement expires March 12, 2019.

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following as of December 31, 2018:

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. The note is secured by the property financed.	\$ 3,721
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. The note is secured by the property financed.	<u>72,071</u>
	<u>\$ 75,792</u>

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

Year ending December 31,

2019	\$ 17,495
2020	14,624
2021	15,526
2022	16,484
2023	<u>11,663</u>
	<u>\$ 75,792</u>

IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for mission personnel and projects	\$ 2,172,752
Investment in perpetuity, the income which is expendable	<u>26,241</u>
	<u><u>\$ 2,198,993</u></u>

The Organization has a policy of allocating certain indirect missionary costs to missionary/field net assets. The administrative allocation totaled \$348,807 for 2018 and is recorded as a direct transfer from net assets with donor restrictions to net assets without donor restrictions. The support allocation totaled \$141,859 and is recorded as an increase in program services and a reduction of management and general expenses on the statement of functional expenses.

NOTE 12 - DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions is \$474,337 of net assets designated by the board of directors to fund missionary accounts with deficit balances and to fund specific mission projects.

NOTE 13 - 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 \$105,870 for 2018. 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 14 - LEASE

The Organization leases office space from the National Association of Free Will Baptists on a year-to-year basis. The rent expense amounted to \$92,294 for 2018.

NOTE 15 - CONCENTRATIONS

The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$479,000 at December 31, 2018. The Organization maintains its cash with a high quality financial institution which the Organization believes limits this risk.

The Organization's operations occur substantially in countries outside of the United States. As of the December 31, 2018, the net book value of the Organization's cash and property and equipment residing outside of the United States totaled \$719,951.

**IM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

NOTE 16 - RELATED PARTIES

The Organization is affiliated with the National Association of Free Will Baptists. While the Organization is an independent entity, it shares the common goal with the associated churches and other denominational affiliates to labor with the Body of Christ to fulfill the Great Commission. Accordingly, the various Free Will Baptist churches and affiliates share resources and support. Substantially all of the Organization's revenue and support is provided by churches, individuals, and affiliates associated with the National Association of Free Will Baptists. Significant relationships and transactions with these related parties are noted in the consolidated financial statements and related notes by naming the specific entity.

NOTE 17 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The Organization's adoption of the new standard in 2019 will require quantitative and qualitative financial statement disclosures regarding the Organization's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the Organization's discounted future lease payments. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

NOTE 18 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 14, 2019 which is the date the financial statements were available to be issued.



FWB WOMEN'S MINISTRIES

As the women's ministry department of our denomination, we exist to help each woman fulfill her God-given roles in the Great Commission at home, in her church, community, and around the world. In June 1935, the women helped send Miss Laura Belle Barnard to India and have continued to carry the torch for missions and ministry causes. This year's total was almost \$450,000 indicating WNAC is a **thriving ministry**.

The **Steward Provision Closet** (\$33,000) met the specific needs of 230 missionary families, as well as providing gifts or funds for three international retreats (700+ ladies in Bulgaria, Uruguay, and Africa). In this small way we encourage our international sisters whose women's ministries look much like our own.

Treasure provides relevant, thought-provoking Bible studies which help equip women to grow and faithfully serve the Lord. For many years this has been a subscription-based resource. To better meet the needs of all Free Will Baptist women, **Treasure** will become a **free on-line resource** beginning with the winter issue (December 2019).

Our three scholarship programs met the needs of 15 students totaling \$8500 for the year.

Cleo Pursell Scholarship: Bible Institute students in Bouna, Côte d'Ivoire, West Africa

Dr. Mary Ruth Wisehart: Hannah Katherine Gorrell (Welch); Hanna Poole (Southeastern); and Autumn Vandivort (Randall).

Miley International Scholarship: Karen Delgado (Cuba/Panama/Bulgaria); Debora Trifonova and Yanna Awtrey (Bulgaria).

Our **Shine!** Conferences began in 2015. The goal of these conferences is to help our young women realize their identity is in Christ and in Him alone. Once they grasp this truth, they will be able to filter any cultural message through the lens of God's Word. Our adult attendees are given pertinent information to help their young women navigate the technologically saturated society in which we find ourselves. **665** girls, **257** adults, from **18** states and **106** churches have been reached through these seven conferences. To God be the glory!

Seeking to broaden our outreach and footprint in the denomination while building a **flourishing ministry**, we realize the need to minister to our women in regional events. Many will never be privileged to attend our national convention but they would be able to attend a Ladies' Day event in their area. Relevant topics will be addressed at each **Flourish** event as we seek to mentor, come alongside, and help FWB women live victoriously and serve faithfully. Fellowship and networking will be an important aspect of these events. The first regional event will be held March 28, 2020 at Central FWB Church in Huntington, West Virginia ministering to our women in the Kentucky, Ohio, and West Virginia area. Our goal is for these regional events to be within driving distance of all FWB women in the months ahead.

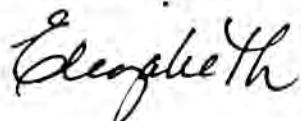
Connect with us on **social media** via Facebook and Twitter. Subscribe to our e-blast mailing list to get current information of various projects, happenings, and needs within our FWB women's ministries.

Department funding of these efforts will take many forms. The women have faithfully given gifts, offerings, and dues since 1935. Special offerings have been received for which we are thankful. Together Way funds received monthly are deeply appreciated. What a blessing to have churches place WNAC in their annual budgets. God will direct each local group to determine which method works best for them. We strive to be wise stewards of the funds entrusted to us because we believe where God leads He provides. That is where we rest as we move forward in faith.

It is the goal of WNAC's leadership to grow and change to meet the needs of all women for the generations who will take our places. We have not done things exactly as our predecessors...nor did they. Those who come behind us will not mirror us. Each local group will fashion their ministry to best meet the needs of the women within their church and community. We desire to leave a firm foundation upon which to build. May those who come behind us do extraordinary things for God that change the trajectory of their generations.

May we be faithful until such time as God completes His work with us. He will keep His promises to us as He has to those who have gone before us. "*Being confident of this very thing, that he which hath begun a good work in you will perform it until the day of Jesus Christ*" (*Philippians 1:6*).

To God be the glory, great things He is doing.



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

Synopsis of Board Minutes

The board met twice and convened six conference calls.

April 17: MSC to accept the budget as presented.

July 25: MSC to elect board officers: Diana Bryant, chairman; Amy Johnson, vice chairman; Janie Campbell, secretary.

October 4-6: A survey of all state officers culminated in inviting the top ten state leaders to join the board for its annual meeting. Strategic planning, women's ministry among Free Will Baptists, and vision casting for the future were discussed at length. The ministry of WNAC recognizes three major focuses: **Thrive** (1934-), **Shine** (2015-), and **Flourish** (2018-). A new logo and infographic highlighting these areas were created. An informational postcard was mailed to every FWB pastor. Creative ideas to broaden our footprint in the denomination were discussed.



Hill, Harper & Associates
A Professional Limited Liability Company
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. (hereafter WNAC) (a nonprofit organization) as of December 31, 2018, 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 WNAC as of December 31, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.

A Professional Limited Liability Company
Franklin, Tennessee
April 9, 2019

Terry A. Hill

615 417 - 7414

terryhill37027@comcast.net

P O Box 680788

Franklin, Tennessee 37068

Ernest R. Harper

615 417 - 6358

e.harper@comcast.net

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

Statements of Financial Position

December 31, 2018

With comparative figures for year ended December 31, 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Cash in bank	\$ 20,499	28,786
Funds held by Free Will Baptist Foundation (including \$108,372 in 2018 and \$110,126 in 2017 of funds with donor restrictions)	<u>128,744</u>	<u>125,876</u>
	<u>149,243</u>	<u>154,662</u>
Accounts receivable	122	60
Inventory and prepaid expenses	11,575	5,745
Depreciable assets:		
Vehicle	21,264	21,264
Office equipment and furniture	<u>26,384</u>	<u>24,422</u>
	<u>47,648</u>	<u>45,686</u>
Less accumulated depreciation	<u>33,200</u>	<u>28,022</u>
	<u>14,448</u>	<u>17,664</u>
Funds held by Free Will Baptist Foundation for endowments	<u>51,763</u>	<u>57,893</u>
	<u>\$ 227,151</u>	<u>236,024</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,691	8,173
Funds held for other organizations and agencies	885	2,606
Deferred revenues related to magazine subscriptions	<u>15,147</u>	<u>15,516</u>
	<u>18,723</u>	<u>26,295</u>
Net assets:		
Net assets without donor restrictions	9,298	9,408
Net assets with donor restrictions	<u>199,130</u>	<u>200,321</u>
	<u>208,428</u>	<u>209,729</u>
	<u>\$ 227,151</u>	<u>236,024</u>

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, 2018

With comparative totals for year ended December 31, 2017

	Funds Held for Others	Operations	Publications	Convention and Retreats	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2018		2017	
							Total	Total	Total	Total
Revenue and Support:										
Funds for other agencies and departments:							29,851	-	29,851	51,505
Amount received	\$ 29,851	-	-	-	(29,851)	-	(29,851)	(29,851)	(29,851)	(51,505)
Amount incurred	(29,851)	-	-	-	2,667	40,855	15,960	56,815	129,643	5,900
Gifts, grants and offerings	-	38,188	-	-	-	-	-	-	-	-
International projects	-	-	-	-	-	-	-	-	-	87,271
Together Way Plan distribution	-	105,384	-	-	-	105,384	-	105,384	22,021	20,986
Magazine subscriptions	-	-	22,021	-	-	22,021	-	-	-	-
Literature sales	-	63	-	-	-	63	-	-	63	810
Dues / delegate fees	-	46,512	-	-	-	46,512	-	46,512	42,521	49,313
Convention revenues	-	-	-	42,521	-	42,521	-	42,521	-	21,752
Interest income	-	1,319	-	-	-	1,319	-	1,319	3,876	3,149
Distributions - endowment income	-	2,847	-	-	-	2,847	(2,847)	-	-	-
Other revenue	-	1,283	-	-	-	1,283	-	1,283	-	1,615
Total revenue and support	-	195,596	22,021	45,188	262,805	15,670	278,475	320,439		
Cost of publications:										
Magazine printing	-	-	12,914	-	-	12,914	-	12,914	-	19,537
Editor / employee compensation	-	-	32,270	-	-	32,270	-	32,270	-	30,270
Postage and other	-	-	927	-	-	927	-	927	-	1,223
	-	-	46,111	-	-	46,111	-	46,111	-	51,030
Net revenue and support	-	195,596	(24,090)	45,188	216,694	15,670	232,364	269,409		
Net assets released from restrictions	-	13,578	-	-	13,578	(13,578)	-	-	-	-
	-	209,174	(24,090)	45,188	230,272	2,092	232,364	269,409		
Operating expenses:										
Program services	-	165,187	-	29,551	194,738	-	-	194,738	207,203	
Supporting service	-	35,644	-	-	35,644	-	-	35,644	28,230	
	-	200,831	-	29,551	230,382	-	-	230,382	235,433	
Net change from operating activities	-	8,343	(24,090)	15,637	(110)	2,092	1,982	33,976		
Non-operating activities:										
Gain (loss) from investment assets	-	-	-	-	-	-	(3,283)	(3,283)	6,549	
Net change from non-operating activities	-	8,343	(24,090)	15,637	(110)	9,408	(1,191)	(1,191)	40,525	
Change in net assets	\$	8,343							209,729	169,204
Net assets beginning of the year										
Net assets end of the year										

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, 2018
With comparative totals for year ended December 31, 2017**

		2018		2017	
		Program Services	Supporting Services	Totals	Totals
Expenses:					
Operations:					
Salaries	\$ 47,500	12,664		60,164	58,263
Employee benefits, payroll taxes, and health insurance	22,139	5,902		28,041	22,645
Rent	26,499	-		26,499	26,280
Travel	9,793	-		9,793	7,065
International projects	700	-		700	8,932
Cuba medical mission	1,855	-		1,855	7,395
Office expense and other	15,824	-		15,824	12,996
Vehicle expense	1,634	-		1,634	1,487
Interest	-	-		-	488
Legal and audit	-	5,000		5,000	5,095
Postage and shipping	2,646	-		2,646	2,523
WNAC Board of Trustees	-	7,630		7,630	7,095
Promotion	6,407	-		6,407	343
Dues, subscriptions and continuing education	-	4,448		4,448	1,685
Depreciation	7,877	-		7,877	3,832
Support for One Magazine	8,735	-		8,735	8,382
Restricted expenditures:					
C. Pursell Foreign Scholarship Fund	1,500	-		1,500	1,000
Mary Wisehart Student Scholarship Fund	7,000	-		7,000	6,000
Steward Provision Closet	5,078	-		5,078	13,433
Total expenses of operations	165,187	35,644		200,831	194,939
Convention:					
Annual convention	24,141	-		24,141	22,494
Retreat:					
Shine	5,410	-		5,410	18,000
Total expenses	\$ 194,738	35,644		230,382	235,433

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, 2018

With comparative figures for year ended December 31, 2017

	2018	2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,982	40,525
Adjustments to reconcile change in net assets to net operating activities:		
Depreciation	7,877	3,832
Loss (gain) on endowment funds held by Free Will Baptist Foundation	3,283	(6,549)
(A) Increase (decrease) in:		
Receivables	(62)	3,277
Inventory and prepaid expenses	(5,830)	397
Increase (decrease) in:		
Deferred revenues related to magazine subscriptions	(369)	645
Funds held for other denominational agencies and organizations	(1,721)	2,324
Accounts payable and accrued expenses	<u>(5,482)</u>	<u>(4,702)</u>
Net operating activities	<u>(322)</u>	<u>39,749</u>
Cash Flows from Investing Activities		
Purchase of computers / vehicle	(4,661)	(21,264)
Net change in endowment investments held by Free Will Baptist Foundation	<u>2,847</u>	<u>1,044</u>
Net investing activities	<u>(1,814)</u>	<u>(20,220)</u>
Increase (decrease) in cash and cash equivalents	(2,136)	19,529
Cash and cash equivalents:		
Beginning of year	<u>154,662</u>	<u>135,133</u>
End of year	<u>\$ 152,526</u>	<u>154,662</u>
Cash and cash equivalents consist of:		
Cash in bank	\$ 20,499	28,786
Funds held by Free Will Baptist Foundation	<u>128,744</u>	<u>125,876</u>
	<u>\$ 149,243</u>	<u>154,662</u>

See accompanying notes to financial statements.

OF THE NATIONAL ASSOCIATION OF FREE WILL BAPTISTS, INC.

Notes to Financial Statements

December 31, 2018

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

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 31, 2017, accordingly the effects of this pronouncement are included in these financial statement for December 31, 2018 and applied retrospectively for all periods presented.

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"

Temporarily restricted and permanently restricted net assets have been combined and renamed "net assets with donor restrictions"

Deficiencies in information about liquidity and availability of resources

This information is presented in the following Note 2.

Lack of consistency in the type of information provided about expenses and investment return

This information is presented in the statement of functional expenses and notes 3.

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 two classes of net assets, as applicable:

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations. These funds may be designated for specific purposes by action of the governing body. (See above - Unrestricted Net Assets previously)

Net assets with donor restrictions - Net assets whose use is subject to donor imposed stipulations and / or the passage of time. (See above - Temporarily Restricted and Permanently Restricted Net Assets previously)

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non-operating activities are limited to resources that generate return from investment, if any, and other activities of a more unusual or non recurring nature.

**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

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.

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 and has not experienced, nor does it anticipate, any losses with respect to such accounts.

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, 2018 and 2017, 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.

Contributions

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets of with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Contributions of assets are recorded at fair value at the date of the donation, depending upon whether or not the contribution is restricted by the donor.

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.

Deferred Revenues

Deferred revenues relate to magazine subscriptions billed in September for portions of the next year.

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

Notes to Financial Statements, continued

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.

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 2018 and 2017. 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 9, 2019, the date these financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following reflects WNAC's financial assets as of balance sheet dates, reduced by the amounts not available for general use because of donor-imposed restrictions within one year from the balance sheet date.

	2018	2017
Financial assets as of December 31,		
Cash and cash equivalents	\$ 149,243	154,662
Gift cards included in inventory and prepaid assets	10,075	4,245
Accounts receivable	122	60
	<hr/> 149,365	<hr/> 154,722
Donor restricted net assets included in financial assets above		
Mary Wisehart Student Scholarship Fund	90,112	93,797
C. Pursell Foreign Scholarship Fund	467	443
Steward Provision Closet (providing supplies and other benefit to missionaries)	56,788	48,188
	<hr/> 146,900	<hr/> 141,985
Financial assets available to meet general expenditures over the next twelve months	\$ 2,465	12,737

(3) Endowment Funds

Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested indefinitely, and the income earned be expended for the mission of WNAC. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

WNAC is subject to the State Prudent Management of Institutional Funds Act (SPMICA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the appropriated for expenditure. The Board of Trustees have interpreted SPMIFA as requiring maintenance of only the original gift amount contributed to the endowment fund. As a result of this interpretation, WNAC would consider the fund to be underwater if the fair value of the fund is less than the sum of the original value of the contribution and subsequent gifts donated to the fund. WNAC has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

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

Notes to Financial Statements, continued

(3) Endowment Funds, continued

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. All resulting net accumulated investments gains are maintained either as temporarily restricted net assets to fund appropriations which are calculated at approximately 5%. The balances relating to endowment funds are as follows:

	2018	2017
Amounts required to be invested in perpetuity:		
Balance at beginning of year	\$ 50,617	50,292
Donor gifts	- 325	325
	<u>\$ 50,617</u>	<u>50,617</u>
Funds accumulated for appropriations:		
Balance at beginning of year	\$ 7,276	2,096
Investment earnings (losses), including investment gains and losses	(3,283)	6,549
Distributions of earnings up to 5% of account balance	(2,847)	(1,369)
	<u>\$ 1,146</u>	<u>7,276</u>
Total invested funds with Free Will Baptist Foundation as endowment	\$ 51,763	57,893

(4) Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows as of December 31:

	2018	2017
Specific purposes:		
Mary Wisehart Student Scholarship Fund	\$ 90,112	93,797
C. Pursell Foreign Scholarship Fund	467	443
Steward Provision Closet	56,788	48,188
	<u>147,367</u>	<u>142,428</u>
Endowment fund components:		
Undesignated funds invested in perpetuity	50,617	50,617
Funds available for distributions	1,146	7,276
	<u>51,763</u>	<u>57,893</u>
Total net assets with donor restrictions	\$ 199,130	200,321

(5) Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions during the year ended December 31, 2018 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

Cleo Pursell Foreign Student Scholarship Fund	\$ 1,500
Mary Wisehart Student Scholarship Fund	7,000
Steward Provision Closet	5,078
	<u>13,578</u>
Net assets released	13,578
M. Workman Endowment funds distributed	2,847
	<u>2,847</u>
Net assets released after distributions	\$ 16,425

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

Notes to Financial Statements, continued

(6) 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 \$5,290 in 2018 and \$3,982 in 2017. 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.

(7) 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 \$26,499 in 2018 and \$26,280 in 2017.

(8) 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 \$8,735 in 2018 and \$8,382 in 2017.

(9) Related Party Transactions

WNAC received grants from Free Will Baptist Foundation for \$4,000 in 2018 and \$18,000 in 2017 to fund expenditures incurred for the Shine conference. These funds have been fully expended. Further, Free Will Baptist Foundation made an unrestricted gift in 2018 of \$6,000.

WOMEN NATIONALLY ACTIVE FOR CHRIST
2020 Proposed Budget

Projected Revenue	2018 Budget	2018 Actuals	2019 Budget	2020 Budget
Gifts, grant, and offerings	65,000.00	57,468.17	65,000.00	65,000.00
Together Way Funds	76,500.00	105,383.57	80,000.00	92,000.00
Dues	53,000.00	46,512.25	50,000.00	50,000.00
Magazine Subscriptions	30,000.00	22,020.85	20,000.00	-
Literature	1,000.00	63.30	1,000.00	500.00
Convention Revenues	26,000.00	27,188.38	24,000.00	25,000.00
Interest Income	500.00	1,318.53	500.00	1,000.00
Endowment Income	3,000.00	1,402.34	2,000.00	2,000.00
Total	255,000.00	261,357.39	242,500.00	235,500.00
Projected Operating Expenses				
Salaries and Wages	58,465.00	60,164.00	58,465.00	82,365.00
Payroll Taxes and Employee Benefits	22,750.00	25,236.63	24,250.00	32,625.00
Rent	27,000.00	26,499.00	27,000.00	27,000.00
Travel	15,000.00	9,792.58	8,000.00	9,000.00
International Retreat		2,555.00		-
Auto Expense	3,000.00	4,438.33	5,000.00	5,000.00
Promotion	3,000.00	6,406.78	1,000.00	3,000.00
Office Expense	16,000.00	16,633.90	14,500.00	14,500.00
Professional Service	5,200.00	5,300.00	5,200.00	5,500.00
Postage and shipping	4,000.00	2,645.80	3,000.00	3,000.00
WNAC Board	4,000.00	7,630.31	5,000.00	5,000.00
Dues, Subscriptions, Cont. Education	2,000.00	4,688.38	2,000.00	2,000.00
Depreciation		7,877.00		-
Conventions & Retreats	25,000.00	24,141.26	24,000.00	24,000.00
Contingency Fund	12,000.00		7,200.00	7,200.00
Support for One Magazine	10,000.00	8,734.56	9,000.00	9,000.00
Shine		4,300.07	3,000.00	3,000.00
Flourish				3,000.00
	207,415.00	217,043.60	196,615.00	235,190.00
Cost of Publications:				
Magazine Printing	10,325.00	12,913.90	10,325.00	-
Editor and Employee Compensation	23,900.00	23,901.03	23,900.00	-
Payroll Taxes and Employee Benefits	7,875.00	8,368.97	8,375.00	-
Postage	1,500.00	869.04	1,500.00	-
Accounts Payable		(182.43)		
	43,600.00	45,870.51	44,100.00	
Total	251,015.00	262,914.11	240,715.00	235,190.00
Income Surplus/(Deficit)	3,985.00	(1,556.72)		310.00
2017 WNAC SALARIES AND BENEFITS BREAKDOWN				
	2018	2019	2020	
Executive Director				
Salary	\$ 46,500.00	\$ 46,500.00	\$ 46,500.00	
Social Security/Medicare	\$ 3,560.00	\$ 3,560.00	\$ 3,560.00	
Retirement	\$ 2,325.00	\$ 2,325.00	\$ 2,325.00	
Insurance (Travel/Key Man, Health/Life, Dental)	\$ 9,500.00	\$ 10,500.00	\$ 10,500.00	
Christmas Bonus	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	
Total Salary and Benefits	\$ 62,885.00	\$ 63,885.00	\$ 63,885.00	
Administrative Assistant				
Salary	\$ 11,965.00	\$ 11,965.00	\$ 35,865.00	
Social Security/Medicare	\$ 915.00	\$ 915.00	\$ 2,745.00	
Retirement	\$ 600.00	\$ 600.00	\$ 1,795.00	
Insurance (Health/Life & Dental)	\$ 4,500.00	\$ 5,000.00	\$ 10,000.00	
Christmas Bonus	\$ 350.00	\$ 350.00	\$ 700.00	
Total Salary and Benefits	\$ 18,330.00	\$ 18,830.00	\$ 51,105.00	
Editor Salary				
Salary	\$ 23,900.00	\$ 23,900.00	\$ -	
Social Security/Medicare	\$ 1,830.00	\$ 1,830.00	\$ -	
Retirement	\$ 1,195.00	\$ 1,195.00	\$ -	
Insurance	\$ 4,500.00	\$ 5,000.00	\$ -	
Christmas Bonus	\$ 350.00	\$ 350.00	\$ -	
Total Salary and Benefits	\$ 31,775.00	\$ 32,275.00	\$ -	
Grand Total of Salaries and Benefits	\$ 112,990.00	\$ 114,990.00	\$ 114,990.00	

WNAC Receipts 2018

General Fund (Operating)					FWB Foundation Accts.										
State	Dues	Gen Fund	Emphasis	Rest of Family Portion	Together Way	Provision Closet Gift Cards	Workman Endowment	Wisehart Student Scholarship	Purcell Foreign Scholarship	International Missions	Home Missions	State Programs	Children's Homes	Colleges	Total
AL	3,180.00	1,865.00	125.00	26.48	2,535.00	30.00	400.00	1,535.00	20.00						7,761.48
AR	8,610.00	3,949.20	350.00		15,531.02										30,401.22
AZ				5.04	30.87										35.91
CA	570.00	450.00	200.00		510.36					100.00	347.00				1,076.00
CN				10.23	114.03										236.00
CO															124.26
DE															-
FL	465.00	1,299.00		23.20	1,559.51		100.00								3,446.71
GA	3,810.00	2,472.09	795.00	51.60	2,752.78	470.00	609.75			204.00	212.75	8,232.14	4,861.00	100.00	1,095.00
HI															973.00
IL	1,485.00	871.00	42.00	5.04	2,383.32	275.00	20.00								5,987.36
IN	75.00	211.14			88.87										1,875.01
KS		380.00		3.75	23.33										407.08
KY	990.00	2,877.40			1,271.62										5,820.02
MD					51.39										51.39
MI	1,335.00	260.00			569.75	7,090.00									9,254.75
MO	3,972.00	2,484.23	175.00	10.09	22,873.29		805.00								31,026.49
MS	1,140.25	220.50			873.43	25.00	110.00								4,289.68
NC	5,550.00	7,412.93	375.50	197.12	4,258.95	40.00	521.17								53.00
NH															18,485.17
NM	90.00	192.20			499.51		100.00								886.71
NJ															-
OH	1,650.00	3,702.01			355.91	4,370.96	390.00	20.00							10,488.88
OK	5,460.00	9,595.39	100.00	39.07	20,843.92	80.00	414.65			25.00	85.00	120.00			36,788.03
OR					214.59										214.59
PANY															-
SC	2,700.00	3,577.77	125.00	51.21	23.40		438.00								13,672.43
TN	2,940.00	9,062.36	545.50	35.71	4,423.59		690.00	1,165.00		470.00	819.00				240.00
TX	840.00	1,836.68			383.79	200.00	859.55								4,374.86
UT															-
VA	915.00	360.00	253.00	28.24	230.85										1,868.09
VI							88.15								88.15
WA															-
WV	1,320.00	30.00	4,000.00		231.87							20.00	20.00		1,621.87
Grant															4,000.00
1% Exe. Off	4,685.21														4,685.21
	47,097.25	61,794.11	3,086.00	842.75	84,269.15	12,195.00	6,728.12	-	760.50	1,521.75	17,658.35	6,759.00	461.00	1,845.00	247,899.98

Together Way Other: 1% Coop from Executive Office
General Fund Other: anonymous donations (convention)

REPORTED DIRECT GIVING FROM WNAC January - December 2018

STATE	State Missions	International Missions	Home Missions	Colleges	Children's Homes	Youth Camps	Other Mission Objectives	TOTAL 2018 GIVING							
								Total	Pass Through Money	WNAC RECEIPTS	Together Way Receipts	Provision Closet Non-cash gifts	DIRECT GIVING	Grand Total	
AL	315.00	35.00	239.55	190.00	175.00	50.00	1,004.55		5,226.48	2,535.00	681.47	1,004.55	9,447.50		
AR	12,375.75	13,508.32	6,287.60	525.00	7,242.94	1,265.51	7,161.17	48,366.29	14,464.20	15,537.02	400.00	48,366.29	79,167.51		
AZ								0.00	5.04	30.87		0.00	35.91		
CA		150.00	40.00					190.00	1,320.00	510.36		190.00	3,679.36		
CANADA										10.23	114.03		0.00		
DE								0.00				0.00	124.26		
FL	1,502.00	1,216.00	844.00	250.00	120.00		110.00	4,042.00		1,887.20	1,559.51	4,042.00	7,488.71		
GA	5,914.85							5,914.85	15,261.14	8,155.19	2,752.78	470.00	5,914.85		
IL		1,093.25	40.00					1,133.25	8,876.00	2,423.04	2,383.32	275.00	1,133.25		
IN	2,500.00								1,500.00	286.14	88.87		2,500.00		
KS								0.00	2,500.00	383.75	23.33		2,500.00		
KY	205.00	9,177.00	4,185.00		4,115.00	3,211.07	17,851.48	38,744.55		681.00	3,867.40	1,271.62	38,744.55	44,564.57	
MD								0.00		51.39			51.39		
MI	1,820.00							1,820.00		1,585.00	569.75	7,080.00	10,355.85		
MS		276.00						276.00	1,470.75	873.43	25.00	276.00	4,545.68		
MO	6,499.97	6,908.90	2,481.23	120.00	14.45	500.00	2,207.35	18,731.90	7,496.32	22,873.29		18,731.90	49,101.51		
NM		11.60	6.50					138.10	5.00	382.20	499.51		138.10		
NC	10,379.00	4,527.68	2,546.96	125.00				250.00	14,133.22	4,258.95	40.00	189.73	17,828.64		
OH	230.07	2,400.00	3,451.70		876.01	2,312.92	9,270.70	12,562.72	145.00	5,727.92	4,370.96	390.00	112.50		
OK	2,806.67	6,308.73	1,160.21	2,267.11	20.00				20,843.92	80.00			12,562.72		
OR										214.59			214.59		
PA/NY													0.00		
SC	2,104.00							2,104.00		6,756.99	6,892.04	23.40			
TN	2,890.00	825.00	463.41	1,097.00				800.00	6,075.41	15,037.57	4,443.56	690.00	70.00		
TX										34.84	3,756.23	383.79	200.00		
UT													0.00		
VA	1,055.20	2,171.36			1,055.18			4,281.74		21.00	1,556.24	230.85	532.21		
VI											88.15				
WA													88.15		
WV													0.00		
Grant		365.00								40.00	1,350.00	231.87			
1% Exe. Office										4,000.00	4,000.00				
Anonymous											4,685.21				
Total	32,349.31	59,422.00	26,535.83	6,362.48	13,905.40	8,031.76	35,645.73	180,255.51		29,008.47	117,145.27	88,894.36	12,195.00	13,950.69	180,255.51
													441,115.41		

Total Giving Through WNAC

Missions/Ministry Objectives

WNAC

wn/cash Gifts

1 Arkansas

2 Oklahoma

3 Missouri

4 Kentucky

5 North Carolina

6 Georgia

7 Tennessee

8 Michigan

9 Ohio

10 South Carolina

1 Oklahoma

2 Arkansas

3 Missouri

4 Kentucky

5 Michigan

6 North Carolina

7 Georgia

8 Tennessee

9 Ohio

10 South Carolina

1 Arkansas

2 Oklahoma

3 Missouri

4 Kentucky

5 Michigan

6 North Carolina

7 Georgia

8 Tennessee

9 Ohio

10 South Carolina

2018 WNAC Statistics

Total

WNAC

wn/cash Gifts

1 Arkansas

2 Oklahoma

3 Missouri

4 Kentucky

5 Michigan

6 North Carolina

7 Georgia

8 Tennessee

9 Ohio

10 South Carolina

1 Arkansas

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9 Ohio

10 South Carolina

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3 Missouri

4 Kentucky

5 Michigan

6 North Carolina

7 Georgia

8 Tennessee

9 Ohio

10 South Carolina

1 Arkansas

2 Oklahoma

Music Commission Report

Our primary task is to promote the development of worship ministry in Free Will Baptist churches. During 2018 we applied for a grant from the Free Will Baptist Foundation to help fund the creation of an interactive website. We received \$2500 in response. We have contracted for the creation of the website, which will include downloadable resources of various kinds to assist musicians and worship leaders in our churches. To provide the scope of potential options as the website develops over time is no small undertaking. While the grant from the Foundation was a major contribution, we have had to wait until we accumulated the necessary funds to proceed with the actual project. We hope to have the website accessible to our people by the end of 2019.

The Music Commission partners 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.

The Music Commission as a group and its members individually continue to assist Free Will Baptist churches as their musicians and worship leaders look for resources and mentoring relationships to develop skills and cultivate hearts required for vibrant worship.

We ask you to pray with us that the Lord of the harvest will send forth workers with a heart for worship into our churches.

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

Bryan Hughes

MUSIC COMMISSION FINANCIAL SUMMARY 2018

Beginning Balance (01/01/2018)	\$ 5,011.05
Income	\$ 3,171.27
Together Way (undesignated)	2501.58
Together Way (designated)	621.94
2016 Rest of the Family Offering	20.22
Other gifts	27.53
Expenses	\$ 1,479.89
Meetings	1333.55
Annual meeting	1333.55
Convention meeting	-0-
Convention	116.34
Office Expenses	30.00
Ending Balance (12/31/2018)	\$ 5,011.05

MUSIC COMMISSION BUDGET COMPARISONS

	2018 Budget	2018 Actual	2019 Budget	2020 Budget
Income				
Together Way (undesignated)	\$ 4,000.00	\$ 2,501.58	\$ 5,000.00	\$ 5,000.00
Together Way (designated)	\$ 700.00	\$ 621.94	\$ 1,000.00	\$ 700.00
Rest of the Family Offering	\$ 25.00	\$ 20.22	\$ 25.00	\$ 25.00
Other gifts	\$ 50.00	\$ 27.53	\$ 100.00	\$ 75.00
Totals	\$ 4,775.00	\$ 3,171.27	\$ 6,125.00	\$ 5,800.00
Expenses				
Meetings	\$ 2,575.00	\$ 1,333.55	\$ 3,000.00	\$ 3,000.00
Convention	\$ 1,000.00	\$ 116.34	\$ 500.00	\$ 1,500.00
Projects	\$ 1,000.00	-0-	\$ 8,000.00	\$ 1,100.00
Office Expenses and Misc	\$ 200.00	\$ 30.00	\$ 200.00	\$ 200.00
Totals	\$ 4,775.00	\$ 1,479.89	\$ 11,700.00	\$ 5,800.00

Media Commission Report

July 2019, Cincinnati, Ohio

In 2018, the Media Commission continued its focus on streaming convention services in English and Spanish to enable viewers from all over the world to participate in the National Association of Free Will Baptists. Services averaged several hundred viewers each evening.

Before the 2018 Convention, the commission purchased three cameras and a video switcher to improve the online viewing experience. We also started capturing short clips from sermons and special music. These were posted separately and have had over 20,000 views. We are pleased to be able to provide these clips again at this year's National Convention. We also purchased some additional equipment to improve our video quality at this year's Convention.

Over this past year, several commission members were able to present seminars on how to effectively communicate and reach our communities through the use of technology. We plan to have more of a social media presence throughout this coming year by sharing relevant articles and various how-to tutorials that will make you and your church aware of new technologies.

The Media Commission will not be setting up an exhibitor's booth. To contact the Media Commission, please contact us through our Facebook page.

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

Stephen Lopes, Chairman (TN)
Josh Owens, Treasurer (TN)
Marc Neppl, (VA)
Daniel Edwards, (IN)
Jeremy Smith, (NC)

FWB Media Commission Comparative Budget Analysis

April 1 2018-March 31, 2019

	2019 Budget	2019 Actual	Difference	2020 Budget
INCOME				
Together Way (Undesignated)	\$4,600.00	4,973.39	\$373.39	\$4,900.00
Together Way (Designated)	\$300.00	\$362.87	\$62.87	\$350.00
Rest of the Family Offering	\$20.00	\$11.12	-\$8.88	\$10.00
Misc. Income (Bill Gardner Memorial Gift)	\$40.00	\$48.07	\$8.07	\$48.00
TOTAL INCOME	\$4,960.00	\$5,395.45	\$435.45	\$5,308.00
EXPENSES				
Office Supplies	\$50.00	\$19.50	\$30.50	\$50.00
Video Hosting (Vimeo)	\$200.00	\$199.00	\$1.00	\$200.00
Digest of Reports	\$125.00	\$56.12	\$68.88	\$100.00
Convention Mobile Giving (Tithe.ly)	\$250.00	\$190.00	\$60.00	\$250.00
Convention Streaming Service (Internet & Rental)	\$500.00	\$1,213.00	-\$713.00	\$850.00
Streaming Video Equipment Upgrades*	\$8,000.00	\$7,996.81	\$3.19	\$5,000.00
Convention Supplies	\$500.00	\$107.07	\$392.93	\$250.00
Convention Travel and Lodging	\$0.00	\$822.55	-\$822.55	\$900.00
Convention Meals	\$800.00	\$838.20	-\$38.20	\$850.00
Convention Seminar	\$50.00	\$0.00	\$50.00	\$0.00
Software/Hardware	\$1,500.00	\$598.20	\$901.80	\$1,500.00
Development and Training	\$1,500.00	\$997.00	\$503.00	\$1,000.00
TOTAL EXPENSES	\$13,475.00	\$13,037.45	\$437.55	\$10,950.00
Convention Streaming Equipment Upgrades	\$8,000			
This money was used from our savings account with the Free Will Baptist Foundation				
Convention Mobile Giving (Tithe.ly)	\$2,524.84			
Monies received Sunday-Tuesday was given to the convention	346.96			
Monies received on Wednesday was divinded equally between NAM and FWBIM	2,177.88			

*Money for these upgrades will come from our savings account and a reimbursement from Welch College who is using the equipment on campus to aid in athletic and other event streaming

2018-2019 Historical Commission Report

The Free Will Baptist Historical Commission was initiated in July 1960 at the 24th National Association of Free Will Baptists in Fresno, California. Delegates approved a resolution to establish a historical organization to preserve and promote Free Will Baptist History. The resulting commission was founded three years later, in 1963, at the convention in Detroit, Michigan. Delegates appointed Damon C. Dodd, Bill Hill, and George C. Lee, Jr. as the founding members. Since that time, the Historical Commission has focused efforts on: 1) developing an extensive archival collection at Welch College Library; 2) producing numerous books and pamphlets related to Free Will Baptist history, doctrine, and practice; and in recent years 3) establishing and expanding a digital archive. The digital collection at FWBHistory.com offers an online repository for key Free Will Baptist documents, records, biographies, periodicals, minutes, and more.

The work of the commission continues in all three of these areas. Collection Curator Phillip Morgan partners with the commission to collect and catalog records and books. Commission Chairman Robert E. Picirilli continues to author historical volumes, with a book coming fall 2019. FWBHistory.com expands continuously. Recent additions include state and district minutes through Kentucky (alphabetically), a complete collection of *Heartbeat* magazine, various books and pamphlets, and a volume of *The Morning Star* newspaper from Randall Free Will Baptists. Another significant addition, *Biblical Doctrine* (published in 1843 by Moses M. Smart) was previously unavailable in digital form and has proven a popular download.

The digital collection may be accessed in person at the historical collection, by visiting FWBHistory.com, or searching welchlibrary.wordpress.com. To donate historical materials, contact Curator Phillip Morgan: pmorgan@welch.edu. Thanks to those individuals and organizations that contributed during the past year.

2018-2020 Budgets Free Will Baptist Historical Commission

	2018 Budget	2018 Actuals	2019 Budget	2020 Budget
Income				
Gifts (Together Way)	\$4,500.00	\$5,321.43	\$5,000.00	\$5,500.00
Interest	10.00	24.46	10.00	50.00
Sale of Pamphlets	350.00	415.62	250.00	300.00
Rest of the Family Offering	20.00	17.93	20.00	20.00
Tennessee Co-op	15.00	15.00	15.00	15.00
Other*	0.00	25.00	0.00	0.00
Total Income	4,895.00	5,819.44	5,295.00	5,885.00
Expenses				
Books, Materials, Labor	1,000.00	4.45	1,000	1,500.00
Publishing Projects	1,145.00	0.00	1,545.00	1,635.00
Meeting Expenses	250.00	0.00	250.00	250.00
NAFWB Digest	100.00	56.12	100.00	100.00
Website Expense	300.00	205.00	300.00	300.00
Librarian Expense	2,100.00	2,000.00	2,100.00	2,100.00
Other*	0.00	0.00	0.00	0.00
Total Expenses	4,895.00	\$2,265.57	\$5,295.00	\$5,885.00

*Individual donation

Financial Report 2018
Free Will Baptist Historical Commission

Balance on hand (checking at Regions Bank) 12/31/2017.....\$12,766.34

Deposits

FWB Coop/Together Way (12 mo)	5336.43
Interest (Regions Bank)	24.46
Sales of booklets.....	415.62
Rest of Family offering.....	17.93
Tim McDonald, gift.....	25.00
FWB Foundation, grant	6000.00
Total	\$11,819.44

Expenditures

NAFWB Digest Fee.....	56.12
Phillip Morgan, postage.....	4.45
Fwbhistory.com website (one year).....	205.00
Phillip Morgan: stipend	2000.00
ScanPro software upgrade	5735.79
Total	\$8,001.36

Balance on hand (checking at Regions Bank) 12/31/2018..... \$16,584.42
Add: Trust Fund at FWB Foundation 12/31/2018 (\$993.27 in 2018) \$36,877.79

Total on hand 12/31/2018 **\$53,462.21**

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 22-23, 2018, we sponsored our twenty-second annual Theological Symposium. The Symposium met on the campus of Randall University in Moore, Oklahoma. Papers were presented on cultivating a culture of wisdom in the local church, practicing theology in youth ministry, the Lord's Supper, Luke's doctrine of perseverance, Welch College's philosophy of education, the theology of hymnody, creation and wisdom in Proverbs 8, and missional theology.

Our twenty-third annual Theological Symposium will meet October 28-29, 2019, on the campus of Welch College in Gallatin, Tennessee. We invite paper proposals for this Symposium. The theme for this year's Symposium is the doctrine of the church, but papers on other topics will be considered. All those interested in submitting papers for possible inclusion in the Symposium program are encouraged to contact Jackson Watts at fwbtheology@gmail.com.

The Commission is working on the next issue of *Integrity: A Journal of Christian Thought*, with plans to have it out this summer. 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. We also encourage you to read theologically related essays at our blog, FWBTheology.com.

At the 2019 Commission Seminar at the Annual Session of the National Association of Free Will Baptists, we will feature Dr. Ian Hawkins, Chairman of the Department of Arts and Sciences and Associate Professor of Science at Welch College. He will be speaking on the topic "The Genetic Revolution and its Theological Implications." That seminar will be held at 2:00 on Monday afternoon of the Annual Session in Room 262 of the Duke Energy Convention Center.

Respectfully submitted,

The Commission for Theological Integrity
Matt Pinson (chairman)
Kevin Hester (secretary)
Jackson Watts (program coordinator)
Rodney Holloman
Thomas Marberry

2018
Commission for Theological Integrity
Financial Report

Bank Balance - January 1, 2018	\$5,548.35
Commission Income	
The Together Way	\$5,306.28
Theological Symposium Papers	551.27
Gifts	<u>20.56</u>
Total Commission Income	5,878.11
Journal Income	<u>6.00</u>
Total Income	5,884.11
Commission Expenses	
Bookkeeping	400.00
National Seminar/Digest of Reports	626.32
Annual Meeting and Symposium Expenses	1,990.26
Miscellaneous Office Expenses	<u>205.00</u>
Total Commission Expenses	3,221.58
Journal Expenses	<u>0.00</u>
Total Expenses	<u>3,221.58</u>
Bank Balance - December 31, 2018	<u>\$8,210.88</u>

2020
Commission for Theological Integrity
Budgets

	2018 Budget	2018 Actuals	2019 Budget	2020 Budget
Income				
Gifts	\$2,600.00	\$20.56	\$100.00	\$100.00
Journal Income	1,500.00	6.00	1,550.00	100.00
Theological Symposium Papers	500.00	551.27	600.00	500.00
Together Way Plan	<u>5,200.00</u>	<u>5,306.28</u>	<u>5,300.00</u>	<u>5,300.00</u>
Total Income	<u>9,800.00</u>	<u>5,884.11</u>	<u>7,550.00</u>	<u>6,000.00</u>
Expenses				
Annual Meeting/Symposium	2,800.00	1,990.26	2,000.00	2,500.00
Bookkeeping	400.00	400.00	400.00	400.00
Journal Expenses	4,200.00	0.00	4,200.00	100.00
National Seminar/Digest	2,200.00	626.32	750.00	750.00
Office Expenses	<u>200.00</u>	<u>205.00</u>	<u>200.00</u>	<u>250.00</u>
Total Expenses	<u>\$9,800.00</u>	<u>\$3,221.58</u>	<u>\$7,550.00</u>	<u>\$4,000.00</u>

2019 President's Report

Welch College

The 2018-2019 academic year was an excellent one for Welch College. We have shown much progress not only in the fulfillment of our mission but also in our enrollment and financial metrics.

Our Christian mission remains the center of all we do at Welch. Our faculty, staff, and board remain steadfastly committed to our mission of educating leaders to serve Christ, His church, and His world through biblical thought and life in the context of a strong commitment to preparing ministers and missionaries who highly value Free Will Baptist faith and practice. We are seeing this mission fulfilled before our eyes as students come to us from diverse backgrounds and have their vision transformed by the faithful Christian teaching and learning community that Welch provides.

This is exemplified by the testimony one of our graduating seniors gave at Commencement. Her name is Keren Delgado, and she was born in Cuba. Her parents were converted as a result of the ministry of pioneer missionaries "Pop" and "Mom" Willey. She received generous scholarships from Free Will Baptist Women Nationally Active for Christ and from the Do Unto Others Trust, which was founded by a mentee of the Willeys, Justino Celorio, and his wife Alicia. Keren is going to take what she learned at Welch to the Free Will Baptist mission field, spending her life spreading the good news of Christ.

Keren said, "Thank you, God. And thank you, Welch faculty and staff, for being obedient to God's mission for your lives. Thank you to all the people who faithfully give to Welch. Thank you to the ladies of WNAC. Thank you to Alicia Celorio and the Do Unto Others Trust. Thank you to the churches that gave so that I could not just get a degree, but receive eternal treasures such as sound doctrine, spiritual growth, and a loving community at Welch College. Thank you to the student body for being the community that God provided these four years for me. . . . I learned at Welch that God is faithful, and He will continue, now that I am graduating and going to serve as a missionary to Bulgaria, to provide my needs—healing, endurance and peace, a community, and living water. I encourage you to see God's faithfulness everywhere around you, constantly counseling your heart with God's Word that 'He is faithful to all generations.'" Keren's words get to the heart of why Welch College exists.

Increasing Enrollment

This year we experienced our largest fall enrollment in 34 years. Compared to the previous year, our enrollment was up 10% in headcount, 9% in full-time-equivalent (FTE) enrollment, and 20% in traditional students (daytime/dorm and commuter). I believe this is a result of the combination of (1) our new "brand," which consists of a new name and a new campus, (2) the atmosphere of spiritual formation on campus, and (3) continuous improvement in excellence.

These three features also lead to competitiveness when compared with other higher education institutions, as indicated by our stellar performance in *U.S. News and World Report's Best Colleges*, which ranked Welch 13th in the Regional Colleges—South category (colleges that award fewer than fifty master's degrees annually). This is a milestone for Welch. The first time we were numerically ranked in this publication was 2010, with a ranking of 54th. Over the next eight years, we increased to 26th (last year). Then this year we were ranked 13th. To put this

in perspective, the next ten colleges in the list that Welch outranked had an average enrollment more than three times our enrollment and an average endowment almost ten times our endowment.

Our increasingly higher ranking in *U.S. News* results from our increased measures of excellence: retention rate, graduation rate (especially of Pell Grant recipients, i.e., students from economically difficult backgrounds), percentage of doctorates, class size, student-faculty ratio, alumni support, peer assessment, and other factors. Better ranking shows our prospective students and parents (and mainly high-achieving Free Will Baptist high school students who are being courted by other schools) that Welch has a competitive program that can stack up against other colleges and universities they are considering.

Our alumni are paying attention. That is why we have an unusually high percentage of our alumni who give financially to the college (we ranked third in this measure out of 95 other colleges in our category). It is also why we have an unusually high percentage of “legacy students” (children of alumni) at Welch. A Christian higher education consultant recently told me that our 30%-plus average rate of legacy students is astounding compared to his estimate of 12% on average at Christian colleges in general.

Making Financial Progress

We have also made great strides financially. As of this writing, we are anticipating a budget deficit because of the investment income we lost owing to poor market performance in late 2018, as well as a much higher amount of depreciation and interest on our new campus than we had budgeted back in 2013 and 2014 before we sold the old campus and began construction.

Despite these growing pains, we have been able to improve the difficult cash situation we were in after our contractors surprised us last year with nearly \$2 million in construction costs of which they had failed to inform us. Thus we are also paying down our debt and have greatly reduced our liabilities. By May 31, we will also have successfully paid our first eight months of full principal and interest payments on the long-term loan with the Free Will Baptist Foundation.

Much of the financial progress we have made this past year resulted from a banner year in giving to the college, with more gifts than in any year of the college's history except 2016, when we received more than \$6 million in relocation gifts. We are postured for enrollment and philanthropic growth in the near future that will continue to bear fruit with regard to cash and increasing our net assets.

Focusing on Excellence in Academics

Free Will Baptists count on Welch College for excellence in academics. One measure of this excellence is our wonderful faculty. Our substantial investment in paying for our faculty to earn their doctorates, while expensive, has paid off in a higher percentage of faculty with doctorates. We have tripled the percentage of earned doctorates on our faculty over the past fifteen years.

A committed and excellent faculty shows in student evaluations of classroom teaching. These look better than they have at any time during my presidency. Furthermore, we have instituted a new faculty ranking system this year, ranking faculty as Instructors, Assistant Professors, Associate Professors, and Professors. This system of promotion and incentives will further increase our faculty quality.

Our students at all levels (traditional, adult, online, and graduate) extol the close mentoring they are receiving from our faculty. This helps fulfill our goal of shaping both the intellect and the spiritual lives of our students, and it helps students come back and stay until graduation.

Studies show that faculty performance is the most direct indicator of retention. This is why our freshman-to-sophomore retention rate has now reached 77%, averaging 76% over the past three years. To understand the significance of this, we must understand that, while we rank 13th among southern Regional Colleges in *U.S. News Best Colleges*, we rank 5th out of 95 schools in our category in freshman-to-sophomore retention. Furthermore, academically non-selective private colleges like ours tend to have retention rates in the 50-something percent range.

We are also increasing our number of academic offerings. Most notably, in January we started the Master of Arts in Teaching (M.A.T.) degree. We anticipate at least twelve students in this new program in the fall, and we predict that enrollment will increase to the point that it surpasses the enrollment of our M.A. degree in theology and ministry, which has already graduated fourteen and has around twenty-five students working toward a degree.

Quality extracurricular activities also enhance the academic and community life at Welch, and we are working on new extracurricular programs that will do just that. The majority of our students participate in music, drama, and intramural and intercollegiate athletics. This past year we reintroduced a new music group, *New Mercy*, which is now touring alongside our *Rejoice!* ensemble. We also added men's and women's intercollegiate soccer, which has met with great enthusiasm among our student body.

Planning for the Future

God is doing wonderful things at Welch. We project our enrollment will continue to increase, to the point where, in the next few years, we will surpass our record enrollment (in 1981-82) of 648 students. In addition to enrollment growth that is possible with our new name and new campus, these changes have drawn new donors and potential donors to Welch, and God is placing a burden on their hearts for the support of the sort of godly, Free Will Baptist education they see at the heart of Welch College.

I believe God is going to work through His people to bring about the greatest era of enrollment and philanthropic growth in the history of Welch College, positioning us to go further than we have ever gone before in fulfilling our divine calling and mission. I believe that, very soon, we will see our debt paid off through our *Building on the Legacy* capital campaign, the construction of new campus housing to make room for our growing student body, a student services building to free up beds in the men's residence hall, and a large chapel/auditorium (a tremendous need), which will also have additional office and classroom space.

I envision the beginning of new bachelor's degree programs in culture-impacting areas such as politics, Christianity and culture, and journalism. I also believe we will be able to launch new joint degree programs like the one we have in nursing, where students who keep their GPAs up are guaranteed admission into highly competitive fields to which they simply cannot be guaranteed admission when they start most schools as freshmen. I also envision the initiation of a residential, on-campus Master of Divinity (M.Div.) degree that will offer substantial scholarship aid to attract students to a traditional, on-campus, residential M.Div. program, resulting in the establishment of a theological seminary or divinity school on the campus of Welch College.

Conclusion

The accomplishment of these goals depends on the Free Will Baptist people. We are counting on you to pray for Welch College that God would provide our needs and add to our growth and kingdom impact. We are counting on you to give more sacrificially than you have ever given to support the greatest building and growth program in our denomination's history. Finally, we are counting on you to continue to point students to our Christian community of faith and learning. I thank you from the bottom of my heart for all you do for Welch. The Lord bless you and keep you.

Sincerely,

J. Matthew Pinson
President

Registration Report 2018-2019

ENROLLMENT 431

States

Alabama	17	Michigan	3	South Dakota	1
Arkansas	11	Mississippi	2	Tennessee	253
California	2	Missouri	12	Texas	4
Florida	13	North Carolina	30	Virginia	12
Georgia	9	Ohio	3	West Virginia	1
Hawaii	1	Oklahoma	4	US Virgin Islands	2
Illinois	15	Pennsylvania	1	International	41
Indiana	4	Rhode Island	1		
Kansas	5	South Carolina	6		

The student body represents 23 states, 1 territory (USA), and 5 international countries (Bulgaria, Canada, Japan, Panama, and Spain).

Classification

Freshman	94
Sophomore	76
Junior	75
Senior	67
Graduate (Degree-seeking)	31
Non-degree Part-time	16
Dual Enrollment	72

Vocational*

Christian Ministry (Grad)	25	English (TE Licensure: 5)	14	Science/Nursing	22
Christian Ministry (Bach)**	44	Exercise Science (TE Licensure: 4)	16	Teacher Education***	57
Christian Ministry (Assoc)	14	General Studies	48	Non-degree Part-time	15
Missions	14	History (TE Licensure: 6)	9	Dual Enrollment	72
Biology (TE Licensure: 4)	10	Music (BME Licensure: 2)	8		
Business	51	Psychology	22		

Other Categories

Full-Time	245	Dorm	191	New	127
Part-Time	206	Commuter	54	Transfer	16
Male	207	Graduate School	31	Continuing	194
Female	224	ADP	0	Re-admit	6
Single	351	EAS	27	Non-degree Part-time	16
Married	80	Online	40	Dual Enrollment	72
		Lifetime Learning	16		
		Dual Enrollment	72		
				Free Will Baptist	251
				Other	180

*Pursuing multiple degrees.

**Pursuing vocational Christian ministry: Pastoral, Youth and Family, and General Christian Ministries.

***Includes Graduate (MAT), Early Childhood, preK-3, Child Development and Learning, and post-baccalaureate (1). Although the total number of students pursuing TE licensure is 57, those pursuing secondary licensure, Grades 6-12 (Bible, Biology, English, History, Music, and Physical Education) are counted in their respective content areas for the purposes of this report.

Financial Aid Report 2018-2019

Type of Aid	Number of Recipients	Amount of Aid
College-Administered Scholarships	603	1,673,655.86
Federal Pell Grants.....	124	480,681.32
Federal SEOG Grants	17	14,635.31
Federal Work-Study.....	12	12,021.25
Federal TEACH Grant.....	21	3,752.00
Federal Stafford Loans (Subsidized)	123	471,390.00
Federal Stafford Loans (Unsubsidized).....	133	424,139.00
Federal Plus Loans	26	292,036.00
TSAA Grants.....	23	86,000.00
Tennessee HOPE Scholarship.....	62	234,900.00
Tennessee Dual Enrollment Grant	69	53,700.00
Tennessee Promise Scholarship	27.....	36,900.00
Tennessee Reconnect Scholarship	4	7,673.00
Alternative Loans	16	160,010.00
External Scholarships	109	269,071.92
TOTAL FINANCIAL AID ADMINISTERED 2018-2019		\$4,220,565.66

Welch Library Report 2018-2019

Reference	988
General Collection	58,845
Curriculum Lab	1,759
Audiovisuals	442
Ministry Lab	7
Welch College Archives	139
Historical Collection	3,189
Sarah Lacey Nicholas Music Collection	2,239
EBSCO E-books Database E-books	48,763
ERIC Microfiche	74,630
Microfiche Books	427
Business Expert Press E-books	335
TOTAL	191,763

Synopsis of Minutes

Board of Trustees

June 2018-May 2019

July 13, 2018

In an e-mail meeting, the Board of Trustees voted to purchase key-man insurance on President Pinson.

July 23, 2018

At its meeting at the Annual Session of the NAFWB, the Board of Trustees approved the annual financial audit as well as the proposed budget for 2018-19.

September 4, 2018

The Board of Trustees met via conference call and authorized a \$1.8 million extension of the college's long-term loan with the Free Will Baptist Foundation.

September 27, 2018

The Board of Trustees met via conference call, approving a motion to start the M.A.T. degree in January 2019 in accordance with the revised budget and revisit the item again in the May meeting.

December 5, 2018

At its regular December meeting, the Board of Trustees heard reports from college officials and approved several measures. The Board voted to extend the operational line of credit at the Free Will Baptist Foundation until March 2022. The Board voted to ask that April and May financial statements including comparisons with the previous year be made available in late June or early July, and that profit and loss and balance sheets be made available to each trustee. The Trustees also approved a motion that, by mid-February, the president give a cash flow analysis and a plan for alternative financing if need be. The Board approved the hiring of Jose Rodriguez as a full-time faculty member. The Trustees unanimously approved a new Board Handbook and Code of Conduct to be signed every December by each trustee. Finally, the Board set aside January 2-11 as a season of prayer and fasting for the college.

February 14, 2019

The Board of Trustees met via conference call and the President explained that enough gifts had been received to make it possible to pay down \$800,000 on the line of credit, which the Board had stipulated must be done before a salary and benefit increase could be granted. He also gave his analysis of cash flow, indicating that increases in giving had provided enough cash to eliminate the need for additional lines of credit. The Board voted to pay down \$800,000 on lines of credit and grant salary and benefits increases.

April 12, 2019

The Board of Trustees, via email vote, approved the IRS Form 990.

May 8-9, 2019

At its regular May Board meeting, the Board of Trustees approved the President's five-year financial plan. Trustees also approved the 2019-20 proposed budget, with salary increases and new spending contingent on reaching enrollment, fundraising, and spending goals and a sound projection of a balanced budget. The Board approved the faculty ranking recommendations and voted to make John Carter Professor Emeritus of History. They also hired Dr. Sarah Bracey as psychology program coordinator.

Salary Breakdowns

	2016-2017	2017-2018	2018-2019	2019-2020
President*				
Salary	\$67,420	\$70,136	\$71,539	\$73,686
Social Security	5,158	5,365	5,473	5,637
Retirement	1,348	1,403	2,146	2,211
Medical Insurance	14,437	15,469	14,824	13,278
Life Insurance	<u>337</u>	<u>337</u>	<u>328</u>	<u>360</u>
	\$88,700	\$92,710	\$94,310	\$95,172
Provost				
Salary	\$54,705	\$54,500	\$55,590	\$57,258
Social Security	4,185	4,169	4,253	4,380
Retirement	1,094	1,090	1,667	1,718
Medical Insurance	0	15,469	14,824	13,278
Life Insurance	<u>337</u>	<u>337</u>	<u>328</u>	<u>360</u>
	\$60,321	\$75,565	\$76,662	\$76,994
Vice President for Financial Affairs				
Salary	\$49,909	\$53,000	\$54,060	\$55,682
Social Security	3,818	4,055	4,136	4,260
Retirement	998	1,060	1,621	1,670
Medical Insurance	4,757	5,097	4,885	4,375
Life Insurance	<u>337</u>	<u>337</u>	<u>328</u>	<u>360</u>
	\$59,819	\$63,549	\$65,030	\$66,347
Vice President for Institutional Advancement				
Salary	\$52,489	\$56,591	\$57,723	\$59,455
Social Security	4,015	4,329	4,416	4,548
Retirement	1,050	1,132	1,731	1,784
Medical Insurance	9,990	10,704	10,258	9,187
Life Insurance	<u>337</u>	<u>337</u>	<u>328</u>	<u>360</u>
	\$67,881	\$73,093	\$74,456	\$75,334

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

2019 Election Schedule For Standing Boards and Commissions

Board of Home Missions

2021 – Earl Hanna (South Carolina)

Mike Cash (Arizona)

Tim Stout (Ohio)

2023 – Bob Lewis (Tennessee)

Josh Baer (North Carolina)

David Sexton (Virginia)

To Be Elected in 2019:

2025 –

(replacing Jeff Jones, North Carolina)

(replacing Frank Webster, Missouri)

(replacing Frank Wiley, Oklahoma)

Board of Retirement and Insurance

2021 – Larry Clyatt (Illinois)

Ron Barber (Oklahoma)

Rick Dement (Missouri)

2023 – Danny Baer (North Carolina)

James Beasley (South Carolina)

Jack Daniel (Georgia)

To Be Elected in 2019:

2025 –

(replacing Rick Cason, Georgia—ineligible for re-election)

(replacing Mike Gladson, Ohio))

(replacing Randy Wilson, Oklahoma)

Board of FWB Foundation

(Members include directors of national agencies.)

2021 – Gene Williams (North Carolina)

Scott Coghill (North Carolina)

Phil Whiteaker (Arkansas)

2023 – Bobby Edwards (Tennessee)

Melissa Haralson (Arkansas)

Bob Thompson (Oklahoma)

To Be Elected in 2019:

2025 –

(replacing Donnie Miles, South Carolina—ineligible for re-election)

(replacing Hubert Stafford, Georgia)

(replacing Wendell Walley, California—ineligible for re-election)

Commission for Theological Integrity

2020 – Rodney Holloman (Tennessee)

2021 – W. Jackson Watts (Missouri)

2022 – Kevin Hester (Tennessee)

2023 – Matt Pinson (Tennessee)

2024 –

(replacing Thomas Marberry, Oklahoma)

Historical Commission

2020 – Eric Thomsen (Tennessee)

2021 – Jeff Cockrell (Tennessee)

2022 – Willie Martin (Georgia)

2023 – David Crowe (Tennessee)

2024 –

(replacing Robert Picirilli, Tennessee)

Music Commission

2020 – Bryan Hughes (North Carolina)

2021 – Donnie Burke (Georgia)

2022 – Doug Little (Tennessee)

2023 – James Stevens (Tennessee)

2024 –

(replacing Kevin Justice, North Carolina)

Media Commission

2020 – Jeremy Smith (North Carolina)

2021 – Daniel Edwards (Indiana)

2022 – Marc Neppl (Virginia)

2023 – Stephen Lopes, Tennessee

2019 –

(replacing Josh Owens, Tennessee)

General Board

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

2021 – North Carolina: Reuben Cason
Northeast: Bill Reynolds
Northwest: Brent Nix
Ohio: Edwin Hayes
Oklahoma: Mike Wade
South Carolina: Chris Todd
Tennessee: Glenn Poston
Texas: John Collier
Virginia: Bruce Barnes
West Virginia: James Cox, Jr.

To be elected in 2019:

2022 – Alabama:

Arizona: _____ (replacing Danny Williams)

Arkansas: _____ (replacing John Gibson)

Assn. of Mexico: _____ (replacing David Taylor)

Atlantic-Canada: _____ (replacing Luis Felipe Tijerina)

California: _____ (replacing Oral McAfee)

Colorado: _____ (replacing Mike Kilcrease)

David Marks Heritage: _____ (replacing Mark Thomas)

Florida: _____ (replacing Tom Jones)

Georgia: _____ (replacing Allan Austin)

Idaho: _____ (replacing Tim Horne)

Illinois: _____ (replacing Gene Kissinger)

_____ (replacing David Shores)

Executive Committee

2020 – Stan Bunch (Missouri)
Wayne Hale (Mid-Atlantic)
Daniel Edwards (Indiana)

2021 – Glenn Poston (Tennessee)
Edwin Hayes (Ohio)
Mike Wade (Oklahoma)

To be elected in 2019:

2022 – _____
(replacing David Taylor, Arkansas)

(replacing Danny Williams, Alabama)

(replacing David Shores, Illinois)

General Officers

Moderator: _____
(replacing Tim York, Tennessee)
Assistant Moderator: _____
(replacing William Smith, Georgia)
Clerk: _____
(replacing Randy Bryant, Florida)
Assistant Clerk: _____
(replacing Ernie Lewis, Illinois)

The following boards do not elect members in 2019:

Welch College Board of Trustees

2020 – Jeff Crabtree (Atlantic-Canada)

Shiloh Hackett (Tennessee)

Eddie Moody (North Carolina)

2022 – Michael Armstrong (Ohio)

Brad Ryan (Illinois)

Wayne Miracle (Georgia)

2024 – Will Beauchamp (Florida)

Theron Scott (South Carolina)

Tim Campbell (Arkansas)

Board of International Missions

2020 – Janice Banks (Texas)

Jeff Manning (North Carolina)

Jeff Nichols (Tennessee)

2022 – Cameron Lane (Arkansas)

Will Harmon (Arkansas)

Rodney Yerby (Alabama)

2024 – Danny Gasperson (North Carolina)

Mark Price (Ohio)

Robert Posner (Texas)

Board of Randall House Publications

2020 – Paul Bryant (Mississippi)

Steve Lindsay (Alabama)

Randy Scott (Tennessee)

2022 – Darin Gibbs (North Carolina)

Timothy York (David Marks Heritage)

Jay Baines (Virginia)

2024 – Kendall Ross (Arkansas)

Mike Mounts (Ohio)

Mike Trimble (Michigan)

Board of Women Nationally Active for Christ

2020 – Diana Bryant (Florida)

Janie Campbell (Arkansas)

Tracy Payne (Oklahoma)

2022 – Pam Hackett (South Carolina)

Jonda Patton (Kentucky)

Lee Ann Wilfong (Missouri)

2024 – Amy Johnson (Illinois)

Khristi Shores (Oklahoma)

Sarah Sargent (Ohio)

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ONE Magazine · Randall House
Welch College · Women Nationally Active for Christ

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