

HARVEST BIBLE CHAPEL

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2024 and 2023

HARVEST BIBLE CHAPEL

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

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 LLC

Naperville, Illinois
April 30, 2025

HARVEST BIBLE CHAPEL

Consolidated Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 3,356,900	\$ 3,676,056
Restricted cash	834,646	834,646
Investments	301,051	574,027
Other assets	442,693	453,764
Finance lease right-of-use assets	193,490	276,414
Land, buildings and equipment – net	96,092,995	99,176,914
Total Assets	\$ 101,221,775	\$ 104,991,821
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 378,059	\$ 456,544
Deferred revenue	807,733	805,647
Finance lease obligation	211,521	292,145
Notes payable	26,822,055	29,155,185
Total liabilities	28,219,368	30,709,521
Net assets:		
Without donor restrictions:		
Noncontrolling interests in subsidiaries	3,730,000	3,730,000
Available at board discretion	67,597,794	68,940,309
	71,327,794	72,670,309
With donor restrictions	1,674,613	1,611,991
Total net assets	73,002,407	74,282,300
Total Liabilities and Net Assets	\$ 101,221,775	\$ 104,991,821

See notes to consolidated financial statements

HARVEST BIBLE CHAPEL

Consolidated Statements of Activities

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 12,278,301	\$ 684,440	\$ 12,962,741	\$ 12,457,319	\$ 628,388	\$ 13,085,707
Gift-in-kind contributions	-	1,239,856	1,239,856	-	1,302,096	1,302,096
Ministry revenue	652,973	-	652,973	944,149	-	944,149
Tuition and fees, net	4,766,256	-	4,766,256	4,584,589	-	4,584,589
Sales	3,543	-	3,543	35,244	-	35,244
Investment and other income	556,666	-	556,666	770,050	-	770,050
Total Support and Revenue	18,257,739	1,924,296	20,182,035	18,791,351	1,930,484	20,721,835
RECLASSIFICATIONS:						
Net assets released from restrictions upon:						
Satisfaction of purpose restrictions	1,861,674	(1,861,674)	-	2,024,388	(2,024,388)	-
EXPENSES:						
Program services	19,131,267	-	19,131,267	19,785,954	-	19,785,954
Supporting activities:						
General and administrative	2,252,865	-	2,252,865	2,337,806	-	2,337,806
Fundraising	77,796	-	77,796	67,916	-	67,916
Total Expenses	21,461,928	-	21,461,928	22,191,676	-	22,191,676
Change in Net Assets	(1,342,515)	62,622	(1,279,893)	(1,375,937)	(93,904)	(1,469,841)
Net Assets, Beginning of Year	72,670,309	1,611,991	74,282,300	74,046,246	1,705,895	75,752,141
Net Assets, End of Year	\$ 71,327,794	\$ 1,674,613	\$ 73,002,407	\$ 72,670,309	\$ 1,611,991	\$ 74,282,300

See notes to consolidated financial statements

HARVEST BIBLE CHAPEL

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,279,893)	\$ (1,469,841)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,707,324	3,718,590
Donated land, buildings and equipment	(13,561)	(175,557)
Changes in:		
Other assets	11,071	407,463
Accounts payable and accrued expenses	(78,485)	(572,857)
Deferred revenue	2,086	116,665
Net Cash Provided by Operating Activities	<u>2,348,542</u>	<u>2,024,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(58,005)
Proceeds from sale of investments	272,976	1,316,641
Purchases of land, buildings and equipment	(507,991)	(879,708)
Net Cash (Used) Provided by Investing Activities	<u>(235,015)</u>	<u>378,928</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on financing lease	(80,624)	(256,263)
Principal payments on notes payable	(2,352,059)	(3,060,674)
Net Cash Used by Financing Activities	<u>(2,432,683)</u>	<u>(3,316,937)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(319,156)	(913,546)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>4,510,702</u>	<u>5,424,248</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 4,191,546</u>	<u>\$ 4,510,702</u>
Supplemental information:		
Interest paid related to financing leases	<u>\$ 17,896</u>	<u>\$ 30,024</u>
Cash paid for interest	<u>\$ 1,990,884</u>	<u>\$ 2,125,912</u>

See notes to consolidated financial statements

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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 six campuses in Illinois: Rolling Meadows, Chicago, Highland Park, Crystal Lake, Elgin, and Aurora. HBC is supported primarily through contributions from the congregation.

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 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 financial statements. Income of the NSLLC is passed through to its member.
- 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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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 AND RESTRICTED CASH

Cash and cash equivalents include cash on hand, checking, ready access accounts, money market accounts. At December 31, 2024 and 2023, HBC's cash and restricted cash balances exceeded federally insured limits by \$3,121,300 and \$3,152,200, respectively. Restricted cash represents a loan payment reserve required by HBC's lender.

Cash and equivalents and restricted cash consist of the following:

	2024	2023
Cash and cash equivalents	\$ 3,356,900	\$ 3,676,056
Restricted cash	834,646	834,646
	<u>\$ 4,191,546</u>	<u>\$ 4,510,702</u>

INVESTMENTS

Investments in U.S. Treasury Obligation mutual funds 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.

OTHER ASSETS

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

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 depreciable assets (excludes land), ranging from eighteen months to forty years.

FINANCING LEASE - RIGHT OF USE ASSETS AND OBLIGATIONS

HBC adopted Accounting Standards Update (ASU) 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets and operating lease obligations. 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 any prior-year amounts. The additional lease disclosure can be found in Note 6.

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 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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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.

HBC recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which requires revenue to be recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received.

Other revenues, including ministry revenue, 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 \$1,201,880 and \$1,314,042 during the years ended December 31, 2024 and 2023, respectively.

Expenses are recorded when incurred.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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, January 1, 2023	\$ 651,532	\$ 1,185	652,717
Revenue recognized	(651,532)	(1,185)	(652,717)
Payments received for future performance obligations	768,097	37,550	805,647
Balance, December 31, 2023	768,097	37,550	805,647
Revenue recognized	(768,097)	(37,550)	(805,647)
Payments received for future performance obligations	759,437	48,296	807,733
Balance, December 31, 2024	<u>\$ 759,437</u>	<u>\$ 48,296</u>	<u>\$ 807,733</u>

GIFT-IN-KIND CONTRIBUTIONS

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

	2024	2023
Food, toiletries, and hygiene items	\$ 1,239,856	\$ 1,126,539
Equipment	-	175,557
	<u>\$ 1,239,856</u>	<u>\$ 1,302,096</u>

HBC recognizes gift-in-kind contributions within support and revenue, which includes food, toiletries, hygiene items, and equipment. The contributions of food, toiletries, and hygiene items 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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFT-IN-KIND CONTRIBUTIONS, continued

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.

The contributions of equipment did not have any donor-imposed restrictions and are utilized currently as part of regular operations. The values of these contributions are determined based on estimated fair market value of the equipment received at the time of donation.

3. INVESTMENTS:

Investments consist of:

	December 31,	
	2024	2023
At fair value:		
U.S. Treasury Obligations mutual funds	\$ 301,051	\$ 574,027

4. LAND, BUILDINGS AND EQUIPMENT, NET:

Land, buildings and equipment consist of the following:

	December 31,	
	2024	2023
Land and land improvements	\$ 27,635,419	\$ 27,575,855
Buildings and improvements	119,764,407	119,635,362
Furniture and fixtures	2,352,313	2,344,422
Office equipment	213,301	213,301
Computer equipment and software	3,548,145	3,520,660
Sound and video equipment	4,715,990	4,696,866
Other equipment	2,465,326	2,186,882
	<u>160,694,901</u>	<u>160,173,348</u>
Less accumulated depreciation	<u>(64,601,906)</u>	<u>(60,996,434)</u>
	<u>\$ 96,092,995</u>	<u>\$ 99,176,914</u>

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

5. NOTES PAYABLE:

Notes payable consist of the following:

	December 31,	
	2024	2023
Mortgage payable of \$11,572,000, payable to a bank, monthly principal and interest payments of \$52,050, at a current rate of 6.25%. Unpaid principal and interest is due in November 2025. This note is secured by real property in Rolling Meadows, Illinois.	\$ 4,551,278	\$ 5,776,723
Mortgage payable of \$23,750,000, payable to a church extension fund, 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.	22,532,483	23,659,099
	27,083,761	29,435,822
Loan origination fees, net	(261,706)	(280,637)
	<u>\$ 26,822,055</u>	<u>\$ 29,155,185</u>

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

2025	\$ 5,746,787
2026	1,268,613
2027	1,346,188
2028	1,428,507
2029	1,515,860
Thereafter	<u>15,777,806</u>
	<u>\$ 27,083,761</u>

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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

HBC leases equipment under a noncancelable financing lease expiring in 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. The lease requires monthly payments of \$8,210.

	December 31,	
	2024	2023
Financing lease right-of-use asset	\$ 193,490	\$ 276,414
Financing lease obligation	\$ 211,521	\$ 292,145
Financing lease costs:		
Amortization of right-of-use assets	\$ 82,924	\$ 168,995
Interest on lease liabilities	\$ 17,896	\$ 30,024
Weighted-average discount rate	7%	7%
Weighted-average remaining lease term	2.33 years	3.33 years

Future minimum lease payments required under the finance lease that has an initial or remaining non-cancelable lease term in excess of one year is as follows for the year ended December 31:

	2025	\$ 98,520
	2026	98,520
	2027	32,840
		<u>229,880</u>
Less imputed interest		<u>(18,359)</u>
Present value of minimum finance lease payments		<u>\$ 211,521</u>

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

7. 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, 2024:

	Program Services	Management and General	Fundraising	2024 Total
Compensation	\$ 8,547,106	\$ 1,320,460	\$ 50,000	\$ 9,917,566
Depreciation and amortization	3,507,496	192,686	7,142	3,707,324
Interest	1,897,694	89,650	3,540	1,990,884
Facilities	494,899	39,970	2,088	536,957
In-kind food donations to others	1,244,861	-	-	1,244,861
Events	43,384	-	-	43,384
Church planter support	189,260	-	-	189,260
Professional and banking fees	-	267,457	-	267,457
Utilities	954,116	48,208	2,009	1,004,333
Information technology supplies and services	190,151	190,151	-	380,302
Educational curriculum and other supplies	1,084,880	-	-	1,084,880
Travel	58,199	3,063	-	61,262
Vertical Worship album production and management	59,522	-	-	59,522
Insurance	329,697	58,526	1,951	390,174
Other	530,002	42,694	11,066	583,762
Total Expenses	<u>\$ 19,131,267</u>	<u>\$ 2,252,865</u>	<u>\$ 77,796</u>	<u>\$ 21,461,928</u>

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

7. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

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, 2023:

	Program Services	Management and General	Fundraising	2023 Total
Compensation	\$ 8,852,900	\$ 1,307,565	\$ 50,000	\$ 10,210,465
Depreciation and amortization	3,536,181	175,207	7,202	3,718,590
Interest	2,026,331	95,777	3,804	2,125,912
Facilities	590,713	44,900	2,296	637,909
In-kind food donations to others	1,126,154	-	-	1,126,154
Events	52,409	-	-	52,409
Church planter support	49,863	-	-	49,863
Professional and banking fees	-	310,665	-	310,665
Utilities	984,315	49,734	2,072	1,036,121
Information technology supplies and services	242,458	242,458	-	484,916
Educational curriculum and other supplies	972,036	-	-	972,036
Travel	120,246	6,329	-	126,575
Vertical Worship album production and management	312,299	-	-	312,299
Insurance	323,233	57,379	1,913	382,525
Other	596,816	47,792	629	645,237
Total Expenses	<u>\$ 19,785,954</u>	<u>\$ 2,337,806</u>	<u>\$ 67,916</u>	<u>\$ 22,191,676</u>

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

8. 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, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Treasury Obligations				
mutual funds	<u>\$ 301,051</u>	<u>\$ 301,051</u>	<u>\$ -</u>	<u>\$ -</u>

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Treasury Obligations				
mutual funds	<u>\$ 574,027</u>	<u>\$ 574,027</u>	<u>\$ -</u>	<u>\$ -</u>

The following methods and assumptions were used by HBC to estimate the fair value of each class of financial instruments at December 31, 2024 and 2023:

Investments - The fair values for US Treasury obligations are determined by reference to quoted market prices and other relevant information generated by market transactions.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

9. 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 2024 and 2023 were \$170,274 and \$157,781, respectively.

10. 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, 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 used an outside third-party administrator to process all claims.

As of December 31, 2024 and 2023, the reserve for unpaid claims, including those incurred but not reported, totaled approximately \$30,000 and \$73,000, 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, 2024.

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.

HARVEST BIBLE CHAPEL

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	December 31,	
	2024	2023
Subject to expenditure for specified purpose:		
Scholarship fund	\$ 805,520	\$ 805,520
School fund	78,803	55,947
Camp fund	187,842	178,842
Benevolence fund	239,439	264,290
Hope Centers	83,243	131,906
Faithful Medical Decisions	105,519	106,729
Other purpose restrictions	174,247	68,757
Total net assets with donor restrictions	<u>\$ 1,674,613</u>	<u>\$ 1,611,991</u>

12. LIQUIDITY AND FUNDS AVAILABLE:

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

	December 31,	
	2024	2023
Cash and cash equivalents	\$ 2,118,524	\$ 2,488,278
Investments	301,051	574,027
Accounts receivable (included with other assets)	165,826	189,512
Total	<u>\$ 2,585,401</u>	<u>\$ 3,251,817</u>

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. For the years ended December 31, 2024 and 2023, HBC has \$1,674,613 and \$1,611,991, respectively, in net assets with donor restrictions for various ministries, of which \$436,237 and \$423,914, respectively, is considered available to meet needs for general expenditures 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.

HARVEST BIBLE CHAPEL

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 30, 2025, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year end, HBC entered into a non-binding letter of intent to explore a potential sale of its Elgin campus.