

March 17, 2017

Mr. Bill Sperling, Audit Committee Chair
Harvest Bible Chapel
800 Rohlwing Road
Rolling Meadows, Illinois 60008

Bill:

An important issue facing all churches is that of compensation, particularly that of its executives. Churches must balance between a perception of excessive compensation in light of organizational mission and finding/allocating the resources necessary to pay appropriate salaries. In addition, churches must take into consideration the Intermediate Sanctions regulations published by the Internal Revenue Service in 2002. These regulations enable the IRS to impose excise taxes and other penalties on church executives and board members in the event any of these individuals are over-compensated.

For its 2016 fiscal year, compensation for senior staff at Harvest Bible Chapel (HBC) was determined by the independent, non-staff Executive Committee members comprised of the Executive Committee Chair, the Elder Board Chair and the former Elder Board Chair. HBC's attorneys also attended these meetings in an advisory capacity. Once salaries are determined, they are included in the annual budget, which is approved by the full Elder Board. These groups rely upon two primary sources when determining compensation data:

1. Industry Compensation Survey – Each year, HBC participates in an external compensation survey in order to gather and leverage data from other churches across the country regarding compensation and benefits. The most recent survey in which HBC participated was conducted by Church Compensation Services LLC. The report provides compensation data in twenty-one different categories, with a number of detailed job positions and titles within each of those categories. This report is used to review and determine compensation data for all salaried positions at HBC.
2. Executive Position Market Comparison – As a double-check to ensure careful stewardship of its resources, HBC has enlisted third party consultants to provide a market comparison of the compensation packages for the Senior Pastor and its executive leadership team. The most recent market comparison was conducted in December 2015. HBC salaries for the positions surveyed fell within the ranges of this selected peer group.

HBC has asked that CapinCrouse review its practices for determining compensation to ensure compliance with the Intermediate Sanctions regulations. We believe the above methodology satisfies the requirements of those regulations.

In addition, HBC has asked that CapinCrouse, in its capacity as external auditors, review the compensation data as determined above in light of CapinCrouse's exposure to other churches and non-profit organizations. Since 1972, CapinCrouse has been serving non-profit entities through a full range of audit, review, tax, and advisory services. We currently serve more than 1,200 such organizations across the country, with approximately 400 being local churches.

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Based on our review, there is no compensation data at HBC outside the ranges of what we see within the local church. Our review of compensation data is not meant to take the place of either of the external compensation studies described above.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Gregory Griffin". The signature is written in a cursive style with a horizontal line at the end.

S. Gregory Griffin, CPA
Partner