

HARVEST BIBLE FELLOWSHIP

Financial Statements
With Independent Auditors' Report

June 30, 2017 and December 31, 2016

HARVEST BIBLE FELLOWSHIP

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INDEPENDENT AUDITORS' REPORT

Executive Committee
Harvest Bible Fellowship
Rolling Meadows, Illinois

We have audited the accompanying financial statements of Harvest Bible Fellowship, which comprise the statements of financial position as of June 30, 2017 and December 31, 2016, and the related statements of activities and cash flows for the six months and 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 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 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, 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 Harvest Bible Fellowship as of June 30, 2017 and December 31, 2016, and the changes in its net assets and cash flows for the six months and year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Capin Crouse LLP". The signature is written in a cursive, flowing style.

Wheaton, Illinois
August 30, 2017

HARVEST BIBLE FELLOWSHIP

Statements of Financial Position

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
ASSETS:		
Cash and cash equivalents	\$ 364,203	\$ 1,627,478
Accounts receivable and other assets, net of allowance of \$398,883 and \$44,278	500,082	230,484
Fixed assets, net	<u>2,313,165</u>	<u>2,280,746</u>
 Total Assets	 <u>\$ 3,177,450</u>	 <u>\$ 4,138,708</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	<u>\$ 876,305</u>	<u>\$ 1,159,301</u>
 Net assets:		
Unrestricted:		
Available at Board discretion	<u>(239,429)</u>	<u>320,548</u>
 Temporarily restricted:		
Acceleration	2,157,778	2,433,425
International missions	257,099	74,960
Church plants	<u>125,697</u>	<u>150,474</u>
	<u>2,540,574</u>	<u>2,658,859</u>
	<u>2,301,145</u>	<u>2,979,407</u>
 Total Liabilities and Net Assets	 <u>\$ 3,177,450</u>	 <u>\$ 4,138,708</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Statements of Activities

	Six Months Ended June 30, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 64,289	\$ 1,100,449	\$ 1,164,738	\$ 42,512	\$ 4,167,829	\$ 4,210,341
Membership contributions	1,926,018	-	1,926,018	3,681,821	-	3,681,821
Other revenue	547,675	-	547,675	270,528	-	270,528
	<u>2,537,982</u>	<u>1,100,449</u>	<u>3,638,431</u>	<u>3,994,861</u>	<u>4,167,829</u>	<u>8,162,690</u>
RECLASSIFICATIONS:						
Net assets released from restrictions upon satisfaction of purpose restrictions	1,218,734	(1,218,734)	-	4,401,132	(4,401,132)	-
	<u>1,218,734</u>	<u>(1,218,734)</u>	<u>-</u>	<u>4,401,132</u>	<u>(4,401,132)</u>	<u>-</u>
EXPENSES:						
Compensation	939,553	-	939,553	2,706,691	-	2,706,691
Ministry	2,739,580	-	2,739,580	4,977,763	-	4,977,763
Administration	637,560	-	637,560	779,584	-	779,584
	<u>4,316,693</u>	<u>-</u>	<u>4,316,693</u>	<u>8,464,038</u>	<u>-</u>	<u>8,464,038</u>
Change in Net Assets	(559,977)	(118,285)	(678,262)	(68,045)	(233,303)	(301,348)
Net Assets, Beginning of Period	<u>320,548</u>	<u>2,658,859</u>	<u>2,979,407</u>	<u>388,593</u>	<u>2,892,162</u>	<u>3,280,755</u>
Net Assets, End of Period	<u>\$ (239,429)</u>	<u>\$ 2,540,574</u>	<u>\$ 2,301,145</u>	<u>\$ 320,548</u>	<u>\$ 2,658,859</u>	<u>\$ 2,979,407</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Statements of Cash Flows

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (678,262)	\$ (301,348)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	98,838	98,838
Changes in:		
Accounts receivable and other assets	(269,598)	16,186
Accounts payable	(282,996)	904,161
Net Cash (Used) Provided by Operating Activities	<u>(1,132,018)</u>	<u>717,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	<u>(131,257)</u>	<u>(2,322,084)</u>
Net Cash Used by Investing Activities	<u>(131,257)</u>	<u>(2,322,084)</u>
Net Change in Cash and Cash Equivalents	(1,263,275)	(1,604,247)
Cash and Cash Equivalents, Beginning of Year	<u>1,627,478</u>	<u>3,231,725</u>
Cash and Cash Equivalents, End of Year	<u>\$ 364,203</u>	<u>\$ 1,627,478</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Notes to Financial Statements

June 30, 2017 and December 31, 2016

1. NATURE OF ORGANIZATION:

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

The major source of revenue is contributions. Year to year fluctuations are expected due to the timing of strategic initiatives. The resulting changes in net assets will fluctuate from year to year as well.

HBF 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). HBF has a multi-ministry outreach consisting of church planting, pastoral training and member church support.

Effective July 1, 2017, HBF changed its method of supporting church planting and is no longer receiving general membership contributions, except from Harvest Bible Chapel Rolling Meadows.

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 and checking accounts. From time to time, the balance in these accounts may exceed federal deposit insurance limits; however, HBF 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 RECEIVABLE AND OTHER ASSETS

Accounts receivable primarily consists of amounts due from HBF member churches and prepaid expenses. As of June 30, 2017 and December 31, 2016, the allowance for doubtful accounts was \$398,883 and \$44,278, respectively. The allowance was based on management's analysis of receivables and historical experience regarding collectability. Subsequent to June 30, 2017, all receivables from Harvest Bible Chapel Rolling Meadows and Walk in the Word were collected by HBF, while all other receivables were deemed uncollectible and written off.

HARVEST BIBLE FELLOWSHIP

Notes to Financial Statements

June 30, 2017 and December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FIXED ASSETS

Fixed assets in excess of \$5,000 are capitalized at cost, or if donated, at the fair market value on the date of the gift. Repairs and maintenance that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

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 HBF's operations.

Temporarily restricted amounts are those stipulated by donors for specific operating purposes such as church planting and missions, as well as for the broad purpose of accelerating church planting.

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 undertaken, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Temporarily restricted contributions include approximately \$586,304 and \$2,690,200 funds raised in 2017 and 2016, respectively, from strategic programs initiated by Harvest Bible Chapel Rolling Meadows for the purpose of accelerating church planting and ministry expansion.

Membership contributions include amounts paid by HBF member churches and are recorded when earned. Other revenues include curriculum revenue, amounts paid for conferences sponsored by HBF and interest income from cash accounts.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2017 and December 31, 2016, HBF had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

HARVEST BIBLE FELLOWSHIP

Notes to Financial Statements

June 30, 2017 and December 31, 2016

3. FIXED ASSETS:

Fixed assets consist of:

	2017	2016
Buildings	\$ 1,668,916	\$ 1,563,996
Furniture and fixtures	129,315	102,978
Computer equipment and software	712,610	712,610
	<u>2,510,841</u>	<u>2,379,584</u>
Less accumulated depreciation	(197,676)	(98,838)
	<u>\$ 2,313,165</u>	<u>\$ 2,280,746</u>

4. 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 salaries, have been allocated among the program services and supporting activities. Functional expenses for the six months and year ended June 30, 2017 and December 31, 2016, are as follows:

	2017	2016
Program services	\$ 3,711,311	\$ 7,072,948
Supporting activities:		
General and administrative	523,582	1,222,481
Fund-raising	81,800	168,609
	<u>\$ 4,316,693</u>	<u>\$ 8,464,038</u>

5. RETIREMENT PLAN:

HBF contributes to a 403(b) plan on behalf of all full-time employees (working at least 1,000 hours per year) participating through elective salary reductions. HBF matches employee contributions up to 3% of annual base salary. Employees are fully vested immediately upon participation. Contributions to the 403(b) plan during the six months and year ended June 30, 2017 and December 31, 2016, were \$2,719 and \$3,555, respectively.

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Notes to Financial Statements

June 30, 2017 and December 31, 2016

6. RELATED PARTY TRANSACTIONS:

HBF serves Harvest Bible Chapel Rolling Meadows and all plant churches by providing temporary governance to all new plant churches. There are board members that serve on both the Harvest Bible Chapel Rolling Meadows and HBF boards. During the six month period and year ended June 30, 2017 and December 31, 2016, HBF received \$650,000 and \$1,246,000, respectively, in membership contributions and other support from Harvest Bible Chapel Rolling Meadows. These membership contributions from Harvest Bible Chapel Rolling Meadows made up 34% and 34% of total membership contributions in 2017 and 2016, respectively. HBF did not incur or pay any expenses for shared services provided by Harvest Bible Chapel Rolling Meadows during the period ended June 30, 2017. Additionally, HBF owed Harvest Bible Chapel Rolling Meadows and Walk in the Word \$447,865 and \$1,101,277 as of June 30, 2017 and December 31, 2016, respectively.

HBF and Harvest Bible Chapel Rolling Meadows entered into a ground lease agreement in 2016 related to the Pastors Training Facility (HBF-owned) built on Harvest Bible Chapel Rolling Meadows's Camp Harvest property in Newaygo, Michigan. This lease expires in December 2115 and has an annual lease payment of \$10. HBF paid \$0 in operating expenses related to the Pastors Training Facility during the six month period ended June 30, 2017, as these expenses were covered by Harvest Bible Chapel Rolling Meadows.

During the six month period and year ended June 30, 2017 and December 31, 2016, HBF allocated \$263,211 and \$1,005,004, respectively, for church planting to Harvest Bible Chapel Rolling Meadows of the \$2,690,200 raised by Harvest Bible Chapel Rolling Meadows for HBF's church plant acceleration efforts.

During the year ended June 30, 2017, HBF gave a gift towards Trinity Church building fund. This gift of \$50,000 was fully reimbursed by the Harvest Bible Chapel Rolling Meadows blessing account.

7. 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.

As of the date of the audit report, all funds restricted for a specific purpose, such as international missions and church plants, as of June 30, 2017, have been released for their intended purposes, with written receipt confirmations from the ministries responsible for administering the funds.

As of the date of the audit report, Harvest Bible Chapel Rolling Meadows and Walk in the Word have paid all outstanding payables to HBF in full.