

RIVERTREE CHRISTIAN CHURCH

FINANCIAL REPORT
(COMPILATION)

DECEMBER 31, 2018 and 2017

RIVERTREE CHRISTIAN CHURCH

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Independent Accountants' Compilation Report

To the Elders
RiverTree Christian Church
Massillon, Ohio

Management is responsible for the accompanying financial statements of RiverTree Christian Church (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the AICPA. We did not audit or review the 2018 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated July 11, 2018. We have not performed any auditing procedures since that date.

Maloney + Novotny LLC

Canton, Ohio
June 5, 2019

RIVERTREE CHRISTIAN CHURCH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,429,748	\$ 1,269,619
Accounts receivable	-	3,672
Inventory - coffee	5,978	7,303
Total current assets	<u>1,435,726</u>	<u>1,280,594</u>
PROPERTY AND EQUIPMENT		
Land	39,837	39,837
Land improvements	117,142	117,142
Buildings	11,202,455	10,797,522
Furniture and fixtures	994,246	971,250
Equipment	1,113,037	1,008,905
Vehicles	30,134	30,134
	<u>13,496,851</u>	<u>12,964,790</u>
Less accumulated depreciation	6,477,807	6,055,851
Total property and equipment	<u>7,019,044</u>	<u>6,908,939</u>
Total assets	<u>\$ 8,454,770</u>	<u>\$ 8,189,533</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 40,214	\$ 60,115
Accounts payable and accrued liabilities	193,881	164,141
Total current liabilities	<u>234,095</u>	<u>224,256</u>
LONG-TERM DEBT - net of current portion	<u>507,996</u>	<u>758,276</u>
Total liabilities	742,091	982,532
NET ASSETS		
Without donor restrictions	7,143,091	6,689,879
With donor restrictions	569,588	517,122
Total net assets	<u>7,712,679</u>	<u>7,207,001</u>
Total liabilities and net assets	<u>\$ 8,454,770</u>	<u>\$ 8,189,533</u>

See accompanying notes and independent accountants' compilation report.

RIVERTREE CHRISTIAN CHURCH
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Offerings	\$ 4,302,312	\$ 577,920	\$ 4,880,232
Tuition, registration, and sales	2,054,803	-	2,054,803
Rental income	55,807	-	55,807
Interest income, net	15,446	-	15,446
Gain on sale of assets	118	-	118
Net assets released from restrictions:			
Satisfaction of donor restriction	525,454	(525,454)	-
TOTAL REVENUE AND SUPPORT	6,953,940	52,466	7,006,406
EXPENSES			
Program - ministry	5,508,945	-	5,508,945
General and administrative	991,783	-	991,783
TOTAL EXPENSES	6,500,728	-	6,500,728
CHANGE IN NET ASSETS	453,212	52,466	505,678
NET ASSETS - BEGINNING OF YEAR	6,689,879	517,122	7,207,001
NET ASSETS -END OF YEAR	\$ 7,143,091	\$ 569,588	\$ 7,712,679

See accompanying notes and independent accountants' compilation report.

RIVERTREE CHRISTIAN CHURCH

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	Year Ended December 31, 2017		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Offerings	\$ 4,123,712	\$ 616,809	\$ 4,740,521
Tuition, registration, and sales	1,719,811	-	1,719,811
Rental income	41,293	-	41,293
Royalty income	1,309	-	1,309
Interest income, net	6,509	-	6,509
Gain on sale of assets	78,992	-	78,992
Net assets released from restrictions:			
Satisfaction of donor restriction	605,654	(605,654)	-
TOTAL REVENUE AND SUPPORT	<u>6,577,280</u>	<u>11,155</u>	<u>6,588,435</u>
EXPENSES			
Program - ministry	5,304,144	-	5,304,144
General and administrative	991,576	-	991,576
TOTAL EXPENSES	<u>6,295,720</u>	<u>-</u>	<u>6,295,720</u>
CHANGE IN NET ASSETS	281,560	11,155	292,715
NET ASSETS - BEGINNING OF YEAR	<u>6,408,319</u>	<u>505,967</u>	<u>6,914,286</u>
NET ASSETS - END OF YEAR	<u>\$ 6,689,879</u>	<u>\$ 517,122</u>	<u>\$ 7,207,001</u>

See accompanying notes and independent accountants' compilation report.

RIVERTREE CHRISTIAN CHURCH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Program Ministry</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ 26,785	\$ -	\$ 26,785
Benevolence	20,183	-	20,183
Books and software	49,720	-	49,720
Childcare	71,092	-	71,092
Conference, tuition, travel, trips	106,109	-	106,109
Cost of goods sold	72,920	-	72,920
Curriculum	9,394	-	9,394
Depreciation	347,558	86,890	434,448
Employee benefits	263,146	65,787	328,933
Fees and services	121,470	30,367	151,837
Gifts	32,381	-	32,381
Interest	26,986	6,747	33,733
Meals	217,389	-	217,389
Mileage	3,718	-	3,718
Mission and building expenses	932,128	-	932,128
Payroll taxes	155,045	38,761	193,806
Postage	4,861	1,215	6,076
Repairs and maintenance	33,367	8,342	41,709
Retirement	70,103	17,526	87,629
Salaries and wages	2,551,570	637,893	3,189,463
Supplies	163,606	40,902	204,508
Utilities	229,414	57,353	286,767
Total expenses	\$ <u>5,508,945</u>	\$ <u>991,783</u>	\$ <u>6,500,728</u>

See accompanying notes and independent accountants' compilation report.

RIVERTREE CHRISTIAN CHURCH

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 505,678	\$ 292,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	434,448	421,185
Gain on sale of assets	(118)	(78,992)
Decrease (increase) in:		
Accounts receivable	3,672	(3,672)
Inventory	1,325	2,724
Increase (decrease) in:		
Accounts payable and accrued liabilities	29,740	330
Net cash provided by operating activities	<u>974,745</u>	<u>634,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	750	143,653
Purchase of property and equipment	<u>(545,185)</u>	<u>(250,970)</u>
Net cash (used) by investing activities	<u>(544,435)</u>	<u>(107,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(270,181)</u>	<u>(143,279)</u>
Net cash (used) by financing activities	<u>(270,181)</u>	<u>(143,279)</u>
NET INCREASE IN CASH	160,129	383,694
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,269,619</u>	<u>885,925</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,429,748</u></u>	<u><u>\$ 1,269,619</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for:		
Interest	\$ 33,733	\$ 39,010

See accompanying notes and independent accountants' compilation report.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies

A. Organization

RiverTree Christian Church (the Church), a nonprofit corporation, is dedicated to the purpose directly rooted in the Great Commission in the Bible to "Go and Make Disciples" of Jesus Christ. The Church is committed to joining God on His mission to love the lost and offer them new and eternal life, making maturing followers of Jesus Christ through love, living as disciples of Jesus Christ through relationships, and learning to allow Jesus Christ to be Lord over every part of our lives. The Church is supported primarily through contributions from the congregation and revenue from the preschool. Speak Easy, LLC is a wholly-owned coffee shop of the Church. The consolidated financial statements include the accounts of Speak Easy, LLC.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Basis of Presentation

As required by U.S. GAAP, net assets and support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Church and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Church and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Church. As of December 31, 2018 and 2017, the Church had \$-0- in permanently restricted net assets.

D. Donated Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under U.S. GAAP.

E. Concentrations of Credit Risk

The Church maintains bank accounts with cash balances in excess of \$250,000 in certain financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. For the years ended December 31, 2018 and 2017, the Church had uninsured cash balances of \$427,098 and \$1,017,769, respectively.

RIVERTREE CHRISTIAN CHURCH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include interest and non-interest bearing accounts with maturities of three months or less. Cash and cash equivalents also include cash investments that bear interest at Christian Financial Resources, Inc., which is uninsured by the Federal Deposit Insurance Corporation (FDIC).

G. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Church capitalizes all multi-year use assets that cost in excess of \$500.

H. Federal Income Taxes

The Church qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes. None of its present or anticipated future activities are subject to taxation as UBI; therefore, no provision has been recorded.

I. Uncertain Tax Positions

The preparation of financial statements in conformity with U.S. GAAP requires the Church to report information regarding its exposure to various tax positions taken by the Church. The Church has determined whether any tax positions have met the recognition threshold and has measured the Church's exposure to those tax positions. Management believes that the Church has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Any interest or penalties assessed to the Church would be recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

J. Contributions

The Church receives contributions in the form of offerings. Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

RIVERTREE CHRISTIAN CHURCH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Organization and Summary of Significant Accounting Policies (Continued)

K. Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, depreciation, repairs, and utilities are based on square footage. Payroll, taxes, and related benefits are based on estimate of time and effort. All other costs are allocated directly to the ministry.

L. New Accounting Principle

During the year ended December 31, 2018, the Church adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

M. Advertising

The Church participates in various advertising and marketing programs. All costs related to marketing and advertising the Church's programs and services are expensed in the period incurred.

N. Reclassification

Certain information previously presented has been reclassified to conform with the current presentation.

O. Date of Management's Review of Subsequent Events

Subsequent events have been evaluated through June 5, 2019, which is the date the financial statements were available to be issued.

Note 1. Liquidity and Availability

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ <u>860,160</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>860,160</u>

The Church strives to maintain liquid financial assets sufficient to cover general expenditures for the next fiscal year. In addition to available financial assets, the Church will rely on tithes and offerings as well as its various services offered to provide cash to cover general expenditures for the next year.

RIVERTREE CHRISTIAN CHURCH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Line of Credit

At December 31, 2018, the Church had a line of credit, with no outstanding balance under the available line of credit of \$1,000,000. All borrowings bear interest at a floating rate (4.85% at December 31, 2018), and are secured by the real estate of the Church.

Note 3. Net Assets with Donor Restrictions

Net assets without donor restrictions as of December 31 are as follows:

Net assets without donor restrictions:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 6,606,441	\$ 6,451,770
Board designated - ministry	<u>536,650</u>	<u>238,109</u>
	<u>\$ 7,143,091</u>	<u>\$ 6,689,879</u>

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

Subject to expenditure for specified purpose:

	<u>2018</u>	<u>2017</u>
Missions activities	\$ 196,193	\$ 277,776
Building	356,400	216,768
Benevolence	<u>16,995</u>	<u>22,578</u>
	<u>\$ 569,588</u>	<u>\$ 517,122</u>

Note 4. Long-Term Debt

Long-term notes payable at December 31, consisted of the following:

	<u>2018</u>	<u>2017</u>
Note payable to bank, due in various monthly installments, including interest at 4.40%, secured by substantially all Church assets, due June 2022.	\$ 83,348	\$ 322,283
Note payable to a bank, due in monthly installments of \$2,192, including interest at 5.50%, secured by all Church assets, balloon payment due November 2021.	270,199	283,800
Note payable to bank, due in various monthly installments, including interest at 4.40%, secured by substantially all Church assets, due February 2029.	<u>194,663</u>	<u>212,308</u>
	548,210	818,391
Less current portion	<u>40,214</u>	<u>60,115</u>
	<u>\$ 507,996</u>	<u>\$ 758,276</u>

RIVERTREE CHRISTIAN CHURCH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Long-Term Debt (Continued)

The aggregate maturities for the five years ending December 31, are as follows:

2019	\$ 40,214
2020	41,762
2021	262,461
2022	86,168
2023	21,062
Thereafter	<u>96,543</u>
	\$ <u>548,210</u>

The Church's debt agreement contains a covenant regarding the maintenance of a specific ratio. As of December 31, 2018, the bank waived the requirement to comply with this ratio.

Note 5. Leases

Operating Leases – The Church leases facilities for services and extracurricular activities under non-cancelable operating leases having remaining terms expiring at various times. Total rent paid under these leases was \$74,050 and \$81,180 for the years ended December 31, 2018 and 2017, respectively. As of December 31, future minimum lease payments under the above operating leases are as follows:

2019	\$ 30,875
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Note 6. Employee Benefit Plan

The Church has a 403(b)(9) plan covering all eligible employees. Employees may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. Total contributions to the plan were \$87,629 and \$93,207 in 2018 and 2017, respectively.