HARVEST BIBLE CHAPEL

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

CAPINCROUSE LLP

HARVEST BIBLE CHAPEL

Table of Contents

INDEPENDENT AUDITORS' REPORT

Board of Elders
Harvest Bible Chapel
Rolling Meadows, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Harvest Bible Chapel, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harvest Bible Chapel as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Harvest Bible Chapel, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, in 2022, the Organization adopted FASB ASC 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvest Bible Chapel's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

55 Shuman Blvd, Suite 300
Naperville, IL 60563
505.50.CAPIN
capincrouse.com

Board of Elders
Harvest Bible Chapel
Rolling Meadows, Illinois

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Harvest Bible Chapel's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvest Bible Chapel's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Naperville, Illinois
April 27, 2023

HARVEST BIBLE CHAPEL

Consolidated Statements of Financial Position

	December 31, 2022	December 31, 2021
ASSETS:		
Cash and cash equivalents	$ 4,589,602	$ 7,134,118
Restricted cash	834,646	-
Investments	1,832,663	2,013,840
Accounts receivable and other assets	861,227	693,391
Property held for sale	-	2,000,000
Finance lease right-of-use assets	459,230	-
Land, buildings and equipment – net	101,657,423	104,641,132
Total Assets	$ 110,234,791	$ 116,482,481
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 1,718,383	$ 2,138,920
Finance lease obligation	548,408	-
Notes payable	32,215,859	36,419,078
Total liabilities	34,482,650	38,557,998
Net assets:		
Without donor restrictions:		
Noncontrolling interests in subsidiaries	3,730,000	3,730,000
Available at board discretion	70,316,246	72,426,827
	74,046,246	76,156,827
With donor restrictions	1,705,895	1,767,656
Total net assets	75,752,141	77,924,483
Total Liabilities and Net Assets	$ 110,234,791	$ 116,482,481

See notes to consolidated financial statements

HARVEST BIBLE CHAPEL

Consolidated Statements of Activities

	Year Ended December 31, 2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND LOSSES:						
Contributions	$ 13,377,320	$ 339,028	$ 13,716,348	$ 13,166,826	$ 375,627	$ 13,542,453
Gift-in-kind contributions	-	943,008	943,008	-	737,646	737,646
Ministry revenue	1,033,970	-	1,033,970	720,320	-	720,320
Tuition and fees, net	4,136,214	-	4,136,214	3,600,876	-	3,600,876
Sales	22,785	-	22,785	28,170	-	28,170
Investment and other income	484,764	-	484,764	666,956	-	666,956
Employee Retention Credit grant	-	-	-	2,846,683	-	2,846,683
Paycheck Protection Program loan forgiveness	2,000,000	-	2,000,000	2,556,200	-	2,556,200
Total Support, Revenue, and Losses	21,055,053	1,282,036	22,337,089	23,586,031	1,113,273	24,699,304
RECLASSIFICATIONS:						
Net assets released from restrictions upon:						
Satisfaction of purpose restrictions	1,343,797	(1,343,797)	-	1,174,319	(1,174,319)	-
EXPENSES:						
Program services	20,749,953	-	20,749,953	19,879,083	-	19,879,083
Supporting activities:						
General and administrative	3,582,759	-	3,582,759	3,251,718	-	3,251,718
Fundraising	54,529	-	54,529	53,955	-	53,955
Total Expenses	24,387,241	-	24,387,241	23,184,756	-	23,184,756
Change in Net Assets from Continuing Operations	(1,988,391)	(61,761)	(2,050,152)	1,575,594	(61,046)	1,514,548
Loss on Discontinued Operations (Note 14)	(122,190)	-	(122,190)	(6,405,674)	-	(6,405,674)
Change in Net Assets	(2,110,581)	(61,761)	(2,172,342)	(4,830,080)	(61,046)	(4,891,126)
Net Assets, Beginning of Year	76,156,827	1,767,656	77,924,483	80,986,907	1,828,702	82,815,609
Net Assets, End of Year	$ 74,046,246	$ 1,705,895	$ 75,752,141	$ 76,156,827	$ 1,767,656	$ 77,924,483

See notes to consolidated financial statements

HARVEST BIBLE CHAPEL

Consolidated Statements of Cash Flows

	Year Ended December 31, 2022	Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,172,342)	$ (4,891,126)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,691,322	4,073,797
Gain on disposal of land, buildings and equipment	(26,726)	-
Impairment loss on land, buildings and equipment	-	5,663,565
Paycheck Protection Program loan forgiveness	(2,000,000)	(2,556,200)
Changes in:		
Accounts receivable and other assets	(167,836)	(361,335)
Accounts payable and accrued expenses	108,441	(131,999)
Net Cash (Used) Provided by Operating Activities	(567,141)	1,796,702
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(337)
Proceeds from sale of investments	181,177	-
Proceeds from the sale of property held for sale	2,000,000	-
Purchases of land, buildings and equipment	(857,139)	(776,296)
Net Cash Provided (Used) by Investing Activities	1,324,038	(776,633)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	23,750,000	-
Proceeds from Paycheck Protection Program loan	-	2,000,000
Principal payments on financing lease	(263,548)	-
Principal payments on notes payable	(25,953,219)	(1,366,154)
Net Cash (Used) Provided by Financing Activities	(2,466,767)	633,846
Net Change in Cash, Cash Equivalents, and Restricted Cash	(1,709,870)	1,653,915
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	7,134,118	5,480,203
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 5,424,248	$ 7,134,118
Supplemental information:		
Right-of-use assets obtained in exchange for financing lease obligations	$ 414,622	$ -
Interest paid related to financing leases	$ 40,796	$ -
Cash paid for interest	$ 2,344,663	$ 2,444,816
Loan forgiveness recognized as revenue	$ 2,000,000	$ 2,556,200
Land, buildings and equipment moved to property held for sale	$ -	$ 2,000,000

See notes to consolidated financial statements

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 outreach, discipleship, missions, worship, evangelism, prayer, youth, fellowship, Christian education, and digital engagement. HBC has six campuses in Illinois: Rolling Meadows, Chicago, Highland Park, Crystal Lake, Elgin, and Aurora.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of HBC and the following other entities:

- Harvest Bible Chapel North Shore, LLC (NSLLC) was formed in June 2015 with its sole purpose to acquire, own, and lease property located at 1731 Deerfield Road, Highland Park, Illinois, to HBC. The lease agreement was entered into on August 1, 2015, and was effective through July 31, 2019. Beginning in August 2019, it is currently on a month-to-month agreement. Monthly rental payments are $22,250. HBC is the sole Class A member and manager of the NSLLC, and made a capital contribution of $550,000 during 2015. There are also Class B members who made combined capital contributions of $4,450,000, all of which was purchased by HBC, so HBC is the sole member in NSLLC. The NSLLC is not a taxpaying entity for federal income tax purposes, and thus no income tax expense has been recorded in the consolidated statements. Income of the NSLLC is passed through to its members.

- Harvest Bible Chapel Aurora, LLC (AULLC) was formed in March 2016 with its sole purpose to acquire, own, and lease property located at 101 S. Barnes Road, Aurora, Illinois, to HBC. The lease agreement was entered into on June 1, 2016, and was effective through May 31, 2020. Beginning in June 2020, it is currently on a month-to-month agreement. Monthly rental payments are $20,250. HBC is the sole Class A member and manager of the AULLC, and made a capital contribution of $160,000 during 2016. There are also Class B members who made combined capital contributions of $4,000,000, of which $270,000 was also from HBC. The AULLC is not a taxpaying entity for federal income tax purposes, and thus no income tax expense has been recorded in the consolidated financial statements. Income of the AULLC is passed through to its members.

Intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared using the accrual basis of accounting. The preparation of consolidated 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, ready access accounts, money market accounts. At December 31, 2022 and 2021, HBC's cash and restricted cash balances exceeded federally insured limits by $4,208,999 and $5,703,182, respectively.

RESTRICTED CASH

Restricted cash represents a loan payment reserve required by HBC's lender.

INVESTMENTS

Investments in US Treasury Obligation mutual funds and certificates of deposit with readily determinable fair values are recorded at fair value with gains and losses reported in the consolidated statements of activities. Investment income and realized and unrealized gains and losses are included in investment and other income without donor restrictions unless a donor or law temporarily or permanently restricts their use.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets primarily consists of school receivables, prepaid expenses, and inventory. Management has assessed all receivables and written off any believed to be uncollectible. All other amounts are believed to be fully collectible.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY HELD FOR SALE

In 2021, HBC entered into a purchase-sale agreement to sell its Camp Harvest property and operations located in Michigan to another unrelated ministry for $2,000,000. Property held for sale is reported at the lower of its carrying amount or fair value less estimated selling costs. As this property was originally donated to HBC to be used as a Camp, HBC sought to locate another ministry to carry on this use. The final closing on this property occurred in March 2022. As a result of the sale, HBC recognized an impairment loss on the property of $5,663,565 during the year ended December 31, 2021. This loss is recorded in the consolidated statements of activities as part of the loss on discontinued operations. See Note 14 for more details on the discontinued operations. Upon completion of the sale, HBC paid off its note payable due on this property of approximately $1,200,000.

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Items over $2,500 are capitalized at cost, or if donated, at the fair market value on the date of the gift. Depreciation expense is recorded on the straight-line method over the estimated useful lives of the assets, ranging from eighteen months to forty years.

FINANCING LEASE - RIGHT OF USE ASSETS AND OBLIGATIONS

HBC adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of financing lease right-of-use assets totaling $459,230 and lease obligations of $548,408 as of December 31, 2022. The additional disclosures can be found in Note 7.

CLASSES OF NET ASSETS

Net assets are classified in the consolidated financial statements as follows:

Net assets without donor restrictions 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, and noncontrolling interests in subsidiaries.

Net assets with donor restrictions are those stipulated by donors for specific operating purposes or for acquisition of land, buildings and equipment or those with timing restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 use without donor restriction, unless specifically restricted by the donor or subject to legal restrictions. Gifts of cash and other assets are reported as support with donor restriction 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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 support with donor restriction.

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 consolidated financial statements because they do not meet the necessary accounting criteria.

Other revenues, including ministry revenue, tuition and fees, sales and interest are recorded when earned. Ministry revenue consists of amounts paid for various activities, retreats, conferences and camp fees.

Revenues from tuition and fees are earned in the fiscal year in which educational services are provided. Payments for tuition are due in monthly, semi-annual, or annual installments. Institutional aid, in the form of scholarships, multi-child, member and other discounts, reduces the published price of tuition for students receiving such aid and is reported as a reduction of tuition and fees revenue. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed the student. Institutional aid provided to students was $1,519,673 and $1,579,797 during the years ended December 31, 2022 and 2021, respectively.

Expenses are recorded when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS, REVENUES AND EXPENSES, continued

The activity and balances for unearned revenue from contracts with customers are shown in the following table:

	Tuition and Fees	Other	Total
Balance, December 31, 2020	$ 352,544	$ 9,824	$ 362,368
Revenue recognized	(352,544)	(9,824)	(362,368)
Payments received for future performance obligations	545,458	25,632	571,090
Balance, December 31, 2021	545,458	25,632	571,090
Revenue recognized	(545,458)	(25,632)	(571,090)
Payments received for future performance obligations	651,432	1,185	652,617
Balance, December 31, 2022	$ 651,432	$ 1,185	$ 652,617

The unearned revenue from contracts with customers shown above is included in accounts payable and accrued expenses in the consolidated statements of financial position.

GIFT-IN-KIND CONTRIBUTIONS

For the years ended December 31, gift-in-kind contributions recognized within the consolidated statements of activities included:

	2022	2021
Food, toiletries, and hygiene items	$ 943,008	$ 737,646
	$ 943,008	$ 737,646

HBC recognizes gift-in-kind contributions within support and revenue, which includes food, toiletries, and hygiene items. These contributions are restricted by the donors to be distributed free of charge to persons that are in need. HBC accomplishes these purposes via the Hope Centers, a ministry of HBC, currently located on three campuses. The primary goal of the Hope Center is to provide tangible help and hope in Jesus to all those who are in need.

It is HBC's policy to distribute these resources as effectively and efficiently as feasible. The values of these contributions are determined based on estimated fair market value of the goods received at the time of donation.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

As of January 1, 2021, HBC adopted the provisions of the FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* . ASU 2020-07 increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842 of the ASC)* . The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. HBC adopted this update for the year ended December 31, 2022. Some of HBC's contracts contain the right to control the use of property or assets and are therefore considered leases. HBC elected to adopt the transition relief provisions from ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating prior-year amounts. HBC also elected the practical expedient package to not reassess any leases in effect prior to the adoption of the lease accounting standard and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. The additional lease disclosures can be found in Note 7.

3. INVESTMENTS:

Investments consist of:

	December 31, 2022	December 31, 2021
At fair value:		
US Treasury Obligations mutual funds	$ 1,832,663	$ 514,032
Certificates of deposit	-	1,499,808
	$ 1,832,663	$ 2,013,840

4. LAND, BUILDINGS AND EQUIPMENT, NET:

Land, buildings and equipment consist of the following:

	December 31, 2022	December 31, 2021
Land and land improvements	$ 27,548,855	$ 27,347,655
Buildings and improvements	119,215,259	118,992,101
Furniture and fixtures	2,333,859	2,274,793
Office equipment	213,301	213,301
Computer equipment and software	2,525,635	3,821,803
Sound and video equipment	4,643,699	4,480,121
Other equipment	1,773,735	1,539,836
	158,254,343	158,669,610
Less accumulated depreciation	(56,596,920)	(54,028,478)
	$ 101,657,423	$ 104,641,132

5. NOTES PAYABLE:

Notes payable consist of the following:

	December 31, 2022	December 31, 2021
Mortgage payable of $30,119,000, paid off in 2022	$ -	$ 24,147,434
Mortgage payable of $11,572,000, payable to a bank, monthly principal and interest payments of $74,852, at a current rate of 6.25%. Unpaid principal and interest is due in March 2023. This note is secured by real property in Rolling Meadows, Illinois. In April 2023, HBC made payments of $2,626,000 on this loan, and the lender extended the remaining loan an additional 18 months, reducing the monthly principal and interest payment to $52,050. If HBC has this balance at $4,600,000 or less by October 2024, the loan will automatically extend an additional 12 months.	8,752,593	9,092,144
Mortgage payable of $2,317,042, paid off in 2022.	-	1,203,164
Mortgage payable of $23,750,000, payable to a church extension fund, interest only for one year, then monthly principal and interest payments of $208,661, at a current rate of 5.95%. Interest rate resets every five years. The final loan payment is due November 2037. This note is secured by real property in Elgin, Chicago, and Crystal Lake, Illinois.	23,750,000	-

5. NOTES PAYABLE, continued:

	December 31, 2022	December 31, 2021
As part of the response to the impact of COVID-19, HBC applied for a Paycheck Protection Program (PPP) loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. HBC was approved for a loan in the amount of $2,556,200 in April 2020, and a second loan in the amount of $2,000,000 in January 2021. HBC received notice from its lender in July 2021 that the full amount of the $2,556,200 loan had been forgiven. HBC received notice from its lender in June 2022 that the full amount of the $2,000,000 loan had been forgiven.	-	2,000,000
	32,502,593	36,442,742
Loan origination fees, net	(286,734)	(23,664)
	$ 32,215,859	$ 36,419,078

Notes payable mature as follows for the year ending December 31:

2023	$ 8,843,495
2024	1,126,616
2025	1,195,508
2026	1,268,613
2027	1,346,188
Thereafter	18,722,173
	$ 32,502,593

Notes payable agreements contain certain covenants. HBC was in compliance with all covenants as of the date the consolidated financial statements were available to be issued.

6. EMPLOYEE RETENTION CREDIT:

HBC claimed a tax credit of $2,846,683 through the Employee Retention Credit (ERC) program offered through the CARES Act. The credit is claimed in relation to qualified wages owed for the year ended December 31, 2021. The full amount of the credit was recognized as grant revenue. Laws and regulations concerning government programs, including the ERC, established by the CARES Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge HBC's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon HBC. However, management believes HBC is a fully eligible and qualified recipient of these funds.

7. FINANCING LEASE-RIGHT OF USE ASSET AND OBLIGATION:

HBC leases equipment under two noncancelable financing leases expiring at various dates through 2027. The discount rate represents HBC's incremental borrowing rate using a period comparable with that of the individual lease term on the adoption date of the lease standard. One lease requires monthly payments of $8,210 and one requires monthly payments of $17,043.

	December 31, 2022
Financing lease right-of-use asset	$ 459,230
Financing lease obligation	$ 548,408
Financing lease costs:	
Amortization of right-of-use assets	$ 243,580
Interest on lease liabilities	$ 40,796
Weighted-average discount rate	7%
Weighted-average remaining lease term	3.73 years

Future minimum lease payments required under the finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Year Ending December 31,	
2023	$ 269,520
2024	115,848
2025	98,520
2026	98,520
2027	32,840
	615,248
Less imputed interest	(66,840)
Present value of minimum capital lease payments	$ 548,408

8. FUNCTIONAL ALLOCATION OF EXPENSES:
The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of HBC, which are primarily allocated on estimates of time and effort and square footage. The following table presents the functional allocation of expenses for the year ended December 31, 2022:

	Program Services	Management and General	Fundraising	2022 Total
Compensation	$ 9,622,634	$ 2,173,281	$ 35,000	$ 11,830,915
Depreciation and amortization	3,493,202	190,289	7,831	3,691,322
Interest	2,208,614	105,170	4,208	2,317,992
Facilities	604,414	33,847	1,939	640,200
In-kind food donations to others	970,044	-	-	970,044
Events	162,126	-	-	162,126
Church planter support	318,410	-	-	318,410
Professional and banking fees	-	602,789	-	602,789
Utilities	827,053	42,238	1,789	871,080
Information technology supplies and services	263,294	263,294	-	526,588
Educational curriculum and other supplies	896,899	-	-	896,899
Travel	146,350	7,703	-	154,053
Vertical Worship album production and management	141,459	-	-	141,459
Insurance	444,230	78,857	2,629	525,716
Other	651,224	85,291	1,133	737,648
Total Expenses	$ 20,749,953	$ 3,582,759	$ 54,529	$ 24,387,241

8. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The following table presents the functional allocation of expenses for the year ended December 31, 2021:

	Program Services	Management and General	Fundraising	2021 Total
Compensation	$ 9,318,504	$ 1,719,260	$ 33,675	$ 11,071,439
Depreciation	3,585,600	183,348	7,913	3,776,861
Interest	2,287,754	109,800	4,442	2,401,996
Facilities	562,088	45,667	2,473	610,228
In-kind food donations to others	684,623	-	-	684,623
Events	109,680	-	-	109,680
Church planter support	18,080	-	-	18,080
Professional and banking fees	-	667,463	-	667,463
Utilities	786,058	41,144	1,808	829,010
Information technology supplies and services	328,564	328,564	-	657,128
Educational curriculum and other supplies	933,153	-	-	933,153
Travel	187,367	9,861	-	197,228
Vertical Worship album and management	172,398	-	-	172,398
Insurance	394,139	69,966	2,332	466,437
Other	511,075	76,645	1,312	589,032
Total Expenses	$ 19,879,083	$ 3,251,718	$ 53,955	$ 23,184,756

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation and occupancy-related costs are allocated on a square footage basis. Costs of other categories are allocated on the basis of estimates of time and effort.

9. FAIR VALUE MEASUREMENTS:

HBC uses appropriate valuation techniques to determine fair value based on inputs available. When available, HBC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. 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 table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2022:

	Total	Level 1	Level 2	Level 3
Investments:				
US Treasury Obligations mutual funds	$ 1,832,663	$ 1,832,663	$ -	$ -

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2021:

	Total	Level 1	Level 2	Level 3
Investments:				
US Treasury Obligations mutual funds	$ 514,032	$ 514,032	$ -	$ -
Certificates of deposit	1,499,808	-	1,499,808	-
	$ 2,013,840	$ 514,032	$ 1,499,808	$ -

The following methods and assumptions were used by HBC to estimate the fair value of each class of financial instruments at December 31, 2022 and 2021:

Investments - The fair values for US Treasury obligations are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of certificates of deposit are based on yields currently available on comparable securities of issuers with similar credit ratings.

10. RETIREMENT PLANS:

HBC 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. HBC currently matches employee contributions based on a percentage of annual base salary. Employees are fully vested over a period of two years. Contributions to the 403(b) plan during 2022 and 2021 were $211,038 and $143,141, respectively.

11. MEDICAL INSURANCE:

HBC operated a self-funded health insurance plan for qualified employees through December 31, 2022. As of January 1, 2023, HBC converted its medical insurance to a fully insured plan, ending its relationship with the stop-loss provider on February 1, 2023. As of December 31, 2022 and 2021, the self-funded plan had an annual stop-loss limit of $85,000 for each insured individual per year. The plan also had a cumulative stop-loss limit for the entire group per year. Once either limit had been reached, the reinsurance coverage would directly pay all claims with no cap or limit. The plan had no lifetime maximum coverage limits per individual or cause. The plan uses an outside third-party administrator to process all claims.

As of December 31, 2022 and 2021, the reserve for unpaid claims, including those incurred but not reported, totaled approximately $273,000 and $142,000, respectively, and is included in accounts payable and accrued expenses. This reserve is based on an estimate of outstanding claims at December 31; however, the actual liability is unknown and exposure to losses in excess of the accrued reserve may exist. Management believes that the liability reflected in the consolidated statements of financial position is adequate to cover future losses as of December 31, 2022.

HBC is a member of an offshore captive insurance holding company, Well Health Insurance Ltd. (Well Health). Well Health provides reinsurance for HBC. Once HBC has paid $85,000 of claims on an individual in a given year, Well Health covers the next $250,000 of claims related to that individual, with the remaining coverage paid by a stop-loss provider.

12. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31, 2022	December 31, 2021
Subject to expenditure for specified purpose:		
Scholarship fund	$ 805,520	$ 805,520
School fund	129,759	99,956
Camp fund	178,842	178,842
Benevolence fund	317,319	390,465
Hope Centers	166,512	169,644
Faithful Medical Decisions	56,529	72,229
Other purpose restrictions	51,414	51,000
Total net assets with donor restrictions	$ 1,705,895	$ 1,767,656

13. LIQUIDITY AND FUNDS AVAILABLE:

HBC's financial assets available to meet cash needs for general expenditures within one year are as follows:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 2,903,829	$ 5,413,620
Investments	1,832,663	2,013,840
Accounts receivable	465,965	310,311
Total	$ 5,202,457	$ 7,737,771

HBC is substantially supported by contributions, which at times are received with donor restrictions. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. HBC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of HBC's liquidity management, HBC has established guidelines for making decisions related to managing short term cash reserves and other investments in a prudent manner. Management strives to maintain 3 months of expenses as a reasonable cash reserve on an ongoing basis.

14. DISCONTINUED OPERATIONS:

In December 2021, HBC entered into an agreement to sell the assets and operations of Camp Harvest to an unrelated ministry. As a result, the change in net assets from this segment of HBC's ministry is shown as discontinued operations on the consolidated statements of activities during the years ended December 31, 2022 and 2021. The major line items from discontinued operations are as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Support and Revenue:		
Contributions	$ 7,530	$ 57,396
Ministry revenue	38,995	483,900
Investment and other income	120	11,109
Impairment loss on land, buildings and equipment	-	(5,663,565)
	46,645	(5,111,160)
Expenses:		
Program services	161,100	1,227,936
Supporting activities:		
General and administrative	7,735	66,264
Fundraising	-	314
	168,835	1,294,514
Loss on discontinued operations	$ (122,190)	$ (6,405,674)

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 27, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.