# HARVEST BIBLE CHAPEL

FINANCIAL STATEMENTS

December 31, 2009 and 2008

# 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, 2009 and 2008, 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 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, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 10 and 11, Harvest Bible Chapel has adopted the new provisions of the following topics of the Financial Accounting Standards Board Accounting Standards Codification: Fair Value Measurements and Subsequent Events. The adoption of these standards had no impact on previously reported net assets.

Capin Crouse LLP

Wheaton, Illinois
March 19, 2010

# HARVEST BIBLE CHAPEL

## Statements of Financial Position

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents | $ 4,073,433 | $ 4,827,105 |
| Accounts receivable and other assets | 565,063 | 423,545 |
| Inventory | 179,519 | 166,439 |
| Deferred bond costs | 213,275 | 424,909 |
| Land, buildings and equipment – net of accumulated depreciation | 123,448,129 | 125,823,989 |
| | $ 128,479,419 | $ 131,665,987 |
| **LIABILITIES AND NET ASSETS:** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 1,149,757 | $ 1,583,350 |
| Mark-to-market liability | 840,221 | 1,413,383 |
| Long-term debt | 66,802,012 | 67,778,295 |
| | 68,791,990 | 70,775,028 |
| Net assets: | | |
| Unrestricted: | | |
| Equity in land, buildings and equipment | 56,859,392 | 58,470,603 |
| Board designated | 356,130 | 96,841 |
| Available at Board discretion | 2,094,791 | 1,774,428 |
| | 59,310,313 | 60,341,872 |
| Temporarily restricted: | | |
| Special projects | 50,000 | 118,171 |
| Benevolent fund | 45,864 | 67,773 |
| School | 281,252 | 363,143 |
| | 377,116 | 549,087 |
| | 59,687,429 | 60,890,959 |
| | $ 128,479,419 | $ 131,665,987 |

See notes to financial statements

# HARVEST BIBLE CHAPEL

## Statements of Activities

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2008 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions | $ 20,605,179 | $ 709,952 | $ 21,315,131 | $ 19,430,225 | $ 1,629,647 | $ 21,059,872 |
| Ministry revenue | 1,391,003 | - | 1,391,003 | 1,409,962 | - | 1,409,962 |
| Tuition and fees | 3,153,858 | - | 3,153,858 | 2,958,412 | - | 2,958,412 |
| Sales | 481,287 | - | 481,287 | 530,179 | - | 530,179 |
| Interest and other income | 248,940 | - | 248,940 | 257,654 | - | 257,654 |
| Bond mark-to-market income | 573,162 | - | 573,162 | - | - | - |
| | 26,453,429 | 709,952 | 27,163,381 | 24,586,432 | 1,629,647 | 26,216,079 |
| RECLASSIFICATIONS: | | | | | | |
| Net assets released from restrictions upon: | | | | | | |
| Satisfaction of purpose restrictions | 881,923 | (881,923) | - | 2,090,448 | (2,090,448) | - |
| | 881,923 | (881,923) | - | 2,090,448 | (2,090,448) | - |
| EXPENSES: | | | | | | |
| Compensation | 8,645,563 | - | 8,645,563 | 8,830,986 | - | 8,830,986 |
| Ministry | 8,958,581 | - | 8,958,581 | 7,220,640 | - | 7,220,640 |
| Facilities | 2,005,850 | - | 2,005,850 | 2,314,500 | - | 2,314,500 |
| Depreciation | 3,201,131 | - | 3,201,131 | 2,400,805 | - | 2,400,805 |
| Administration | 1,024,037 | - | 1,024,037 | 1,204,062 | - | 1,204,062 |
| Interest expense | 4,531,749 | - | 4,531,749 | 3,808,619 | - | 3,808,619 |
| Bond mark-to-market expense | - | - | - | 1,178,270 | - | 1,178,270 |
| | 28,366,911 | - | 28,366,911 | 26,957,882 | - | 26,957,882 |
| Change in Net Assets | (1,031,559) | (171,971) | (1,203,530) | (281,002) | (460,801) | (741,803) |
| Net Assets, Beginning of Year | 60,341,872 | 549,087 | 60,890,959 | 60,622,874 | 1,009,888 | 61,632,762 |
| Net Assets, End of Year | $ 59,310,313 | $ 377,116 | $ 59,687,429 | $ 60,341,872 | $ 549,087 | $ 60,890,959 |

See notes to financial statements

# HARVEST BIBLE CHAPEL

## Statements of Cash Flows

| | Year Ended December 31, 2009 | Year Ended December 31, 2008 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (1,203,530) | $ (741,803) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 3,212,064 | 2,421,533 |
| Loss on early extinguishment of debt | 200,698 | - |
| Net realized loss on assets held for sale | - | 18,950 |
| Contribution of land, building and equipment, net of acquired debt | - | (621,375) |
| Donated stock | (73,382) | (50,069) |
| Changes in: | | |
| Accounts receivable and other assets | (141,518) | (79,229) |
| Inventory | (13,080) | (7,127) |
| Accounts payable and accrued expenses | (433,593) | 204,251 |
| Mark-to-market liability | (573,162) | 1,178,270 |
| Construction payable | - | (4,538,311) |
| Net Cash Provided (Used) by Operating Activities | 974,497 | (2,214,910) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from the sale of donated stock | 73,382 | 50,069 |
| Purchases of land, buildings and equipment | (825,268) | (102,977) |
| Proceeds from sale of assets held for sale | - | 485,000 |
| Net Cash Provided (Used) by Investing Activities | (751,886) | 432,092 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on long-term debt | (976,283) | (151,705) |
| Borrowings on new long-term debt | - | 1,852,601 |
| Net Cash Provided (Used) by Financing Activities | (976,283) | 1,700,896 |
| Net Change in Cash and Cash Equivalents | (753,672) | (81,922) |
| Cash and Cash Equivalents, Beginning of Year | 4,827,105 | 4,909,027 |
| Cash and Cash Equivalents, End of Year | $ 4,073,433 | $ 4,827,105 |
| Supplemental information: | | |
| Cash paid for interest ($0 and $310,497 was capitalized in 2009 and 2008, respectively) | $ 4,212,789 | $ 4,067,110 |
| Non-cash investing and financing activities: | | |
| Payoff of old debt with issuance of new debt | $ 10,285,500 | $ - |
| Land, buildings and equipment purchased through long-term debt | $ - | $ 4,223,883 |
| 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, 2009 and 2008

1. NATURE OF ORGANIZATION:
Harvest Bible Chapel (HBC) is a religious organization incorporated in the State of Illinois 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.

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.

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. <u>SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION
Items over $5,000 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.

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.

RECENTLY ISSUED ACCOUNTING STANDARDS
Recently adopted accounting pronouncements: On January 1, 2009, HBC adopted the new provisions of the Income Tax topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2009, HBC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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

| | 2009 | 2008 |
|---|---|---|
| Land and land improvements | $ 22,119,414 | $ 22,109,776 |
| Buildings and improvements | 109,380,108 | 109,189,507 |
| Furniture and fixtures | 1,251,931 | 1,184,593 |
| Office equipment | 388,329 | 388,329 |
| Computer equipment | 780,435 | 714,392 |
| Sound equipment | 1,799,533 | 1,404,602 |
| Other equipment | 1,703,851 | 1,607,134 |
| | 137,423,601 | 136,598,333 |
| Less accumulated depreciation | (13,975,472) | (10,774,344) |
| | $ 123,448,129 | $ 125,823,989 |

# HARVEST BIBLE CHAPEL

**Notes to Financial Statements**
December 31, 2009 and 2008

4. LONG-TERM DEBT:
Long-term debt consists of the following:

| | 2009 | 2008 |
|---|---|---|
| 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 |
| 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. | 12,082,934 | 12,228,205 |
| 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. | 4,409,830 | 4,462,848 |
| 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 | 20,000,000 |
| 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. | 5,934,248 | 6,087,242 |

4. LONG-TERM DEBT, continued:

Long-term debt consists of the following, continued:

| | 2009 | 2008 |
|---|---|---|
| Term mortgage payable of $10,285,500, to a bank, monthly principal and interest payments of $125,000 for the first year, $166,667 for the second year, $208,333 for the third year and a balloon payment of $4,285,000 due July 31, 2012. Fixed interest rate of 6.7%. This note is secured by the building and property at 1000 North Randall Road in Elgin Illinois. | 9,660,000 | - |
| | $ 66,802,012 | $ 67,778,295 |

Long-term debt matures as follows:

| Year ending December 31, | |
|---|---|
| 2010 | $ 2,173,485 |
| 2011 | 18,874,348 |
| 2012 | 20,871,947 |
| 2013 | 24,882,232 |
| | $ 66,802,012 |

The Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2004, require monthly interest payments at a rate set by the remarketing agent (1.25% at December 31, 2009, capped at 10%) and mature in August 2029.

The bonds are secured by a third party bank letter of credit, which expires in August 2012, 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, 2009, is to service the bonds through the expiration of the bank letter of credit. Therefore, the bonds are shown to mature in 2012 in the maturity schedule.

4. LONG-TERM DEBT, continued:

In July 2009, the Adjustable Rate Demand Taxable Revenue Bonds, Series 2004, were paid off and converted into the term mortgage note detailed above. The loss on early extinguishment of bond debt of $200,698 is included with interest expense on the statements of activities.

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 2009 and 2008 were $223,339 and $190,580, 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, 2009 and 2008, HBC made contributions to the plan of $82,889 and $82,804, 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 the churches are represented on the Elder Council by elders or pastors of many HBC church plants. HBC does not exercise any control over HBF. During the years ended December 31, 2009 and 2008, HBC contributed $638,000 and $100,000, respectively, to HBF. In addition, HBF owed HBC $31,054 and $82,823 as of December 31, 2009 and 2008, respectively.

During the years ended December 31, 2009 and 2008, HBC contributed $11,000 and $38,000, respectively, to a non profit counseling ministry headed by a former member of the Board of Elders. In addition, during the years ended December 31, 2009 and 2008, HBC paid $1,323 and $1,735, respectively, for counseling services provided by this organization.

6. RELATED PARTY TRANSACTIONS, continued:

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 2009 and 2008, respectively, and paid $8,653 and $9,200 for curriculum materials in 2009 and 2008, 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, 2009 and 2008, HBC contributed $1,016,231 and $908,086, respectively, to WITW. In addition, HBC owed WITW $13,014 and WITW owed HBC $25,000 as of December 31, 2009 and 2008, respectively.

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, 2009 and 2008, are as follows:

| | 2009 | 2008 |
|---|---|---|
| Program services | $ 22,977,198 | $ 21,835,884 |
| Supporting activities: | | |
| General and administrative | 5,389,713 | 5,121,998 |
| Fund-raising | - | - |
| | $ 28,366,911 | $ 26,957,882 |

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 both December 31, 2009 and 2008, was $14,715,000.

Contractual interest rate terms for the Church's derivative contract at December 31, 2009, were:

| | Fixed Rate Payor | Variable Rate Payor | Remaining Term of Contract in Years |
|---|---|---|---|
| October 2005 contract | 3.12% | 2/3 of 30 day LIBOR | 6 |

The variable rate of the existing bond debt at December 31, 2009, for the interest rate swap contract was 1.25%. At December 31, 2009 and 2008, respectively, the liability, resulting from the estimated difference between the fixed rate and the projected variable rate, was $840,221 and $1,413,383. This amount is recomputed each year using the projected interest rates existing at the year end.

9. OPERATING LEASES:

HBC has several lease agreements, primarily for various office equipment and use of facilities. These leases have various expiration dates through 2013. Rental expense was $167,753 and $121,200 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments under operating leases that have remaining lease terms in excess of one year as of December 31, 2009, are:

| | | |
|---|---|---|
| 2010 | $ | 171,757 |
| 2011 | | 95,724 |
| 2012 | | 86,725 |
| 2013 | | 37,430 |
| | $ | 391,636 |

10. DISCLOSURE OF FAIR VALUE and FAIR VALUE MEASUREMENT:

The following disclosures of estimated fair value of financial instruments as of December 31, 2009 and 2008, is made in accordance with the requirements of the Disclosures about Fair Value of Financial Instruments Topic of the FASB Accounting Standards Codification.. The estimated fair value amounts have been determined by HBC using available market information and appropriate valuation methodologies.

| | December 31, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets: | | | | |
| Cash and cash equivalents | $ 4,073,433 | $ 4,073,433 | $ 4,827,105 | $ 4,827,105 |
| Accounts receivable and other assets | 565,063 | 565,063 | 423,545 | 423,545 |
| Inventory | 179,519 | 179,519 | 166,439 | 166,439 |
| Accounts payable and accrued expenses | 1,149,757 | 1,149,757 | 1,583,350 | 1,583,350 |
| Mark-to-market liability | 840,221 | 840,221 | 1,413,383 | 1,413,383 |
| Long-term debt | 66,802,012 | 66,802,012 | 67,778,295 | 67,778,295 |

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.

*Mark-to-market liability and 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.

10. DISCLOSURE OF FAIR VALUE and FAIR VALUE MEASUREMENT, continued:

HBC adopted the provisions of the Fair Value Measurements and Disclosure Topic of the FASB ASC. These standards define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date.

The fair values of investments are based on the framework established in the standards which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

Level 2:

| | 2009 | 2008 |
|---|---|---|
| Mark-to-market liability | $ 840,221 | $ 1,413,383 |

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.