THE MOODY BIBLE INSTITUTE OF CHICAGO

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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CONTENTS

Crowe Horwath.

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
The Moody Bible Institute of Chicago

We have audited the accompanying statements of financial position of The Moody Bible Institute of Chicago (the Institute) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moody Bible Institute of Chicago as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on the statement of financial position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

During the year ended June 30, 2007, the Institute adopted Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
October 8, 2008

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 16,519,112	$ 22,093,352
Receivables		
Beneficial interest in term trusts held by others and pledges receivable	5,064,493	2,849,579
Other (less allowance for uncollectible amounts: $569,000 in 2008 and $646,000 in 2007)	5,120,919	4,361,964
Inventories	4,364,985	4,141,253
Investments	96,343,150	97,123,584
Trust holdings	155,376,802	174,429,103
Property, plant, and equipment, net	59,754,484	58,904,558
Other	12,795,148	12,635,570
Total assets	$ 355,339,093	$ 376,538,963
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 7,831,756	$ 9,260,725
Accrued pension and postretirement health benefits	32,912,005	33,591,021
Annuity contract actuarial reserve	50,352,018	50,328,996
Trust obligations	126,857,833	143,159,041
Other	422,471	482,471
Total liabilities	218,376,083	236,822,254
Net assets		
Unrestricted	78,243,218	75,798,486
Temporarily restricted	30,386,143	36,000,915
Permanently restricted	28,333,649	27,917,308
Total net assets	136,963,010	139,716,709
Total liabilities and net assets	$ 355,339,093	$ 376,538,963

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support								
Contributions	$ 35,342,180	$ 10,999,164	$ -	$ 46,341,344	$ 34,235,191	$ 11,999,217	$ -	$ 46,234,408
Sales of books and publications	16,378,473	-	-	16,378,473	17,221,275	-	-	17,221,275
Student fees and tuition	18,395,808	-	-	18,395,808	17,627,898	-	-	17,627,898
Investment return designated for current operations	1,995,475	3,649,500	-	5,644,975	2,687,223	3,933,730	-	6,620,953
Other	9,765,498	27,614	-	9,793,112	10,085,194	18,920	-	10,104,114
Net assets released from restrictions	11,157,598	(11,157,598)	-	-	11,758,428	(11,758,428)	-	-
Total revenue, gains, and other support	93,035,032	3,518,680	-	96,553,712	93,615,209	4,193,439	-	97,808,648
Expenses								
Program								
Public ministries	38,182,139	-	-	38,182,139	37,052,421	-	-	37,052,421
Education	26,232,217	-	-	26,232,217	26,244,417	-	-	26,244,417
Student services	13,983,332	-	-	13,983,332	12,768,691	-	-	12,768,691
Total program expenses	78,397,688	-	-	78,397,688	76,065,529			76,065,529
Fund raising	9,135,007	-	-	9,135,007	9,773,147	-	-	9,773,147
Management and general	4,183,952	-	-	4,183,952	5,359,998	-	-	5,359,998
Total expenses	91,716,647	-	-	91,716,647	91,198,674	-	-	91,198,674
Change in net assets from operating activities	1,318,385	3,518,680	-	4,837,065	2,416,535	4,193,439	-	6,609,974

(Continued)

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other changes in net assets								
Investment return in excess of amounts designated for current operations	$ 947,827	$ (2,101,479)	$ -	$ (1,153,652)	$ 1,850,102	$ 3,341,223	$ -	$ 5,191,325
Permanently Restricted Contributions	-	-	451,185	451,185	-	-	208,876	208,876
Changes in present value of split-interest agreements	-	(6,921,948)	(144,869)	(7,066,817)	-	860,217	274,367	1,134,584
Change in estimate of asset retirement obligation (asbestos)	(77,522)	-	-	(77,522)	(1,258,205)	-	-	(1,258,205)
Pension actuarial (loss)	(2,796,257)	-	-	(2,796,257)	-	-	-	-
Postretirement health actuarial gain	3,052,299	-	-	3,052,299	-	-	-	-
Minimum pension liability adjustment	-	-	-	-	4,917,624	-	-	4,917,624
Cumulative effect of change in accounting for pension and postretirement health benefits	-	-	-	-	(10,607,112)	-	-	(10,607,112)
Change in donor designation	-	(110,025)	110,025	-	-	(729,555)	729,555	-
Increase (decrease) in net assets	2,444,732	(5,614,772)	416,341	(2,753,699)	(2,681,056)	7,665,324	1,212,798	6,197,066
Net assets at beginning of year	75,798,486	36,000,915	27,917,308	139,716,709	78,479,542	28,335,591	26,704,510	133,519,643
Net assets at end of year	$ 78,243,218	$ 30,386,143	$ 28,333,649	$ 136,963,010	$ 75,798,486	$ 36,000,915	$ 27,917,308	$ 139,716,709

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Increase (decrease) in net assets	$ (2,753,699)	$ 6,197,066
Adjustment to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation and amortization	4,891,552	5,275,908
Loss (gain) on sale of plant disposals	110,884	(659,598)
Net realized and unrealized gain on investments	(329,999)	(8,262,084)
Contributions restricted for long-term investment	451,185	246,283
(Increase) decrease in other receivables	(758,955)	151,438
Increase in contribution receivables	(2,214,914)	(693,739)
(Increase) decrease in inventories	(223,732)	36,002
Increase in annuity contract actuarial reserve	23,022	343,459
Increase (decrease) in accrued pension and postretirement health benefits	(679,016)	4,087,493
Increase (decrease) in accounts payable and accrued expenses	(1,428,969)	2,651,996
Increase (decrease) in other assets and liabilities	(219,575)	3,836,446
Net cash from operating activities	(3,132,216)	13,210,670
Cash flows from investing activities		
Purchase of investments	(58,967,972)	(30,101,864)
Proceeds from sales or maturities of investments	60,078,403	29,005,929
Purchase of property, plant, and equipment	(5,854,439)	(3,526,347)
Proceeds from sales of property, plant, and equipment	2,076	1,532,449
Decrease (increase) in trust holdings	19,052,301	(13,940,434)
Increase (decrease) in trust obligations	(16,301,208)	9,877,926
Net cash from investing activities	(1,990,839)	(7,152,341)
Cash flows from financing activities		
Investment in endowment funds	(451,185)	(208,876)
Investments in plant funds	-	(37,407)
Net cash from financing activities	(451,185)	(246,283)
Increase (decrease) in cash and cash equivalents	(5,574,240)	5,812,046
Cash and cash equivalents at beginning of year	22,093,352	16,281,306
Cash and cash equivalents at end of year	$ 16,519,112	$ 22,093,352

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The Moody Bible Institute of Chicago (the Institute) was incorporated in the state of Illinois in February 1887 as the Chicago Evangelization Society. The name was changed to The Moody Bible Institute of Chicago in March 1900.

The Institute exists to equip and motivate people to advance the cause of Christ through ministries that educate, edify, and evangelize. The primary means for executing this purpose are:

- Conducting Christian educational activities through undergraduate, graduate, and distance learning divisions and conference ministries;
- Producing and broadcasting Christian radio programs; and
- Publishing and distributing evangelical Christian literature.

The Institute draws its students from all fifty states as well as around the world. An Institute distinctive is its long held tuition-paid education model for full-time undergraduate students studying on the Chicago campus, which is financed through contributions from friends of the Institute. These students only pay for room and board and miscellaneous student fees. However, students studying in the Graduate School, Moody Spokane branch campus or through distance learning options pay tuition and student fees, as well as room and board if living on the Chicago campus. The amount of tuition charged does not fully cover the cost of these programs so they are also heavily financed by contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Institute have been prepared on the accrual basis of accounting. Significant accounting policies followed in preparation of these financial statements are described below.

General: The accompanying financial statements have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. All intracompany accounts and transactions have been eliminated. Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets in the statements of activities unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statements of activities as net assets released from restrictions.

Public Support and Revenue: Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are recognized when the condition on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue of the unrestricted net asset class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

The Institute is beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Revenue from the sales of books and publications as well as Institute conferences are recorded when the goods are shipped or the conference is held. Amounts received in advance of shipment of books and publications, and conference dates are recorded as deferred revenue.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Designated for Current Operations: The Institute has adopted an endowment and investment spending policy in support of current operational budget requirements. The policy allows for the spending of a percentage of the average fair value of endowment assets (5% for fiscal years 2008 and 2007) and other investments (6% for fiscal years 2008 and 2007). If endowment and investment returns (i.e., interest, dividends, and gains) exceed the established spending rate, such excess is set aside and reinvested for future needs. If endowment returns are not sufficient to support the spending policy, the yield shortfall is provided from amounts previously set aside. The amounts allowed for the current year are shown in the operating section on the statement of activity as "Investment return designated for current operations." The amount set aside is shown in the "Other changes in net assets" section as "Investment return in excess of amounts designated for current operations."

Operations: Operating results in the statement of activities reflect all transactions increasing or decreasing net assets except for reinvestment of income and gains in excess of amounts designated for current operations, changes in asset retirement obligations, changes in the funded status of pension and other postretirement obligations in excess of net periodic benefit cost, and changes in the value of split interest agreements.

Cash Equivalents: Cash equivalents include all highly liquid investments with a maturity of three months or less. Cash equivalents that are held in an MBI managed trust are included with trust holdings.

Inventories: Inventories, which primarily consists of books and publications, are stated at the lower of cost or market. Cost is determined by the average-cost method.

Investments: Investments in equity and debt securities are reported at fair value. The fair value of such investments is based upon quoted market prices. Real estate held for investment is stated at lower of cost or fair value based upon periodic appraisals.

Property, Plant, and Equipment: Property, plant, and equipment are stated at cost at date of acquisition or at fair value at date of gift. Property, plant, and equipment are being depreciated principally on a straight-line method over their estimated useful lives.

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. This loss would be recorded if it is not recoverable.

The Institute has various literary collections, which consist of evangelical manuscripts, private papers, and rare books of several authors. The collections are not capitalized on the books of the Institute.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Radio Station Licenses and On-Line Courses: Radio station licenses are recorded as other assets and are being amortized on a straight-line basis over 40 years. Costs incurred to create and deliver content for the Distance Learning Center on-line courses are capitalized until the course is ready to deliver and then amortized based on income and an overall life of eight years.

Beneficial Interest in Trusts Held by Others: Donors have established and funded trusts which are administered as trustee by outside organizations. Under the terms of the trusts, the Institute has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life (term) of the trust. The Institute does not control the assets held by outside trusts. Although the Institute has no control over the administration of the funds held in these term and perpetual trusts, the estimated fair value of the expected future cash flows from the trusts is recognized as an asset in the accompanying financial statements.

Obligations Under Split-Interest Agreements: These agreements include trusts, annuities, and a pooled income fund held by the Institute and trusts held by other institutions in which the Institute is a beneficiary. The liability on temporarily and permanently restricted irrevocable trusts held by the Institute is computed by taking the present value of the payments expected to be made to other beneficiaries. For these trusts, the discount rate utilized in 2007 and 2008 ranged from 4.5% to 6%. The liability on pooled income funds and trusts held by other institutions is calculated based on the fair value of the assets discounted at a rate from 4.5% to 6% for the estimated time period until the donor's death. The Institute continues to use the policy of basing the annuity contract actuarial reserve at the standard set by the State of California. Annuities use the Internal Revenue Service (IRS) discount rate based on the date of the gift, and these rates range from 2.5% to 6.2%. Actuarial tables are used to estimate the years until distribution in all cases mentioned above.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

Income Taxes: The Institute has received a determination letter from the Internal Revenue Service indicating that the Institute has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, are exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the Institute has had no significant unrelated business income.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no impact on the change in net assets for the year ended June 30, 2007.

(Continued)

NOTE 3 - INVESTMENTS

At June 30, 2008 and 2007, the cost and carrying value of investments are comprised of the following:

	Cost	Carrying Value
June 30, 2008		
Certificate of deposit	$ 574,410	$ 574,410
Common and preferred stocks	42,390,338	42,924,552
U.S. government securities	21,973,453	22,166,902
Corporate bonds	25,112,155	25,063,342
Real estate	1,799,074	1,799,074
Mortgage, note, and contract receivables	1,332,647	1,332,647
Other	2,478,448	2,482,223
	$ 95,660,525	$ 96,343,150
June 30, 2007		
Certificate of deposit	$ 574,410	$ 574,410
Common and preferred stocks	33,340,535	41,191,858
U.S. government securities	27,215,887	25,818,523
Bonds	26,096,958	25,272,085
Real estate	1,857,574	1,857,574
Mortgage, note, and contract receivables	1,754,210	1,754,210
Other	653,698	654,924
	$ 91,493,272	$ 97,123,584

Investments are allocated by fund as follows:

	2008	2007
Operating funds	$ 25,940,338	$ 19,357,157
Annuity fund	45,688,889	49,175,735
Other temporarily restricted funds	3,699,706	4,786,679
Endowment fund	21,014,217	23,804,013
Total Carrying Value	$ 96,343,150	$ 97,123,584

The annuity fund investments help to fund the annuity actuarial reserve liability of $50,352,018 and $50,328,996 at June 30, 2008 and 2007, respectively.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investment return for the years ended June 30, 2008 and 2007, is as follows:

	Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 2,380,694	$ 2,058,108	$ -	$ 4,438,802
Realized and change in unrealized gain, net	730,573	(400,574)	-	329,999
Investment expense	(167,965)	(109,513)	-	(277,478)
Total investment return	2,943,302	1,548,021	-	4,491,323
Less amounts designated for current operations	1,995,475	3,649,500	-	5,644,975
Investment return in excess of amounts designated for current operations reinvested	$ 947,827	$ (2,101,479)	$ -	$ (1,153,652)

	Year Ended June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 1,604,424	$ 2,289,881	$ -	$ 3,894,305
Realized and change in unrealized gain, net	3,167,141	5,094,943	-	8,262,084
Investment expense	(234,240)	(109,871)	-	(344,111)
Total investment return	4,537,325	7,274,953	-	11,812,278
Less amounts designated for current operations	2,687,223	3,933,730	-	6,620,953
Investment return in excess of amounts designated for current operations reinvested	$ 1,850,102	$ 3,341,223	$ -	$ 5,191,325

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS

As trustee, the Institute administers revocable trusts that provide for a beneficial interest to the Institute or other beneficiaries at the death of the grantor. Revocable trusts are subject to change at the discretion of the grantor and are, therefore, recorded as an asset and liability. At the grantor's death, the remaining assets will be distributed to the Institute or other specified beneficiaries in accordance with the trust agreement.

In addition, the Institute administers irrevocable charitable remainder trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon the death of the grantor or other designated beneficiaries, the trusts will distribute assets to the designated remaindermen. The present value of the portion of the trust that is paid during the lifetime of other designated beneficiaries is recorded as a trust obligation in the statement of financial position. In addition, some of the trusts contain provisions requiring distributions to remaindermen other than the Institute. The portion of the trust attributable to other remaindermen is also recorded as a trust obligation in the statement of financial position. The change between reporting periods in the trust obligation is recorded in the statement of activities as a component of change in present value of split-interest agreements. This amount is reclassified to unrestricted net assets at the termination of the trust.

The assets held in trust by the Institute, at fair value and cost, and the corresponding liabilities at June 30, 2008 and 2007, are comprised of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Trust assets:				
Cash and cash equivalents	$ 9,619,711	$ 9,594,452	$ 9,112,488	$ 9,085,707
Corporate stocks	31,734,736	39,925,243	31,407,518	46,612,176
Corporate bonds	8,334,547	8,065,358	5,145,612	5,045,826
U.S. government securities	55,088,094	55,154,363	67,623,671	65,758,501
Mutual funds	23,402,104	22,412,855	23,559,796	27,161,654
Real estate	5,768,709	5,644,744	6,172,037	6,001,263
Notes and mortgages receivable	645,765	645,765	664,859	664,859
Other assets	8,641,021	9,869,633	8,855,394	9,886,231
Beneficial interest in perpetual trusts held by others	4,064,389	4,064,389	4,212,886	4,212,886
	$ 147,299,076	$ 155,376,802	$ 156,754,261	$ 174,429,103

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS (Continued)

	2008	2007
Trust obligations:		
Revocable trusts	$ 81,801,281	$ 87,679,772
Irrevocable trusts	28,070,418	39,713,038
Pooled income funds	6,870,942	6,390,451
Due to other remaindermen	10,115,192	9,375,780
	$ 126,857,833	$ 143,159,041

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2008 and 2007, are comprised of the following:

	2008	2007
Land and improvements	$ 14,890,122	$ 14,890,122
Building and building equipment	102,425,935	101,581,460
Furniture and equipment	12,350,370	17,128,828
Computer Software	6,662,318	2,926,286
Construction in process	1,450,384	2,301,697
	137,779,129	138,828,393
Less allowance for depreciation and amortization	78,024,645	79,923,835
Total property, plant, and equipment	$ 59,754,484	$ 58,904,558

The provision for depreciation of property, plant, and equipment amounted to $4,891,552 and $5,275,908 for the years ended June 30, 2008 and 2007, respectively.

The Institute accounts for asset retirement obligations under FASB interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations* (AROs), an interpretation of FASB Statement No. 143. The asset retirement obligation liability is $1,395,000 and $1,318,000 in 2008 and 2007 respectively.

(Continued)

NOTE 6 - OTHER ASSETS

Other assets are comprised at June 30, 2008 and 2007, of the following:

	2008	2007
Intangible assets		
Radio station licenses	$ 9,567,898	$ 9,894,793
Distance Learning online course development	735,274	928,274
	10,303,172	10,823,067
Prepaid expenses	2,082,420	1,382,579
Other	409,556	429,924
Total other assets	$ 12,795,148	$ 12,635,570

Annual amortization expense related to the radio station licenses is estimated to be approximately $327,000 for the next five years. Annual amortization expense related to the distance learning online course development is estimated to be approximately $147,000 for the next five years.

NOTE 7 - BENEFIT PLANS

The Institute has a defined-benefit pension plan (the Plan), implemented through a trust. Pension benefits vest after five years of service prior to retirement. A plan amendment was approved by the Compensation Committee of the Board of Trustees that transitions the Institute over a period of years from a defined-benefit retirement plan to a defined-contribution plan. The defined-contribution plan started January 1, 2006. Contributions to the defined contributions plan totaled $880,957 and $714,416 for the years ended June 30, 2008 and 2007, respectively.

In addition to the pension plan, the Institute also sponsors a defined-benefit healthcare plan (postretirement plan) that provides postretirement medical benefits and life insurance to full-time employees who have worked 10 years at age 55 or 5 years at age 60 while in service with the Institute. The healthcare plan only covers employees and retirees who were hired on or before December 31, 1995.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

The following tables summarize the changes in the projected benefit obligation, plan assets, and funded status during 2008 and 2007:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Change in projected benefit obligation				
Projected benefit obligation beginning of year	$ 49,917,202	$ 48,157,408	$ 29,312,684	$ 32,342,000
Service costs	807,881	829,342	541,453	423,000
Interest cost	3,037,248	2,929,812	1,789,029	1,889,000
Plan amendment	-	-	-	-
Actuarial (gain) or loss	(2,383,379)	396,790	(3,015,978)	(4,309,608)
FAS 158 adjustment (15-month method)	-	-	-	578,000
Benefits paid	(2,431,055)	(2,396,150)	(1,490,977)	(1,609,708)
Projected benefit obligation, end of year	$ 48,947,897	$ 49,917,202	$ 27,136,211	$ 29,312,684
Change in plan assets				
Fair value of plan assets, beginning of year	$ 45,638,865	$ 39,598,792	$ -	$ -
Actual return on plan assets	(2,685,707)	5,836,223	-	-
Employer contribution	2,650,000	2,600,000	-	-
Benefits paid	(2,431,055)	(2,396,150)	-	-
Fair value of plan assets, end of year	$ 43,172,103	$ 45,638,865	$ -	$ -
Funded status - liability recognized in the statement of financial position	$ (5,775,794)	$ (4,278,337)	$(27,136,211)	$(29,312,684)

While the pension plan is underfunded in that the fair value of plan assets at June 30 was less than the total of all future benefits earned as of that date, the Institute has met and exceeded all required cash contributions to the Plan. Contributions are invested to produce income to the Plan sufficient to meet all future requirements, given management's actuarial assumptions about the expected long-term return on plan assets, discount rates, plan demographics, etc.

Postretirement healthcare costs are funded each year out of the operating budget; the liability above represents total expected expenses over the lives of all covered employees, retirees, and dependents.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

The accumulated benefit obligation for the pension plan was $44,963,494 and $46,161,314 for the years ended June 30, 2008 and 2007, respectively. The accumulated benefit obligation for the healthcare plan was $27,136,211 and $29,312,684 for the years ended June 30, 2008 and 2007, respectively.

Net periodic benefit cost is composed of the following during 2008 and 2007:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Service cost	$ 807,881	$ 829,342	$ 541,453	$ 423,000
Interest cost	3,037,248	2,929,812	1,789,029	1,889,000
Expected return on plan assets	(3,368,823)	(2,873,879)	-	-
Amortization of unrecognized prior service cost	191,420	191,420	(65,000)	(107,000)
Amortization of net loss	683,474	1,181,850	101,321	334,000
Net periodic benefit cost	$ 1,351,200	$ 2,258,545	$ 2,366,803	$ 2,539,000

Amounts recognized as non-operating activities during 2008 and 2007, are as follows:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Minimum pension liability adjustment	$ -	$ 4,917,624	$ -	$ -
Prior service costs	(191,420)	(191,420)	65,000	65,000
Measurement date change	-	-	-	(635,000)
Actuarial loss (gain)	2,987,677	(5,754,300)	(3,117,299)	(4,091,392)
	$ 2,796,257	$ (1,028,096)	$ (3,052,299)	$ (4,661,392)

The weighted-average assumptions used in determining the actuarial present value of the projected benefit obligation and the expected rate of return on plan assets were as follows as of June 30:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Discount rate	6.75%	6.25%	6.75%	6.25%
Rate of compensation increase	3.50	3.50	-	-

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for year ended June 30:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Discount rate	6.25%	6.25%	6.25%	6.00%
Expected long-term return plan assets	7.50	7.50	-	-
Rate of compensation increase	3.50	3.50	-	-

The composition of plan assets is summarized as follows:

	Pension Plan		Postretirement Plan	
	2008	2007	2008	2007
Equity securities	$ 28,949,367	$ 30,948,390	$ -	$ -
Debt securities	13,290,728	13,731,167	-	-
Cash equivalents	932,008	959,308	-	-
	$ 43,172,103	$ 45,638,865	$ -	$ -

The target allocation of pension plan assets for the years ended June 30, 2008 and 2007 was 68% and 69% for equity securities; 29% and 28% for debt securities; and 3% and 3% for cash equivalents.

The objective of the investment allocation strategy is to meet the commitment to plan participants at a reasonable cost to the Institute. The Plan assets are to be actively invested to achieve growth through capital appreciation and accumulation and reinvestment of interest and dividend income.

Contributions: The Institute contributed $2,650,000 and $2,600,000 to its pension plan in 2008 and 2007, respectively. Based on the advice of its consulting actuarial management, the Institute's employer contributions expected to be paid in fiscal year 2009 total $2,600,000.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits
2009	$ 2,677,592	$ 1,582,072
2010	2,814,171	1,669,652
2011	2,888,400	1,769,805
2012	2,985,635	1,868,716
2013	3,085,162	1,957,138
Years 2014-2018	17,542,510	10,810,482

The annual healthcare trend rate was 8.50% and is expected to decrease gradually to 5.50% in 2014 and thereafter. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components in 2008	$ 404,500	$ (323,039)
Effect on postretirement benefit obligation at June 30, 2008	3,757,963	(3,087,850)

(Continued)

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets are available for the following purposes or periods:

Temporarily Restricted

	June 30 2008	June 30 2007
Purpose restrictions		
Scholarships, grants, and student loans	$ 3,151,690	$ 3,391,019
President's Forum projects	804	222,138
Broadcast construction/renovation projects	605,717	741,628
Miscellaneous projects	2,255,897	3,158,759
Time restrictions		
Beneficial interest in term trusts held by others	$ 4,203,038	$ 2,849,579
Irrevocable trust agreements for which the Institute is trustee	24,031,043	26,601,815
Annuity fund (deficiency)	(3,862,046)	(964,023)
	$ 30,386,143	$ 36,000,915

The Annuity Fund deficiency is due to investment losses in the current year and in prior years. An unrestricted cash reserve was established for the Annuity Funds in the Unrestricted Funds in 2005 to fully offset this deficiency.

Permanently Restricted

	June 30 2008	June 30 2007
Endowments held by the Institute		
Student aid	$ 9,010,218	$ 8,965,165
General purpose	4,635,873	4,534,623
Building maintenance	3,804,030	3,804,030
Education ministries	4,292,235	4,243,439
President's Global Impact Fund	1,998,067	1,596,505
Broadcast ministries	105,300	105,300
Held in MBI managed Trusts	423,537	455,360
Endowments held by others on behalf of the Institute		
Beneficial interest in perpetual trusts held by others	4,064,389	4,212,886
	$ 28,333,649	$ 27,917,308

(Continued)

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

Net Assets Released

	June 30 2008	June 30 2007
Purpose restriction accomplished		
President's Forum projects	$ 221,433	$ 531,305
Broadcast construction/renovation projects	562,197	191,837
Student grants and scholarships	727,559	505,748
Educational purposes	2,133,319	1,655,232
Miscellaneous projects	1,201,324	125,398
	4,845,832	3,009,520
Time restrictions expired		
Charitable gift annuities	1,237,096	1,250,372
Termination of irrevocable trust agreements	5,074,670	7,498,536
	6,311,766	8,748,908
	$ 11,157,598	$ 11,758,428

Assets released from restrictions include assets distributed to the Institute from terminated trusts and restricted donations expended for their restricted purposes. Certain costs related to assets released are included in fund-raising expenses.

NOTE 9 - UNSECURED LINE OF CREDIT

The Institute has negotiated a $7,000,000 line of credit demand note (uncommitted) with The Northern Trust Company (the Bank). Drawings on the line of credit are available solely on approval by the Bank, bear interest at Prime or LIBOR plus 1.2%; and are due on demand. There were no amounts outstanding against the line of credit as of June 30, 2008 and 2007.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents: The carrying amounts reported in the statement of financial position approximate its fair value.

Receivables: The carrying amounts reported in the statement of financial position approximate its fair value.

(Continued)

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investments, Other Than Real Estate: The fair value of equity and debt securities is based on quoted market prices if available or using quoted market prices for similar securities.

Trust Holdings, Other Than Real Estate: The fair value is based on quoted market prices if available or position-quoted market prices for similar securities.

Accounts Payable and Accrued Expenses: The carrying amounts reported in the statement of financial position approximate its fair value.

Annuity Contract Actuarial Reserve: The carrying amounts reported in the statement of financial position approximate its fair value.

Trust Obligations: Fair value is based on the present value of the trust portion attributable to remaindermen other than the Institute. The carrying amounts reported in the statement of financial position approximate its fair value.

NOTE 11 - COMMITMENTS

The Institute has lease contracts and maintenance agreements for satellite and radio transmission towers, office and classroom space, and computer equipment. Certain of these contracts and agreements contain renewal provisions. Expenses incurred under these agreements were approximately $1,587,000 and $1,578,000 for 2008 and 2007, respectively. Future minimum commitments for operating leases and maintenance agreements with noncancelable terms in excess of one year are as follows at June 30:

	Amount
2009	$ 1,065,000
2010	651,000
2011	167,000
2012	135,000
2013	135,000
Thereafter	666,000
Total minimum lease payments	$ 2,819,000

In 2007, the Institute entered into a group employee health insurance plan with Blue Cross and Blue Shield of Illinois, whereby Blue Cross and Blue Shield provides certain administrative services and provides specific and aggregate stop loss coverage. The Institute pays a reduced monthly premium; however, it is responsible for the funding of all claims up $300,000 per individual per policy year. A liability of approximately $336,000 has been recorded by the Institute as of June 30, 2008 to estimate payment of claims pending on that date. Group health insurance expense for the fiscal years ended June 30, 2008 and 2007 totaled approximately $5,855,000 and $5,653,000.

(Continued)

NOTE 12 - CONTINGENCIES

The Institute is party to certain legal proceedings and allegations. In most cases, these matters are covered by commercial insurance. Management is of the opinion that these matters will not have a material effect on the Institute's financial position or changes in net assets.

NOTE 13 - NEW ACCOUNTING STANDARDS

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement on Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2007.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This standard clarifies the definition of fair value for reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Additional disclosures will be required regarding the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of activities for a fiscal period.

In August 2008, FASB issued Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP 117-1). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Additional disclosures about endowments for both donor-restricted funds and board-designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy(ies). FSP 117-1 is effective for all fiscal years ending after December 15, 2008.

Management intends to adopt the provisions of FIN 48, SFAS 157 and FSP 117-1 for the year ended June 30, 2009. The overall financial statement impact of adoption of these pronouncements has not been determined by the Institute.

SUPPLEMENTARY INFORMATION

THE MOODY BIBLE INSTITUTE OF CHICAGO
DETAILS OF STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
ASSETS					
Cash and cash equivalents	$ 11,631,708	$ 2,055,230	$ 2,832,174	$ 16,519,112	$ 22,093,352
Receivables					
Beneficial interest in temporary trusts held by others and pledges receivable	-	5,064,493	-	5,064,493	2,849,579
Other	4,892,867	227,220	832	5,120,919	4,361,963
Inventories	4,364,985	-		4,364,985	4,141,253
Investments	25,940,338	49,388,595	21,014,217	96,343,150	97,123,584
Trust holdings	-	150,508,813	4,867,989	155,376,802	174,429,103
Property, plant, and equipment	59,754,484	-	-	59,754,484	58,904,558
Due from (to) other funds	25,000	(25,000)	-	-	-
Other	12,795,148	-	-	12,795,148	12,635,571
Total assets	$ 119,404,530	$207,219,351	$ 28,715,212	$ 355,339,093	$ 376,538,963
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 7,826,836	$ 3,420	$ 1,500	$ 7,831,756	$ 9,260,725
Accrued pension and postretirement health benefits	32,912,005	-	-	32,912,005	33,591,021
Annuity contract actuarial reserve	-	50,352,018	-	50,352,018	50,328,996
Trust obligations	-	126,477,770	380,063	126,857,833	143,159,041
Other	422,471	-	-	422,471	482,471
Total liabilities	41,161,312	176,833,208	381,563	218,376,083	236,822,254
Net assets					
Unrestricted	78,243,218	-	-	78,243,218	75,798,486
Temporarily restricted	-	30,386,143	-	30,386,143	36,000,915
Permanently restricted	-	-	28,333,649	28,333,649	27,917,308
Total net assets	78,243,218	30,386,143	28,333,649	136,963,010	139,716,709
Total liabilities and net assets	$ 119,404,530	$207,219,351	$ 28,715,212	$ 355,339,093	$ 376,538,963

See report of independent auditors.

TRUSTEES AND OFFICERS

As of June 30, 2008
(Unaudited)