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Dear Friends and Family,

What a joy it is to celebrate another year of giving through the Mustard Seed Foundation—our twenty-third year of operation! The Foundation's primary approach to our giving is to discern what God is doing through churches worldwide, and provide those churches whose grant applications we approve with matching funds to enable them to carry out the work to which they are committed. Because our grants are generally local, small, and designed to support projects that have local church funding and accountability, we truly see "mustard seeds" of God's kingdom grow and flourish through our grantees.

Our outstanding staff team is credited with our capacity to reach and respond to local church congregations around the world to assist them in launching grassroots ministry efforts to disciple and empower their own and proclaim and demonstrate the gospel in their communities. Total giving by the Foundation in 2006 was over \$6.6 million, about \$900,000 more than we awarded in 2005. We awarded 830 grants averaging approximately \$5,300 per grant, by far our greatest number of grants awarded in a single year in our history! Over 65% of our grants and scholarships in 2006 were awarded to churches and schools outside the United States. Theological Education scholarships totaling over \$1.3 million were awarded to 1,113 students attending 64 seminaries and Bible colleges, all outside North America. This is another record number of theological scholarships awarded in a single year.

Through the Harvey Fellows Program, the Foundation awarded nearly \$1 million to 66 academically gifted Christian graduate students who are called to be ambassadors for Christ in secular vocations. We are committed to grow this strategic and highly competitive program. In order to keep the fellowship selective, we plan to award grants to no more than 10% of the applicants who apply for the Harvey Fellowship.

The Bakke Graduate University (BGU), an international Christian graduate program with a home office in Seattle, is rapidly becoming a priority for the Foundation. In 2006, MSF provided \$100,000 in financial aid to 26 students from around the world pursuing advanced theological degrees through BGU. These scholarships were given in the name of Ray Bakke, Marilyn Bakke Pearson, and Lowell Bakke. We hope to increase our scholarship assistance to BGU to \$500,000 annually in the next five years.

Reducing the percentage of money spent on administration has been an emphasis for us during the last four years. Even with the 12.5% increase in grant and scholarship monies awarded in 2006, the cost of administering the Foundation increased only 5.5%. The result was that the Foundation spent 15.8% of our annual operating funds on administration, very near our long-term goal of 15%. We are proud of the continued discipline and efficiency shown by our staff in this area of the Foundation.

Duane Grobman will be leaving his current role as Executive Director with the Foundation to return to his home in Southern California. Duane will continue to give leadership to our Harvey Fellows Program, a role he has done admirably for the last five years. The Foundation staff and Board have greatly appreciated Duane's wise, empowering leadership during these past three years. We are pleased that Eric Hornberger and Lonni Jackson, two of our long-standing regional leaders, will assume leadership of the Foundation in March 2007.


We welcomed a number of new staff members, namely Maged Shafik in Cairo, Suresh Thomas in Mumbai, Hilton Figueiredo in Sao Paulo, and both Eric Musee and Victor Omondi in Nairobi. This brings the total number of staff to 16 who represent the Mustard Seed Foundation in awarding grants and scholarships globally. We also say goodbye and thank you to Abraham Thomas from Mumbai, who retired at the close of the year after ably representing the Foundation in India for five years and serving with distinction as the first non-American member of our staff team.

The Foundation benefits immeasurably from the hard work, prayer, and wise counsel of our Board of Directors, who represent three generations of the extended Bakke and Harvey families. In 2006 Andrea Bakke concluded her five-year term on the Board, and her husband Woody Bakke was selected to serve as a new Board member. We continue to enjoy connecting the Board with individual grantees from around the world that share the same faith.

The MSF Junior Board, comprised of family members who are 13-18 years old, stepped up their giving in 2006, awarding 18 grants totaling \$269,055. This year the Junior Board focused their giving on one region of the world during each grant review session, enabling them to learn more about the global Church and its witness in differing parts of the world. We thank Daniel Thompson, who chaired the Junior Board in 2005-06, and welcome the leadership of Nathan Mansell as our current Junior Board Chairman.

Each year as we prepare this Annual Report, both to celebrate our grantees and to chronicle the Foundation's activities, we are reminded that our Lord graciously provides all good things out of His perfect love for His children. We are blessed by Christ's gifts of faith, relationships, vision, healing, and life. It is our hope that we will continue to connect with gifted individuals to plant seeds of hope. God is at work in amazing ways through His faithful, obedient Church, and we count it a privilege to partner in small ways with Christians around the globe.

Christ's peace,

  
Eileen Bakke

  
Dennis Bakke