

HARVEST BIBLE CHAPEL

Notes to Financial Statements

December 31, 2011 and 2010

5. RETIREMENT PLAN:

In 2003, HBC implemented a 403(b) plan. HBC contributes to the 403(b) plan on behalf of all full-time employees (working at least 1,000 hours per year) participating through elective salary reductions. HBC matches employee contributions up to 6% of annual base salary. Employees are fully vested immediately upon participation. Contributions to the 403(b) plan during 2011 and 2010 were \$264,395 and \$231,683, respectively.

HBC 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. HBC matches between ½% and 11% of the participant's contribution as defined by the plan documents. For the years ended December 31, 2011 and 2010, HBC made contributions to the plan of \$77,247 and \$80,009, respectively.

6. RELATED PARTY TRANSACTIONS:

In February 2002, HBC formed the Elder Council, now known as Harvest Bible Fellowship (HBF). HBF serves HBC and all plant churches by providing temporary governance to all new plant churches. HBF is a separate 501(c)(3) entity and the churches are represented on the Elder Council by elders or pastors of many HBC church plants. HBC does not exercise any control over HBF to require consolidation under technical accounting standards. During the years ended December 31, 2011 and 2010, HBC contributed \$740,704 and \$576,900, respectively, to HBF. In addition, HBF owed HBC \$22,039 and \$114,945 as of December 31, 2011 and 2010, respectively.

The senior pastor of HBC is also the CEO of a non profit radio ministry, Walk in the Word (WITW). On January 1, 2011, WITW began operating as a ministry of HBC. WITW granted \$2,464,068 of assets to HBC, and HBC assumed \$278,444 of liabilities. Although the current operations of WITW will now be a ministry of HBC, WITW will continue to exist as a separate and independent corporation.