

## OSP EXPENSE BACKGROUND

**Update: November 2020**

**When this was written, less than 60 days after I was terminated in February 2019, I could not possibly have imagined the lengths HBC Elders would go to defame me in the interest of keeping the WITW assets they unlawfully seized. When we originally wrote this, I still believed the rash public accusation of ‘ungodly behavior as it relates to spending’ was a problem that facts would solve and so created this document and others. Yet in the past month I learned that Greg Bradshaw instructed those who received these documents (CFO, Church Treasurer, General Counsel, Elder Chair, WITW CFO, etc.) to ignore it. Minor edits have been made to the original, based upon more accurate information since learned. All documents referenced here were subsequently provided by HBC in response to subpoena and substantiate fully what is asserted. Those documents are available by link in other places from the main statement that brought you here.**

### **Helping with Senior Pastor's Office Expense Reconciliation March 2019**

It would have always been my desire to cooperate with those who oversaw the expenses in my office to make sure that everything was in fact done with the integrity that all desired. The public statement made in church recently by Greg Bradshaw was rash, not true to the facts and very damaging to my reputation. For 26 years Kathy Elliott handled the expenses in my office with immense integrity using her POA status to reconcile immense amounts of information across multiple organizations monthly. More recently Sharon Kostal had that role and handled an even greater complexity with diligence and integrity. However, to really understand the complexity you must see the full picture, and to that end I offer the following:

1. There were multiple sources of income to cover the expenses, hbc expense, HBF expense, WITW, WITW reserve account, outside ministries where Pastor James served, private (Pastor James own funds) personal development expense, refreshment expense, blessing expense, and Elder Expense.
2. **The final decisions on which funding sources covered which expenses was made by the CFO Fred Adams through 2017 and Jeff Sharda and the COO Scott Milholland. Then reviewed by HBC Elder/Treasurer, and annually Capin Crouse.**
3. The compensation committee of the church took control of overseeing all of Pastor James’ income, in 2010, paying for his taxes to be done by a specified CPA, grossing up his income to cover the taxation related to the personal benefit of their requirement. This was done to ensure HBC was protected from any possibility of an IRS taxcode violation or any possibility of inadvertent inurement.
4. The responsibility to make sure taxable benefit was assigned to Pastor James W2 and not borne by the church was upon the CFO, COO, and the church treasurer on behalf of the Executive Committee, (EC).
5. Pastor James accepted no pay increase after 2013, but the EC compensation committee minutes do reflect a decision to add membership in the University Club (2016) and a Refreshment Account at \$30k (2014) per year to his compensation package.

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6. The “reserve account” was supposed to be \$10k per month from Walk in the Word that was used as a discretionary account for blessing others, ‘friend raising’ with a view to fund raising, and special acts of benevolence or affirmation of faithful service to the ministry.
7. A monthly reconciliation was to take place between all the ministries involved to make sure that no ministry was paying the expense of another ministry and that no taxable benefit was going to Pastor James. Sharon Kostal along with Fred and Scott Milholland made sure in 2014 -2018 that the monthly Chase statements were all carefully and thoroughly reconciled and that each funding source covered their responsibilities.
8. The level of detail in the check register and the reserve account ledger is dismal and that is not a fail of Pastor James who only in March of 2019, ever even saw the register for the first time. CFO, COO, and church treasurer must account for the number of transactions about which there is little detail. Those transactions can be reconstructed using careful analysis of calendar and email/text as well as records from the Chase statements, detailed files from CFO office and other forms of communication. That effort will prove that all transactions were done with integrity and for the best purposes of the ministry.
9. Special trips that were taken, where Pastor James hunted, or went golfing that show up in these expenses were for the purpose of fundraising and cannot be properly understood apart from knowing who the other people are (who paid their own way) and how much money was raised. Often Pastor James used his private funds, or refreshment account funds to cover a trip of this nature which he did not have to do. The refreshment account was for him personally, using that money to raise funds for the church or WITW is further evidence of the heart to give certainly not ever take a single cent from the church. The priority of NEVER taking advantage of the church was a frequent refrain in discussion of monthly expense reconciliation. When asked to write a check, often 4-5 figure checks, from their private funds to cover something deemed personal and therefore not reimburseable, the MacDonald’s always did so quickly and without objection.
10. The only exception to the above is the instance of ‘special security’ 2015, that was added to the MacDonald’s house. Upon advise of counsel, (research on file) that expenditure was EC approved (documents on file), fully documented, and cost was evenly split between HBC and WITW.
11. The deer preserve at camp harvest, was a fund raising effort fully disclosed to the EC. While it may seem extravagant to some, it was the pre-camp previous owner usage of the property before 2001. The total expenditures for the deer development over 5-6 years would approximate \$150k. While the actual scholarship money raised to date would not exceed \$50k. There have only been three hunts to date, the current herd would have a value of nearly 100k. The scholarships are only a secondary benefit. It was never intended that camp scholarships justify the expense of the deer herd. The activity is the means to draw men together. To date men that have hunted with Pastor James have given several million dollars combined to the ministries of Harvest since those hunting events began. When Pastor James has taken a deer at camp Harvest, while with the donors (2x) that expense has been paid by him personally or through the reserve as a fund raising expense.

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12. That WITW reserve was used for deer preserve reflects not a misuse of walk in the word funds, (just a single gift from a hunter in 2015 was \$500k) but a gracious sharing for all ministries of fund raising efforts that WITW word utilized far beyond it's expenses and other ministries also benefited from without covering any of the cost. This reality is typical of Pastor James,' using the ministry where he had the more discretion, (WITW) to benefit all the ministries he was leading.
13. If there is a taxable benefit discovered in this review large or small that MacDonald's did not reimburse the ministry for, that will be because those overseeing it, simply did not ask. Why has the church not stepped up to own the responsibility it bears even before anything amiss might be discovered?
14. Some time in 2016-2017, Steve Stewart's role in funding and overseeing the reserve account moved entirely to Scott Milholland as Fred Adams had resigned. It appears that detailed oversight of these matters were diminished in this short season of time.
15. Private travel was never taken without prior approval by an EC member. Approved private travel had to be demonstrably advantageous to the ministry and not to Pastor James personally. Even trips that may appear personal, such as to Nassau in March 2017, were with Dave Wisen, Scott Pierre, and Mark Demoss (who was in cancer treatment). All long term board members, all major donors HBF, WITW, and HBC and they reimbursed the church 15k, the majority of flight cost. Where did that revenue go and was it credited to this transaction or left to falsely appear as an extravagance?

### Questions Flowing From the Inadequate Detail

- Why is more money going from WITW into the WITW reserve than the approved monthly \$10k (other than the 2015 home security expense, the only Pastor James approved extra funding of WITW reserve).
- After talking with Fred Adams in April 2019, it appears there was a misunderstanding of available funding. Pastor James believed that all funding needs had to come from the 10k per month given by WITW to the WITW reserve. Fred Adams believed that special projects which yielded revenue could be funded in adding on to the 10k monthly. Upon reflection they agree they didn't discuss this with enough clarity.
- Fred believes the decisions to fund WITW's extra projects called "from the reserve" referred to the WITW reserve 10k per month fund. James believed that meant the extra WITW board mandated cash reserve. This explains entirely the discrepancy related to how much money moved through the WITW reserve which was managed by Pastor James' office versus the CASH RESERVES held inside walk in the word. (all of which were unlawfully seized and spent by Harvest Bible Chapel)
- It is currently unclear if the \$977k thrown out by HBC, with no documentation, is total transactions billed to the account or the cash reimbursements that flowed through the account.
- The total funding of the WITW reserve should not exceed, \$430k May 2015 – December 2018 + \$175 security equals \$605max funding. However total funding from WITW to WITW reserve during this time is reportedly \$977k. How does almost \$400k pass to WITW without Pastor James knowledge? What was that money used for?(See above FA).
- Why are the HBC expense numbers so high and what did those monies fund?(see aboveFA)

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- How can HBC possibly justify using the WITW reserve account for such expenses? Kent Shaw severance, ALM honorariums for profitable events related to WITW. If it was for privacy purposes re honorariums, was the account reimbursed by WITW, and if yes, is that type of transaction the source of these ballooning numbers portrayed as “all personal expense, benefitting me or my family etc.?”
- Why were these purported disparities not uncovered in the monthly review done, or reportedly done by the church treasurer, Joe Martin/Jeff Smith, or annually by the external auditor Capin Crouse?
- What happened to offsetting revenue? When an outside ministry where Pastor James preached or a friend of the ministry, or even the MacDonald’s private funds offset an expense, where is that recorded, and did those funds return to the fund balance from which they were taken? Otherwise the ledger is only gross expense and not net expense. Not a true picture at all.
- How / why is Greg Bradshaw or any other Harvest staff allowed to see these expenses with no explanation or understanding to go along with it from those who sought to administer these funds with God honoring integrity?
- Is this not a second occurrence of Greg Bradshaw’s rush to judgment as with the “letters” now in seen around the world? Who is holding him accountable?
- Who allowed Greg Bradshaw to make a public statement condemning what he did not understand? What will be done to make this right?

### **Understanding Expenses and Special Expenditures in Senior Pastors office 2015-2019**

#### **Fund Raising**

Harvest Bible Chapel did have an elephant sized debt - \$69million in 2008. Six million of that was from the Crystal Lake bankruptcy that Greg Bradshaw helped lead, but we accepted their debt and all their leaders with grace and no judgement. Keep in mind that 6 million was from default on a loan that XXXXXXXX and XXXXXXXX cosigned for - the entire debt - when there was only Elder approval for \$300k.

As Elders, who share responsibility for the excessive mortgage, sought to pull the church down from outside by driving out enough people to force mortgage default, the staff leaders inside worked very hard to pay down the mortgage from \$69million to under \$40million today.

Cultivating key relationships outside the church, such as the Green Family, VanKampen Family, DeMoss Family, and many other less recognizable names, was a key strategy in paying down the church mortgage. Foundational to the strategy of deepening friendship and partnership with key donors were special events. As most high capacity donors have very limited time, a key strategy was to choose the kind of event the donor would enjoy attending. The two primary efforts in this were golfing and hunting events. We also utilized special Walk in the Word events that platformed preaching and vertical worship with focused time for high capacity donors. Yes it is true the donors gave to projects that kept the ministry exciting and growing, but the relief that provided is what allowed the church to run so efficiently and pay down, \$29million in debt, over 8-9 years, with \$15million more slotted for debt reduction through the closer campaign.

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(Interesting note; the two major assaults on my leadership came immediately after announcing pledge totals, to the 5G campaign, fall 2012, and the Closer Campaign, fall 2018). Clearly someone did not want HBC to succeed in removing its regrettable mortgage, possible those that left in protest, and never ceased to lob grenades from the outside, through their chosen mouthpieces.

### Hunting

Starting in 2014, Pastor James took key individuals hunting at Legends Ranch or Two Hats Ranch in Michigan. Jeff Donaldson was the earliest guest, as Pastor James poured into Jeff (who loved to hunt) and mentored him to become a host for other key hunting events in the future that would raise a lot of funds for Harvest ministries. Guests at Two Hats included XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX and others. During this time, the Walk in the Word Reserve account was being used to-high fence first a 40 acre then later a 150 acre area around the Pastor Retreat. The high fence kept the herd in and protected the investment. Total investment in the deer hunting area would be approximately \$150-175k. While it is true that scholarship gifts to camp Harvest are still below \$50k total, the herd is currently worth more than \$100k and men who have hunted with Pastor James have given approximately \$5mil (more as it turns out) to Harvest ministries during that period. The funding came through the deepening of relationship through the context of hunting. Only Pastor James and Pastor Jeff's expenses were paid -the other hunters had to pay their own way. None of this money came from the Harvest general fund or tithe money from Harvest members.

### Golf

Pastor James took golfing trips to the UK with Harvest leaders in similar 'friend raising' capacities as far back as 2004. In 2016-2017, he took large groups to Ireland and England. Pastor James paid for his own trips from private funds. All travelers paid for their own trips, the WITW Reserve fund paid for branded jackets as a gift/thank you to each of the travelers. Fund raising efforts with these men were bearing fruit and increasing through the end of 2018.

### Blessing Account

Under the tutelage of Jim Cymbala, in 2001 Pastor James was granted approval from the Elders to start a 'blessing account.' The funds were used primarily to bless pastors in ministry. In the early days, a visiting pastor to the church would be taken to the book store and encouraged to choose \$200-300 dollars worth of books as a 'blessing.' This is based upon God's promises about **'blessing those that bless you,'** and honoring those **who 'labor in the word,'** and other biblical principles of generosity (**Proverbs 11;24-25**). As the 'blessing' idea became inculcated, Pastors from our staff were sent away for weekends with their wives, given counseling during a crisis, other pastors were scholarshipped to our conferences, etc.

### Generous Gifts

In 2Corinthians 9, the cheerful giver could be translated the hilarious giver. It's the idea of God rewarding shocking generosity. As Pastor James taught on these things, he also began to experiment with them. Frequently at Christmas he would take \$5000 cash (with Elder chair approval) and give money in hundreds to worship team members and other faithful servants.

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He would buy attractive pens annually and give them to key leaders in and outside Harvest as a symbol of faithfulness to the Lord for another year. A Harley Motor Cycle was given to XXXXXXXXXXXXXXXXXXXXXXXX as well as a less expensive VW XXXX. Often these gifts were given publicly and were certainly not at any time a secret. Recipients were publicly honored and thanked for exemplary service or endurance in ministry through a significant trial. (NOTE: a Harley purchased for \$16k? in 2017 was to be gifted but never was and remains in Pastor James' control needing to be given to someone or moved to taxable status). Since 2014 *all these gifts have been made from the Walk in the Word Reserve account which had taken up the "blessing account" function.* Every one understood that Pastor James had greater discretion with the money sent to extend his ministry specifically versus the Harvest tithes that needed broader approvals. He used that discretion to bless others, not to benefit himself.

### **Tickets**

Between 2005 -2014 Pastor James frequently took key donors to cubs, hawks or bulls games. There were Harris club tickets, Cubs Sky box and regular tickets, and other special event tickets. These tickets were typically bought from XXXXXXXXXXXX (look for his name in the ledger). When budget was tight, ticket buying was much less frequent and Fred Adams was the one annually deciding when this fundraising effort was affordable. Guests at special events or sky box events were key influences or donors both in and outside the church given as a thank you. By 2015, this task was almost entirely delegated to the HBC, and WITW development staff and Pastor James almost never attended sporting events with donors. When Pastor James went to the Hawks Stanley cup game in 2010 in Philadelphia on a private Jet those monies were raised from participants not the church. When Pastor James and Kathy went to cubs world series win in Cleveland in 2016 some of the participants, Greg Bradshaw, John Smith, may have been covered by the blessing account but the MacDonalds paid their own way as did Ron Duitsman who flew and funded the plane cost. That entire season where many harvest pastors/elders and wives attended cubs games with Kathy was paid by the MacDonald's in seats they purchases with their own money, not donated funds.

### **Rings and Birthday Presents**

Pastors that served various time intervals were given a series of coins to celebrate those milestones. Pens were also given as recognition. A special birthday card was designed by WITW each year and sent to key relationships in and outside the church. Upon 10 years serving as a leading Pastor at Harvest or in a Harvest Bible Chapel you were given a ring. Rings cost about \$2500 each and were paid by HBC or HBF if a church plant pastor **but may have been run through these accounts, I have no idea, the actions were approved, the actions are what I always accounted for, and the outcomes, but how the funding was covered, when reimbursements did or did not happen and from who and where, was handled by others. NOT ONCE did those with access to Kathy and my personal check book EVER refuse to reimburse HBC or any ministry for an expense they were told we must pay for and those decisions were entirely delegated to HBC financial leadership.**

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### Allocating Cost

All this fund raising and culture building activity was coming through Pastor James' leadership. It was a difficult and complicated task to assign all the costs to the ministries that benefitted. Too often cost was assigned to Walk in the Word if an allocation was uncertain. Never was Harvest Bible Chapel tithe money the default payment source. Each month the "chase statement" was gone over line by line assigning payment responsibility to 1) walk in the word reserve, 2) HBC 3) HBF 4) MacDonald funds 5) other such as Camp Harvest, HCA or outside ministry etc. the goal was to make sure that the ministry deriving benefit in service or donation covered it's own cost. Pastor James did not participate in or review the allocation process but knew it was happening and was frequently assured 'all is in order.'

### Apparel

There was a changing opinion in the matter of whether stage and studio apparel was reimbursable. Additionally, clothing was often given as a gift. Further the purchase of apparel/studio items without approval by Carol Marie Everett became a matter needing written correction (see attached). When clothing ie hat and scarf for women, leather gloves for men, was chosen as the annual gift sent to "friend raising, and fund raising list" the clothing total was much larger.

### Tax Returns

It is important to understand that James MacDonald had no direct involvement in church or even in personal finances. His bills were paid for by the office POA, first Kathy Elliott then Sharon Kostal. The church began preparing his taxes in 2010 as a protection against any failure to assign personal benefit to income should the church be audited. This speaks to how others were responsible to review all expenditures, assign proper payor, and make sure there were no expenses paid by the church that were in fact personal. Given his submission to all that was asked of him in every area of financial management, it has been especially painful to him to see others so silent because their work / decision making is unjustly exposed to criticism - preferring to let him take the heat for how they allocated cost. James was not a decision maker in what was personal or private or reimbursable to the various accounts. He ALMOST NEVER got reimbursed for anything, the reason being that he almost never did anything private but almost everything he ever did was to bring increase to the ministries he and Kathy gave their lives to overseeing.

Pastor James left HBC after 30.5 years, with 97.5 million in net assets having begun with literally nothing. Their tenure of financial leadership is entirely above reproach and their decision note to publicize these realities, sooner speaks to their self control and desire for leaders inside the church to bring the truth to light. In time, these false financial accusations will be see as the great shame hanging over HBC, not the foolish and harmful rushes to judgment publicized by those who drove the hostile take over.

## **OSP EXPENSE CONTEXTS**

### **MacDonald's Reimbursements**

Sharon Kostal, Fred Adams, Scott Milholland , and Jeff Smith in that order were approval chain designated by the compensation committee to ensure full integrity in these matters. Each month Kathy MacDonald was asked to write a check for the total amount of expenditures which were deemed taxable benefit. As stated by Fred Adams on Saturday March 23, 2019, "If there are transactions in any of the records that were of personal benefit to the MacDonald's those transactions should be paid by the church and any associated tax or penalties because Pastor James built a system to keep that from ever happening and if the system failed that is on the organization not Pastor James who gave this oversight to the COO, CFO and church treasurer. The MacDonald's have all chase statements and more recently have seen and reviewed the reserve account ledger where frequently there is not enough detail to explain what was being covered. The check reserve by number and associated calendar will be needed to given evidence of financial integrity with this account. Again the lack of detail is not on the MacDonald's but those assigned to keep the records. The MacDonald's have many checks totally their payment for 100% of all personal benefits they were informed about by those overseeing.

### **Email to EC regarding Expense Oversight, November 10, 2017**

November 10, 2017

Brothers:

I feel constrained to relay to you a personal sense of dissonance that has been growing in me for some time.

I know you hear me say from time to time that I am "not involved in the finances of our church" but i wonder if you really know the degree to which that is true. Apart from weighing in on my faith expectation of total revenue for the coming year and where we might expect the offerings to be - i am really not involved. Not at all - not even a lille bit - ever.

I raise this because recent events have caused me to wonder if the people we believe are involved in creating accountability actually are - fully I mean, to the full degree we need them to be. Now that I am more on the "EC side of the table let me give some examples with some questions i would like the EC through Jeff Smith and the finance commilee along w Scol Milholland and Jeff Sharda to bring full reports on. Soon!

Movie:

I was always told: "the only exposure we have on the movie expense wise is Dallas' salary, but is that where it ended up? I never saw a report reconciling in all, did you? How much money leU our church under the heading of making a movie in 2016-2017 and how much of it was reimbursed through money from WWE - Earl Seals - did all the money promised by Fred Adams actually come in? Where did all that end up? If more money was spent than the one salary - who approved it? If decisions were made based upon pledges that were made - did those

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pledges come in? Might that be a more subtle reason certain people became disaffected and thereby chose to leave the church or step away from leadership? Who is monitoring all this?

Camp:

We are told year after year that the camp covers its cost, does it? There should be a final accounting on that reality every year - is there? If the camp loses money - where does the money come from? Who approves the overage? Who is monitoring all this?

HCA:

How much does it cost our church to run HCA? Does the school maintain its own cash flow or does it always run a deficit? How is the deficit made up and who is approving how much is too much? What are the day to day policies governing what to do when funding is short? Who is approving spending for HCA when their own revenue is not adequate? I have zero idea who minds that store or what the checks and balances are. I am giving notice that if these things become a problem - there can be no doubt I don't know - never get reports - participate in no discussions. My expectation is that Scol and Fred know all this and account to the finance committee but now I am not so sure.

Vertical Church Band

Same questions as above. Has anyone seen a balance sheet? Is it winning or losing cash wise for the church. I am fine to invest in things but we should know what we are investing in.

As you know Walk in the Word is planning to give a million dollars to Harvest at year end to cover the cost of HBF wind down, ("for future considerations") But what was the real cost? I have seen a good document from the finance committee laying out various expenditures but I don't see the revenue impact - a real balance sheet from January 1, 2017 showing a summary of accounts within HBF and the various credits/debits - to a total plus or minus through the end of the year. I get so weary of all the projected revenue / revenue to projection talk that I had to exorcise from WITW - can we just skip all that - the money we were gonna get - coulda had - shoulda had - and stop with all the obfuscation and accounting mumbo jumbo that has obscured accountability. Real income /expense statements on all these accounts - actuals - that we can see and know the impact.

I predict the movie was way over spent and under collected and that was covered by monies on deposit within HBF - and the windown has exposed though not fully blamed people who were obfuscating financial losses that were not fully disclosed. This is a notification that if that prediction becomes a reality - it is not and never has been my role to require financial accounting. That is on the Elders/finance committee/EC etc. Lets get the obfuscation behind us - Scol - Fred must account for the financials of 2014-2017. Jeff Sharda and Jeff Smith must see to it. Bring all this out into the open brothers. Hopefully its all in great shape. If it isn't - it won't be on me.

James

PS - I would like something said to the full Elder board about this at our meeting on Tuesday.

Pastor James and Kathy MacDonald are seeking a full and public apology for the public, discrediting and false statement by Greg Bradshaw that there was "ungodly" spending in the Senior Pastor's Office.

## Explanatory Notes for HBC/WITW Transactions 2014-2018

### Note 1: Tax Returns

James MacDonald had no direct involvement in the finance committee mandated management of his personal tax liability. The church began preparing his taxes in 2013 as a protection against any failure to assign personal benefit to income should the church be audited. Others were responsible to review all expenditures, assign proper payor, and gain reimbursement from the MacDonalds for anything considered personal. (See [attachment 1](#) for a log of these reimbursements by the MacDonald's upon request and [attachment 2](#) for actual reimbursement checks to HBC from Power of Attorney [POA] Sharon Kostal.) Church finance staff gathered all W2's, 1099's, from all sources of income in and outside the church. Church finance staff, reviewed all church transactions to make sure that expenses that were not personal, i.e. cost of managing their pension, cost of doing their taxes, etc. were handled by grossing up his box 1 income and paying the required tax. Where expenditures were missed in the monthly review or current staff believe an error was made, blame cannot fall to the MacDonald's who were assured all was being handled according to CFO established controls.

### Note 2: Pension Cost

The management of Pastor James' pension was controlled by the EC compensation committee, based upon directives from the finance committee dating back to 2013. Costs associated with managing his pension were part of a finance committee mandated resolution of 20+ years of neglecting this important aspect of compensation. Pastor James would have no knowledge of or responsibility for these costs, as he was never consulted. If the cost is deemed personal, it should be covered by the church now as it should have been covered then as part of an amended return.

### Note 3: Life Insurance

The promised \$3million shared life insurance benefit was not officially part of the policy only a promise made due to church not providing proper pension coverage during first 20 years. The church's key man life insurance was bought by the church as required by lenders long before the January 1, 2015, Elder Covenant, signed by all EC members promised this gift in the event of his death when the church's total payout would have been \$40,000,000. This promised benefit would have been taxable to Pastor James' named beneficiary (Kathy or family). If it is determined that the promised intent was a taxable benefit, the onus was upon the church finance leaders to cover this in a compensation committee meeting and ensure that the benefit was added to his box 1 as they controlled all of that.

### Note 4: Apparel Purchases

There was a changing opinion in the matter of whether stage and studio apparel was reimbursable. Additionally, clothing was often given as a gift. Extraordinary purchases of clothing for WITW studio use without prior approval by Carol Marie Evered became a matter needing written correction (see [attachment 3](#)). In carrying out the duties of Senior Pastor monies had to be spent on occasion that were not reimbursable according to the IRS. Examples would include matching clothing for a family Christmas photo card sent to all church and WITW families, or a Nebraska Jersey to preach to the football team before a Northwestern Game. The OSP and financial staff had the discretion to decide if these non reimbursable expenses should be paid by the MacDonald's. In some instances, financial decisions they would not have made personally, but could not be reimbursed for would be added to their taxable income. Where those expenses were reviewed and not caught the finance team must take responsibility as the MacDonald's promptly wrote every check they were asked to produce.

### Note 5: Reserve Account

As Walk in the Word TV came online, the surplus revenue grew and was allocated for future expansion, gifts back to the church, stronger WITW ministry reserves, and a Reserve account of \$10k per month that was used to cover a wide variety of generosityes expressed by Pastor James. The Executive Committee was aware of the Reserve account, the church Treasurer checked it periodically without incident and transactions had to be approved by the COO or CFO. Ninety percent of expenses in question were paid from this account. Not from church funds, not from HBC Bibles, only from surplus funds in Walk in the Word. At times decisions were made by Senior Staff to fund things from 'the reserve' and in retrospect we see that monies were taken from 10k per month reserve that should have been taken from the WITW cash reserve, which was maintained at 12-16 weeks of operating cash. Regardless, the majority of questioned expenses came from this account, not from any giving or deposits on the church side.

### Note 6: Blessing Allowance and Gifts of Harley Motorcycles

Under the tutelage of Jim Cymbala, in 2001 Pastor James and Elders started a 'Blessing Allowance,' to encourage pastors in ministry. From a visiting pastor giving free material in the church bookstore as a way to honor those who 'labor in the Word,' to Pastors from our staff who were sent away for weekends with their wives or given counseling during a crisis, to out of town pastors given scholarships to attend our conferences, etc.—many families in ministry have been blessed by the Blessing Allowance through the years. In 2 Corinthians 9, the cheerful giver could be translated the hilarious giver—it's the idea of God rewarding shocking generosity. As Pastor James taught on these things, he also began to experiment with them. Harley motorcycles were given to Kevn Decker, Rick Donald, Mark Gregston, Kent Shaw, Bryin Nelson, Mo Zachariah, and one other, as well as a less expensive VW to Ed Stetzer. Often these gifts were given publicly as recipients were honored and thanked for exemplary service or endurance in ministry through a significant trial. From the start these gifts have been made from the Walk in the Word Reserve account, which had taken up the "Blessing Allowance" function. Everyone understood that Pastor James had greater discretion with the money sent from around the world to extend his ministry specifically, versus the Harvest Bibles that needed broader approvals.

## Explanatory Notes for HBC/WITW Transactions 2014-2018

### Note 7: Gifts to the McDonalds

Gifts given to Pastor James or Kathy at important ministry milestones were also given to many other staff. Elder always proceeded a gift, such as was given to the McDonalds at the church's 30<sup>th</sup> anniversary. Pastor James was given a golf trip to Long Island accompanied by an Elder and Philip Mahew; Kathy was given day in downtown Chicago including meals and spa visit. It seems entirely inconsistent with the spirit of a 'thank you gift' given to them in front of the whole church, that the McDonalds needed to request cost summaries to add to a tax return they never filled out or even saw. If the church now feels compelled to add these items to the McDonalds' personal expenses, let them offer the tax due as part of the gift or withdraw the idea of honoring them with a gift. Moreover, let the church publicly withdraw from accusations that such matters show extravagance on their part, when if anything they show negligence on the part of the church's financial staff that knew of these gifts but failed to flag them as 'personal' at the time.

### Note 8: Fundraising

A recent article at [boardsource.org](http://boardsource.org) discusses the cultural trend toward seeing fundraising costs as wasteful. "There's a widespread sense that fundraising is a necessary evil, and that dollars spent on fundraising are being diverted from the organization's mission — .... *This is a dangerous misconception and does a disservice to our organizations and our missions.* Why? [Because it]...encourages organizations to starve their fundraising programs into stagnation, and it encourages donors and the public to compare organizations on the basis of this measure, as though it somehow serves as a proxy for organizational impact, which it most certainly does not. *Investments in effective fundraising strategies should be made not despite our need to fund our missions and work, but because of it.*"

It will take HBC some time to realize the cost associated with jeisoning their primary fund raiser. During Pastor James' tenure he brought in more than \$60 million in facility donations and led fundraising campaigns totaling more than \$100 million. These efforts began small, but eventually included a few staff of gifted people working almost exclusively in this area. Wills and estates committed to the church total more than \$35 million currently. In all of these efforts the focus was on ministry and 'friend raising.' As Pastor James would often say, "money follows ministry." When he took time to go golfing or hunting, etc., with high capacity donors in and outside the church, it was only reasonable that the church would cover his expense and it gladly did given the millions he raised. If by IRS regulations the costs associated with these activities is taxable income, it would be the responsibility of the church financial staff to ensure the tax was paid.

### Note 9: Refreshment Allowance /University Club

Pastor James continued to refuse any pay increase, even cost of living increases, as far back as 2012. By 2013-14 the Executive Committee of the Elders added two benefits to Pastor James' compensation package, both of which were designed to increase his emotional health. The first was called a "Refreshment Allowance." This was \$30k of budgeted refreshment in the form of travel with Kathy, and sometimes their children, to a place of renewal in hopes of stabilizing the negative impact/strain from leading all of the Harvest Ministries. Over time the EC Elders noted that extended times to get away were frequently not possible. To aid in Pastor James and Kathy's available recovery from heavily draining times of ministry in 2016, the EC added membership at the University Club downtown. There was confusion at times as to whether the cost of this or just the monthly dues (\$350) were included, and this inconsistency in how staff allocated cost has led to some of the wrong conclusions. Both the Refreshment Allowance and the University Club membership were initiated by the Executive Committee of the Elders and recorded in their compensation committee minutes (where Pastor James had no participation). Requests for these minutes to substantiate the above have thus far been refused.

Statements regarding "ungodly behavior as it relates to the spending in our senior pastor's office" pertain to judgements wrongly formed due to staff who were entirely unaware of these benefits which were part of Pastor James' Elder approved compensation. Responsibility to ensure these amounts were added to his box 1 compensation would fall to the church treasurer, CFO, COO as they were the only ones with access to the payroll and entirely responsible by their own mandate per the finance committee for the completion of his tax return.

## CFO Office notes regarding this document – OSP replies in red

### 1) We reconciled the taxable fringe additons for 2016 and no credit card charges were included

- Fred Adams can provide explanation and/or documentation of his process of incorporating taxable fringe expenses into Pastor James' box 1. Fred has assured Diane, Sharon, and Pastor James that taxable expenses incurred during the years he served as CFO were properly handled.
- Why do these line items lack the account allocation details that were documented on source CC statements? e.g. Private, Refreshment, etc.
- "?" Need additional info from 2016 CC statements / red texts need CFO office to research and confirm.

### 2) We did not have enough detail for deposits in 2016 to reconcile items marked as Private to a corresponding reimbursement

- Corresponding MacDonald drawn checks are as noted. Amounts may not align because a) checks written by Macs usually covered multiple months. And b) typically each month Mac's were also reimbursed by Harvest/CFO for church expenses they paid for on their private card.
- In 2015-2017 whichever had the net greater, either MacDonalds or the church, wrote a check to the other. This practice ended in 2018, with both MacDonalds (via Sharon Kostal on their behalf) and COO issuing reimbursements respectively for better accounting. COO was responsible for documentation of those transactions.

### 3) There are no files for 2015 cc statements - this is a download of activity from the Chase website

- CC statements with detail from late 2015 (Q4?) Filed by Jen Hawkins did exist and were transferred with all other OSP CC statements to Diane in fall 2018. No prior 2015 statements existed when Sharon Kostal's tenure began.
- Both Jen and Fred have been asked for any files, documentation, or process details from that timeframe. As of 5/15/19 neither have provided details.
- Both Jen and Fred confirmed that whenever a reimbursement check for private expenses was requested from Pastor James they recalled receiving it promptly.