HARVEST BIBLE CHAPEL

FINANCIAL STATEMENTS

December 31, 2007 and 2006

HARVEST BIBLE CHAPEL

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INDEPENDENT AUDITORS' REPORT

Board of Elders
Board of Deacons
Harvest Bible Chapel
Rolling Meadows, Illinois

We have audited the accompanying statements of financial position of Harvest Bible Chapel as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harvest Bible Chapel as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Capin Crouse LLP

Carol Stream, Illinois
March 25, 2008

HARVEST BIBLE CHAPEL

Statements of Financial Position

	December 31, 2007	December 31, 2006
ASSETS:		
Cash and cash equivalents	$ 4,909,027	$ 5,575,167
Accounts receivable and other assets	344,316	443,526
Inventory	159,312	171,054
Pledges receivable	-	1,964,663
Deferred bond costs	445,637	466,365
Assets held for sale	503,950	3,950
Land, buildings and equipment – net of accumulated depreciation	117,176,559	89,274,489
	$ 123,538,801	$ 97,899,214
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 1,614,212	$ 628,400
Construction payable	4,538,311	3,514,544
Long-term debt	55,753,516	34,682,990
	61,906,039	38,825,934
Net assets:		
Unrestricted:		
Equity in land, buildings and equipment	57,330,369	51,543,320
Board designated	90,255	100,000
Available at Board discretion	3,202,250	5,360,779
	60,622,874	57,004,099
Temporarily restricted:		
Pledges receivable	-	1,964,663
Campus improvements	797,653	-
Special projects	143,497	101,598
Benevolent fund	68,738	2,920
	1,009,888	2,069,181
	61,632,762	59,073,280
	$ 123,538,801	$ 97,899,214

See notes to financial statements

HARVEST BIBLE CHAPEL

Statements of Activities

	For the Year Ended December 31,					
	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 14,703,059	$ 2,746,187	$ 17,449,246	$ 12,859,544	$ 267,233	$ 13,126,777
Ministry revenue	1,109,259	-	1,109,259	1,158,873	-	1,158,873
Tuition and fees	2,522,450	-	2,522,450	2,595,665	-	2,595,665
Sales	475,214	-	475,214	588,918	-	588,918
Interest and other income	316,413	-	316,413	246,602	-	246,602
	19,126,395	2,746,187	21,872,582	17,449,602	267,233	17,716,835
RECLASSIFICATIONS:						
Net assets released from restrictions upon:						
Satisfaction of time restrictions	1,964,663	(1,964,663)	-	5,830,395	(5,830,395)	-
Satisfaction of purpose restrictions	1,840,817	(1,840,817)	-	236,487	(236,487)	-
	3,805,480	(3,805,480)	-	6,066,882	(6,066,882)	-
EXPENSES:						
Compensation	7,821,167	-	7,821,167	7,138,275	-	7,138,275
Ministry	6,544,220	-	6,544,220	5,756,253	-	5,756,253
Facilities	2,302,793	-	2,302,793	1,360,327	-	1,360,327
Depreciation	1,526,449	-	1,526,449	1,584,167	-	1,584,167
Administration	1,118,471	-	1,118,471	778,096	-	778,096
	19,313,100	-	19,313,100	16,617,118	-	16,617,118
Change in net assets	3,618,775	(1,059,293)	2,559,482	6,899,366	(5,799,649)	1,099,717
Net assets, beginning of year	57,004,099	2,069,181	59,073,280	50,104,733	7,868,830	57,973,563
Net assets, end of year	$ 60,622,874	$ 1,009,888	$ 61,632,762	$ 57,004,099	$ 2,069,181	$ 59,073,280

See notes to financial statements

HARVEST BIBLE CHAPEL

Statements of Cash Flows

	For the Year Ended December 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,559,482	$ 1,099,717
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,560,245	1,608,420
Net unrealized loss on assets held for sale and land, buildings and equipment	132,283	123,875
Amortization of discount on pledges receivable	-	(397,349)
Donated stock	(168,832)	(374,229)
Changes in:		
Accounts receivable and other assets	99,210	(80,955)
Inventory	11,742	86,199
Accounts payable, accrued expenses and construction payable	2,009,579	2,907,209
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,203,709	4,972,887
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of donated stock	168,832	374,229
Purchases of land, buildings and equipment	(8,371,061)	(9,082,950)
Purchases of assets held for sale	(632,283)	-
Proceeds from sale of assets held for sale	-	112,325
Proceeds from sale of land, buildings and equipment	-	533,350
NET CASH USED BY INVESTING ACTIVITIES	(8,834,512)	(8,063,046)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	-	(58,364)
Collections on pledges receivable	1,964,663	6,227,744
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,964,663	6,169,380
Net change in cash and cash equivalents	(666,140)	3,079,221
Cash and cash equivalents, beginning of year	5,575,167	2,495,946
Cash and cash equivalents, end of year	$ 4,909,027	$ 5,575,167
Supplemental information:		
Cash paid for interest ($2,429,529 and $1,697,429 was capitalized in 2007 and 2006, respectively)	$ 2,374,401	$ 1,726,126
Non-cash investing and financing activities:		
Land, buildings, and equipment purchased through long-term debt	$ 21,070,526	$ 8,577,063

See notes to financial statements

1. NATURE OF ORGANIZATION:

Harvest Bible Chapel (HBC) is a religious organization incorporated in the State of Illinois. HBC seeks to glorify God through the fulfillment of the great commission (Matthew 28:19) in the spirit of the great commandment (Matthew 22:37-38). The commission is fulfilled as disciples of Jesus Christ are made (II Timothy 2:2). The Church has a multi-ministry outreach consisting of missions, worship, evangelism, prayer, community, youth, fellowship, caring, Christian education, camp and a bookstore.

HBC is incorporated under the laws of the State of Illinois to operate as a charitable religious organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (the Code). It is exempt from federal and state income taxes and contributions by the public are deductible for income tax purposes. HBC is not a private foundation under section 509(a)(1) of the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING
The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on hand, checking, money market accounts and certificates of deposit. From time to time, the balance in these accounts may exceed federal deposit insurance limits; however, HBC has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS AND OTHER RECEIVABLES
Accounts receivable primarily consists of amounts due from HBC affiliates, school receivables and prepaid expenses. No allowance for doubtful accounts has been established, as balances due are from HBC affiliates, and management believes the amounts to be fully collectible.

INVENTORY
Inventory is valued at the lower of cost or market on a first-in, first-out (FIFO) basis and consists of bookstore merchandise including Bibles, books, audio cassette's, CD's, sheet music and adult ministry small group materials.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES RECEIVABLE
Pledges receivable are unconditional promises to give and are recognized as assets and contributions in the period made and are recorded at their estimated net present value.

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION
Items over $1,000 are capitalized at cost or, in situations where historical cost is not available or the asset was contributed, at estimated fair market value. Donated assets are capitalized at their fair market value on the date of donation. Depreciation expense is recorded on the straight-line method over the estimated useful lives of the assets, ranging from three to forty years.

ASSETS HELD FOR SALE
Assets held for sale consist of one house in St. Charles, Illinois and a piece of property in Texas that was donated to HBC. Subsequent to year end, the house is under contract with a closing date in April 2008. In addition, the Texas property will be donated to a non profit organization in 2008.

CLASSES OF NET ASSETS
Net assets are classified in the financial statements as follows:

Unrestricted amounts are those currently available at the discretion of the Board for use in HBC's operations, those designated by the Board for specific purposes and those resources invested in land, buildings and equipment.

Temporarily restricted amounts are those stipulated by donors for specific operating purposes or for acquisition of land, buildings and equipment or those with timing restrictions.

CONTRIBUTIONS, REVENUES AND EXPENSES
Contributions are reported as income when made, which may be when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS, REVENUES AND EXPENSES, continued
Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions must specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Individuals routinely provide voluntary services to the ministries of HBC. These services have a significant impact on making the ministry effective. However, the value of these services is not reflected in the financial statements because they do not meet the necessary accounting criteria.

Other revenues, including fees, sales and interest are recorded when earned. Fees consist of amounts paid for various activities, retreats, conferences, and camp fees sponsored by HBC. Expenses are recorded when incurred.

RECLASSIFICATIONS
Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

3. *SEIZE THE OPPORTUNITY* PROGRAM AND PLEDGES RECEIVABLE:

During 2003, HBC commenced the *Seize the Opportunity* (STO) program. STO is a $20 million campaign to address four specific opportunities placed before the church family. These opportunities are:

Opportunity #1 - First, in order to affirm the commitment to the ongoing ministry at the Rolling Meadows campus, HBC upgraded this facility for enhanced ministry. Improvements included increasing overall educational space and developing a preschool through first grade Christian school. These improvements were completed in 2004.

Opportunity #2 - During 2003, HBC was able to purchase a 280,000 square foot building on approximately 80 acres of wooded land in Elgin, Illinois for $1. (The difference between the purchase price and the appraised value of this property of $24,700,000 was recorded in contributions in the 2003 statement of activities.) HBC plans to build a 4,500 seat worship center (2,100 seats initially) with a complementary ministry facility that includes a gymnasium, food court and educational space for ministry to children and students. HBC started a congregation here in late 2004. The worship center was opened in 2007 with final construction to be completed in 2008.

3. *SEIZE THE OPPORTUNITY* PROGRAM AND PLEDGES RECEIVABLE, continued:

Opportunity #3 - Third, HBC was able to acquire a camp on 650 wooded, lakefront acres in Croton, Michigan. HBC uses this facility for enhanced children/student ministry and various ministry opportunities for adults. The goal is to provide a place where children and adults alike can get away and focus on their relationship with Christ. Initially HBC built adequate housing facilities, purchased recreational equipment and built bathrooms and a dining/teaching facility.

Opportunity #4 - Finally, HBC is fulfilling the vision God gave its leadership years ago for a world-class, Christian school. HBC believes this could be one of the most significant influences in the lives of children and families across the northwest Chicago suburbs. The goal is for Harvest Christian Academy (HCA) to effectively balance the combination of biblical training and accredited academic excellence. Currently HCA offers preschool through third grade at Rolling Meadows and preschool through tenth grade at the Elgin facility. Plans are to eventually expand through twelfth grade in Elgin and fifth grade in Rolling Meadows. The ninth and tenth grades opened in the fall of 2007 in Elgin with 11th grade opening in the fall of 2008.

In order to provide the funding for the STO program, HBC conducted a pledge campaign and the following pledges receivable were recorded:

	2007	2006
Due in less than one year	$ -	$ 2,062,896
Allowance for uncollectible pledges	-	(98,233)
	$ -	$ 1,964,663

HBC received multi-year commitments from donors which were recorded as pledges receivable, in accordance with U.S. generally accepted accounting principles. The net amount of this receivable is based on an estimate of future cash flows at December 31. Due to the unknown factors which may affect individual donors' future cash flows, it is reasonably possible that the estimated future cash flows of contributions receivable could increase or decrease by a material amount in the near term. Management believes that the asset value reflected in the statement of financial position approximates fair value at December 31, 2006. The pledge campaign was completed in 2007.

4. LAND, BUILDINGS AND EQUIPMENT:

Land, buildings and equipment consist of the following:

	2007	2006
Land	$ 14,231,023	$ 14,231,023
Land improvements	114,052	114,052
Buildings and improvements	39,033,629	38,551,493
Furniture and fixtures	1,154,727	1,011,028
Office equipment	382,865	382,865
Computer equipment	714,010	693,762
Sound equipment	1,395,539	1,386,532
Other equipment	1,592,692	1,533,979
	58,618,537	57,904,734
Less accumulated depreciation	(8,389,404)	(6,849,887)
	50,229,133	51,054,847
Construction in progress	66,947,426	38,219,642
	$ 117,176,559	$ 89,274,489

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	2007	2006
Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2004	$ 14,715,000	$ 14,715,000
Adjustable Rate Demand Taxable Revenue Bonds, Series 2004	10,285,000	10,285,000
Mortgage line of credit of $12,330,000, payable to a bank, monthly interest only payments through April 2008. Thereafter, monthly principal and interest payments of $77,978, with total principal due March 1, 2011. Fixed interest rate of 6.50%. This note is secured by the building and property at 800 Rohlwing Road, Rolling Meadows, IL.	12,330,000	5,182,990
Mortgage line of credit of $4,500,000, payable to a bank, monthly interest only payments through April 2008. Thereafter, monthly principal and interest payments of $28,459, with total principal due March 1, 2011. Fixed interest rate of 6.50%. This note is secured by the buildings and property at 6829 East 72nd Street, Newaygo, Michigan.	4,500,000	4,500,000
Mortgage line of credit of $20,000,000, payable to a bank, monthly interest only payments through August 2010. Thereafter, monthly principal and interest payments of $136,522, with total principal due September 1, 2013. Fixed interest rate of 7.25%. This note is secured by the buildings and property at 1000 North Randall Road in Elgin, Illinois.	13,923,516	-
	$ 55,753,516	$ 34,682,990

5. LONG-TERM DEBT, continued:

Long-term debt matures as follows:

Year ending December 31,		
2008	$	140,487
2009		25,198,263
2010		423,052
2011		16,945,693
2012		715,906
Thereafter		12,330,115
	$	55,753,516

The Adjustable Rate Demand Taxable Revenue Bonds, Series 2004, require monthly interest payments at a rate set by the remarketing agent (4.82% at December 31, 2007, capped at 12%) and mature in August 2029.

The Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2004, require monthly interest payments at a rate set by the remarketing agent (3.42% at December 31, 2007, capped at 10%) and mature in August 2029.

The bonds are secured by a third party bank letter of credit, which expires in August 2009, at which point HBC will negotiate extensions or alternate financing. The bank letter of credit is secured by HBC's land, buildings and equipment. This bank requires that HBC maintain a depository account with them, from which they sweep the monthly interest payments. Although there is no "sinking fund" requirement, HBC must maintain a balance in this account sufficient to cover the monthly interest payments. The bonds have various accelerated tendering options; however, HBC's intention at December 31, 2007, is to service the bonds through the expiration of the bank letter of credit. Therefore, the bonds are shown to mature in 2009 in the maturity schedule.

Long-term debt agreements contained certain administrative covenants. HBC was in compliance with all covenants as of the date of this report.

6. **RETIREMENT PLAN:**
In 2003, HBC implemented a 403(b) plan. HBC contributes to the 403(b) plan on behalf of all full-time employees (working at least 1,000 hours per year) participating through elective salary reductions. HBC matches employee contributions up to 6% of annual base salary. Employees are fully vested immediately upon participation. Contributions to the 403(b) plan during 2007 and 2006 were $205,919 and $203,516, respectively.

HBC has a Variable Universal Life Insurance program for its ministry staff that provides a life insurance package and a retirement fund. Participants contribute between 1% and 9% of their base salary. HBC matches between ½% and 11% of the participant's contribution as defined by the plan documents. For the years ended December 31, 2007 and 2006, HBC made contributions to the plan of $81,658 and $68,523, respectively.

7. **RELATED PARTY TRANSACTIONS:**
In February 2002, HBC formed the Elder Council, now known as Harvest Bible Fellowship (HBF). HBF serves HBC and all plant churches by providing temporary governance to all new plant churches. The Council is a separate 501(c)(3) entity and each church is represented on the council by an elder and pastor of each HBC church plant. HBC does not exercise any control over the Council. During the years ended December 31, 2007 and 2006, HBC contributed $100,000 to HBF.

During the years ended December 31, 2007 and 2006, HBC contributed $33,000 for both years to a non profit counseling ministry headed by a member of the Board of Elders. In addition, during the years ended December 31, 2007 and 2006, HBC paid $17,280 and $24,940, respectively, for counseling services provided by this organization.

During 2007, HBC began working with a non profit ministry managed by the wife of a member of the Board of Elders. HBC contributed $20,000 in 2007 and paid $8,715 for curriculum materials.

The senior pastor of HBC is also the CEO of a non profit radio ministry, Walk in the Word (WITW). During the years ended December 31, 2007 and 2006, HBC contributed $460,800 and $450,000, respectively, to WITW.

As part of the start up of plant churches, HBC handled certain financial functions relating to contribution processing and personnel issues. No significant financial transactions occurred between HBC and these church plants during 2007 and 2006.

8. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities. Functional expenses for the years ended December 31, 2007 and 2006, are as follows:

	2007	2006
Program services	$ 15,527,727	$ 12,789,522
Supporting activities:		
General and administrative	3,514,990	3,647,325
Fund-raising	270,383	180,271
	$ 19,313,100	$ 16,617,118

9. DERIVATIVE CONTRACT:

The Church entered into an interest rate swap agreement beginning October 2005, with the intent of reducing the impact of changes in interest rates on its Adjustable Rate Demand Educational Facility Revenue Bond. The initial bond debt balance (notional amount) was $14,715,000. The notional amount outstanding at December 31, 2007, was $14,715,000.

Contractual interest rate terms for the Church's derivative contract at December 31, 2007, were:

	Fixed Rate Payor	Variable Rate Payor	Remaining Term of Contract in Years
October 2005 contract	3.12%	Fifth Third	8

The variable rate of the existing bond debt at December 31, 2007 for the interest rate swap contract was 3.42%. The asset or liability, resulting from the estimated difference between the fixed rate and the projected variable rate was a liability of $235,113 for the year ended December 31, 2007, and an asset of $196,710 for the year ended December 31, 2006. This amount is recomputed each year using the projected interest rates existing at the year end.

10. COMMITMENTS AND CONTINGENCIES:

As of December 31, 2007, construction contracts related to the building facilities in Elgin totaled approximately $62,000,000 and unexpended commitments approximated $573,000 at December 31, 2007. The construction of these facilities is expected to be completed during 2008.

11. DISCLOSURE OF FAIR VALUES:

The following disclosures of estimated fair value of financial instruments as of December 31, 2007 and 2006, is made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The estimated fair value amounts have been determined by HBC using available market information and appropriate valuation methodologies.

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 4,909,027	$ 4,909,027	$ 5,575,167	$ 5,575,167
Accounts receivable and other assets	344,316	344,316	443,526	443,526
Inventory	159,312	159,312	171,054	171,054
Pledges receivable	-	-	1,964,663	1,964,663
Liabilities for which it is not practicable to estimate fair value:				
Accounts payable and accrued expenses	1,614,212	1,614,212	628,400	628,400
Construction payable	4,538,311	4,538,311	3,514,544	3,514,544
Long-term debt	55,753,516	55,753,516	34,682,990	34,682,990

11. DISCLOSURE OF FAIR VALUES, continued:

Methods and assumptions used by HBC in estimating fair values are as follows:

Cash and cash equivalents and accounts receivable and other assets: The carrying amounts approximate fair value due to the short-term maturity of these instruments.

Inventory: The basis for the fair values of inventory is summarized in Note 2.

Pledges receivable: The fair value of the pledges receivable was estimated by taking the present value of estimated future cash flows using an average discount rate of 0% at December 31, 2006.

Accounts payable and accrued expenses: The carrying amounts approximate fair value due to the short-term maturity of these instruments.

Long-term debt: The carrying amount approximates fair value due to the fact that the debt is subject to a floating interest rate that adjusts to market value.

12. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. The effects of FIN 48 have not been determined.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2008. The effects of SFAS No. 157 have not been determined.