HARVEST BIBLE CHAPEL

FINANCIAL STATEMENTS

December 31, 2008 and 2007

HARVEST BIBLE CHAPEL

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CAPIN CROUSE LLP
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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, 2008 and 2007, 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 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 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, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting standards generally accepted in the United States of America.

Capin Crouse LLP

Wheaton, IL
March 18, 2009

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Statements of Financial Position

	December 31, 2008	December 31, 2007
ASSETS:		
Cash and cash equivalents	$ 4,827,105	$ 4,909,027
Accounts receivable and other assets	423,545	344,316
Inventory	166,439	159,312
Deferred bond costs	424,909	445,637
Assets held for sale	-	503,950
Land, buildings and equipment – net of accumulated depreciation	125,823,989	117,176,559
	$ 131,665,987	$ 123,538,801
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 1,583,350	$ 1,379,099
Mark-to-market liability	1,413,383	235,113
Construction payable	-	4,538,311
Long-term debt	67,778,295	55,753,516
	70,775,028	61,906,039
Net assets:		
Unrestricted:		
Equity in land, buildings and equipment	58,470,603	57,330,369
Board designated	96,841	90,255
Available at Board discretion	1,774,428	3,202,250
	60,341,872	60,622,874
Temporarily restricted:		
Campus improvements	-	797,653
Special projects	118,171	143,497
Benevolent fund	67,773	68,738
School	363,143	-
	549,087	1,009,888
	60,890,959	61,632,762
	$ 131,665,987	$ 123,538,801

See notes to financial statements

HARVEST BIBLE CHAPEL

Statements of Activities

	For the Year Ended December 31,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 19,430,225	$ 1,629,647	$ 21,059,872	$ 14,703,059	$ 2,746,187	$ 17,449,246
Ministry revenue	1,409,962	-	1,409,962	1,109,259	-	1,109,259
Tuition and fees	2,958,412	-	2,958,412	2,522,450	-	2,522,450
Sales	530,179	-	530,179	475,214	-	475,214
Interest and other income	257,654	-	257,654	316,413	-	316,413
	24,586,432	1,629,647	26,216,079	19,126,395	2,746,187	21,872,582
RECLASSIFICATIONS:						
Net assets released from restrictions upon:						
Satisfaction of time restrictions	-	-	-	1,964,663	(1,964,663)	-
Satisfaction of purpose restrictions	2,090,448	(2,090,448)	-	1,840,817	(1,840,817)	-
	2,090,448	(2,090,448)	-	3,805,480	(3,805,480)	-
EXPENSES:						
Compensation	8,830,986	-	8,830,986	7,821,167	-	7,821,167
Ministry	7,220,640	-	7,220,640	6,544,220	-	6,544,220
Facilities	2,314,500	-	2,314,500	1,870,970	-	1,870,970
Depreciation	2,400,805	-	2,400,805	1,526,449	-	1,526,449
Administration	1,204,062	-	1,204,062	1,118,471	-	1,118,471
Interest expense	3,808,619	-	3,808,619	-	-	-
Bond mark-to-market expense	1,178,270	-	1,178,270	431,823	-	431,823
	26,957,882	-	26,957,882	19,313,100	-	19,313,100
Change in Net Assets	(281,002)	(460,801)	(741,803)	3,618,775	(1,059,293)	2,559,482
Net Assets, Beginning of Year	60,622,874	1,009,888	61,632,762	57,004,099	2,069,181	59,073,280
Net Assets, End of Year	$ 60,341,872	$ 549,087	$ 60,890,959	$ 60,622,874	$ 1,009,888	$ 61,632,762

See notes to financial statements

HARVEST BIBLE CHAPEL

Statements of Cash Flows

	For the Year Ended December 31, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (741,803)	$ 2,559,482
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,421,533	1,560,245
Net realized loss on assets held for sale	18,950	132,283
Contribution of land, building and equipment, net of acquired debt	(621,375)	-
Donated stock	(50,069)	(168,832)
Changes in:		
Accounts receivable and other assets	(79,229)	99,210
Inventory	(7,127)	11,742
Accounts payable and accrued expenses	204,251	553,989
Mark-to-market liability	1,178,270	431,823
Construction payable	(4,538,311)	1,023,767
Net Cash Provided (Used) by Operating Activities	(2,214,910)	6,203,709
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of donated stock	50,069	168,832
Purchases of land, buildings and equipment	(102,977)	(8,371,061)
Purchases of assets held for sale	-	(632,283)
Proceeds from sale of assets held for sale	485,000	-
Net Cash Provided (Used) by Investing Activities	432,092	(8,834,512)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(151,705)	-
Borrowings on new long-term debt	1,852,601	-
Collections on pledges receivable	-	1,964,663
Net Cash Provided by Financing Activities	1,700,896	1,964,663
Net Change in Cash and Cash Equivalents	(81,922)	(666,140)
Cash and Cash Equivalents, Beginning of Year	4,909,027	5,575,167
Cash and Cash Equivalents, End of Year	$ 4,827,105	$ 4,909,027
Supplemental information:		
Cash paid for interest ($310,497 and $2,429,529 was capitalized in 2008 and 2007, respectively)	$ 4,067,110	$ 2,374,401
Non-cash investing and financing activities:		
Land, buildings and equipment purchased through long-term debt	$ 4,223,883	$ 21,070,526
Land, buildings and equipment acquired through donation	$ 6,721,375	$ -
Long-term debt acquired through donation	$ 6,100,000	$ -

See notes to financial statements

Notes to Financial Statements
December 31, 2008 and 2007

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). HBC 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 accounting principles generally accepted in the United States of America 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:

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION
Items over $1,500 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 consisted of one house in St. Charles, Illinois and a piece of property in Texas that was donated to HBC. During 2008, the house was sold, and the Texas property was donated to a non profit organization.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS, REVENUES AND EXPENSES, continued
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 2007 financial statements have been reclassified to conform to the 2008 presentation.

3. LAND, BUILDINGS AND EQUIPMENT:
Land, buildings and equipment consist of the following:

	2008	2007
Land and land improvements	$ 22,109,776	$ 14,345,075
Buildings and improvements	109,189,507	39,033,629
Furniture and fixtures	1,184,593	1,154,727
Office equipment	388,329	382,865
Computer equipment	714,392	714,010
Sound equipment	1,404,602	1,395,539
Other equipment	1,607,134	1,592,692
	136,598,333	58,618,537
Less accumulated depreciation	(10,774,344)	(8,389,404)
	125,823,989	50,229,133
Construction in progress	-	66,947,426
	$ 125,823,989	$ 117,176,559

4. LONG-TERM DEBT:

Long-term debt consists of the following:

	2008	2007
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 were made through April 2008. Thereafter, monthly principal and interest payments of $77,978 began, 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.	12,228,205	12,330,000
Mortgage line of credit of $4,500,000, payable to a bank, monthly interest only payments were made through April 2008. Thereafter, monthly principal and interest payments of $28,459 began, 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.	4,462,848	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.	20,000,000	13,923,516
Mortgage line of credit of $6,100,000, payable to a bank, monthly interest only payments were made through November 2008. Thereafter, monthly principal and interest payments of $45,780 began, with total principal due October 31, 2013. Fixed interest rate of 6.50%. This note is secured by the buildings and property at 551 Congress Parkway in Crystal Lake, Illinois.	6,087,242	-
	$ 67,778,295	$ 55,753,516

4. LONG-TERM DEBT, continued:

Long-term debt matures as follows:

Year ending December 31,		
2009	$	25,351,282
2010		454,352
2011		16,654,811
2012		402,003
2013		24,915,847
	$	67,778,295

The Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2004, require monthly interest payments at a rate set by the remarketing agent (1.90% at December 31, 2008, capped at 10%) and mature in August 2029.

The Adjustable Rate Demand Taxable Revenue Bonds, Series 2004, require monthly interest payments at a rate set by the remarketing agent (4.00% at December 31, 2008, capped at 12%) 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, 2008, 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.

5. 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 2008 and 2007 were $190,580 and $205,919, 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, 2008, and 2007, HBC made contributions to the plan of $82,804 and $81,658, respectively.

6. 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. HBF is a separate 501(c)(3) entity and each church is represented on the Elder Council by an elder and pastor of each HBC church plant. HBC does not exercise any control over HBF. During the years ended December 31, 2008, and 2007, HBC contributed $100,000 to HBF.

During the years ended December 31, 2008, and 2007, HBC contributed $38,000 and $33,000, respectively to a non profit counseling ministry headed by a member of the Board of Elders. In addition, during the years ended December 31, 2008, and 2007, HBC paid $1,735 and $17,280, respectively, for counseling services provided by this organization.

HBC also works with a non profit ministry managed by the wife of a member of the Board of Elders. HBC contributed $20,000 for both 2008 and 2007, respectively, and paid $9,200 and $8,715 for curriculum materials in 2008, and 2007, respectively.

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, 2008, and 2007, HBC contributed $908,086 and $460,800, 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 2008 and 2007.

7. 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, 2008, and 2007 are as follows:

Program services	$ 21,835,884	$ 15,527,727
Supporting activities:		
General and administrative	5,121,998	3,514,990
Fund-raising	-	270,383
	$ 26,957,882	$ 19,313,100

8. 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, 2008, was $14,715,000.

Contractual interest rate terms for the Church's derivative contract at December 31, 2008, were:

	Fixed Rate Payor	Variable Rate Payor	Remaining Term of Contract in Years
October 2005 contract	3.12%	2/3 of 30 day LIBOR	7

The variable rate of the existing bond debt at December 31, 2008, for the interest rate swap contract was 1.90%. At December 31, 2008, and 2007, respectively, the liability, resulting from the estimated difference between the fixed rate and the projected variable rate was $1,413,383 and $235,113. This amount is recomputed each year using the projected interest rates existing at the year end.

9. DISCLOSURE OF FAIR VALUES:

The following disclosures of estimated fair value of financial instruments as of December 31, 2008, and 2007 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, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 4,827,105	$ 4,827,105	$ 4,909,027	$ 4,909,027
Accounts receivable and other assets	423,545	423,545	344,316	344,316
Inventory	166,439	166,439	159,312	159,312
Liabilities for which it is not practicable to estimate fair value:				
Accounts payable and accrued expenses	2,996,733	2,996,733	1,614,212	1,614,212
Construction payable	-	-	4,538,311	4,538,311
Long-term debt	67,778,295	67,778,295	55,753,516	55,753,516

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.

Accounts payable and accrued expenses and construction payable: 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.