

HARVEST BIBLE FELLOWSHIP

Financial Statements
With Independent Auditors' Report

December 31, 2014 and 2013

HARVEST BIBLE FELLOWSHIP

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INDEPENDENT AUDITORS' REPORT

Elder Council
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 December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wheaton, Illinois
March 31, 2015

HARVEST BIBLE FELLOWSHIP

Statements of Financial Position

	December 31,	
	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 232,702	\$ 161,602
Accounts receivable and other assets	683,098	394,374
	<u>\$ 915,800</u>	<u>\$ 555,976</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 182,795	\$ 75,871
Net assets:		
Unrestricted:		
Available at Board discretion	380,544	315,577
Temporarily restricted:		
Missions	177,427	118,690
Church plants	175,034	45,838
	<u>352,461</u>	<u>164,528</u>
	<u>733,005</u>	<u>480,105</u>
	<u>\$ 915,800</u>	<u>\$ 555,976</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Statements of Activities

	Year Ended December, 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 22,062	\$ 1,731,648	\$ 1,753,710	\$ 21,344	\$ 797,464	\$ 818,808
Membership contributions	3,037,327	-	3,037,327	2,420,553	-	2,420,553
Other revenue	194,197	-	194,197	261,683	-	261,683
	<u>3,253,586</u>	<u>1,731,648</u>	<u>4,985,234</u>	<u>2,703,580</u>	<u>797,464</u>	<u>3,501,044</u>
RECLASSIFICATIONS:						
Net assets released from restrictions upon:						
Satisfaction of purpose restrictions	<u>1,543,715</u>	<u>(1,543,715)</u>	<u>-</u>	<u>791,076</u>	<u>(791,076)</u>	<u>-</u>
EXPENSES:						
Compensation	1,718,354	-	1,718,354	1,400,443	-	1,400,443
Ministry	2,826,066	-	2,826,066	1,965,952	-	1,965,952
Administration	187,914	-	187,914	120,537	-	120,537
	<u>4,732,334</u>	<u>-</u>	<u>4,732,334</u>	<u>3,486,932</u>	<u>-</u>	<u>3,486,932</u>
Change in Net Assets	64,967	187,933	252,900	7,724	6,388	14,112
Net Assets, Beginning of Year	<u>315,577</u>	<u>164,528</u>	<u>480,105</u>	<u>307,853</u>	<u>158,140</u>	<u>465,993</u>
Net Assets, End of Year	<u>\$ 380,544</u>	<u>\$ 352,461</u>	<u>\$ 733,005</u>	<u>\$ 315,577</u>	<u>\$ 164,528</u>	<u>\$ 480,105</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 252,900	\$ 14,112
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in:		
Accounts receivable and other assets	(288,724)	(176,040)
Accounts payable	106,924	(47,168)
Net Cash Provided (Used) by Operating Activities	<u>71,100</u>	<u>(209,096)</u>
Net Change in Cash and Cash Equivalents	71,100	(209,096)
Cash and Cash Equivalents, Beginning of Year	<u>161,602</u>	<u>370,698</u>
Cash and Cash Equivalents, End of Year	<u>\$ 232,702</u>	<u>\$ 161,602</u>

See notes to financial statements

HARVEST BIBLE FELLOWSHIP

Notes to Financial Statements

December 31, 2014 and 2013

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 (the 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.

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.

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 AND OTHER ASSETS

Accounts receivable primarily consists of amounts due from HBF member churches and prepaid expenses. As of December 31, 2014 and 2013, the allowance for doubtful accounts was \$29,007 and \$3,300, respectively. The increased allowance in 2014 covered all receivable balances aging over ninety-days, with the exception of receivables due from the related party noted at Footnote 5, as this amount is believed to be fully collectible. As of December 31, 2014, outstanding membership contributions from two churches made up approximately 35% of the 2014 receivables balance, excluding the related party receivable noted in footnote 5. As of December 31, 2013, one church made up approximately 17% of the accounts receivable balance.

Other assets includes \$93,000 of prepaid expenses related to support for a church plant in Malaysia.

HARVEST BIBLE FELLOWSHIP

Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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.

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.

Expenses are recorded when incurred. Advertising costs of \$45,750 and \$49,038 were expensed as incurred for the years ended December 31, 2014 and 2013, respectively.

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 December 31, 2014 and 2013, HBF had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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Notes to Financial Statements

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3. 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 year ended December 31, are as follows:

	2014	2013
Program services	\$ 3,937,302	\$ 2,901,127
Supporting activities:		
General and administrative	719,315	530,014
Fund-raising	75,717	55,791
	<u>\$ 4,732,334</u>	<u>\$ 3,486,932</u>

4. RETIREMENT PLAN:

HBF offers a 403(b) plan to all full-time employees (working at least 1,000 hours per year) participating through elective salary reductions. Prior to 2014, HBF matched employee contributions up to 6% of annual base salary. Employees were fully vested immediately upon participation. In 2014, HBF no longer matched the employee contributions to the plan. Contributions to the 403(b) plan during 2014 and 2013, were \$0 and \$13,065, respectively.

HBF 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. HBF matches between 0.5% and 11% of the participant's contribution as defined by the plan documents. HBF made contributions of \$6,000 for both years ended December 31, 2014 and 2013.

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Notes to Financial Statements

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5. RELATED PARTY TRANSACTIONS:

HBF serves Harvest Bible Chapel (HBC) and all plant churches by providing temporary governance to all new plant churches. There are board members that serve on both the HBC and HBF boards. During the years ended December 31, 2014 and 2013, HBF received \$1,014,256 and \$711,356, respectively, in membership contributions and other support from HBC. These membership contributions from HBC made up 33% and 29% of total membership contributions in 2014 and 2013, respectively.

During the years ended December 31, 2014 and 2013, HBF reimbursed HBC \$697,537 and \$507,788, respectively, for administrative expenses, including payroll, health insurance, copiers, postage and other expenses. As of December 31, 2014 and 2013, HBF had \$78,075 and \$17,363 in amounts due to HBC, respectively. HBC also owed HBF \$303,900 and \$0 as of December 31, 2014 and 2013, respectively.

HBF gave \$137,000 in cash contributions to Walk In the Word (WITW), a ministry of HBC, during both years ended December 31, 2014 and 2013.

6. 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.