

RIVERTREE CHRISTIAN CHURCH
FINANCIAL REPORT
DECEMBER 31, 2017 and 2016

RIVERTREE CHRISTIAN CHURCH

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Independent Auditor's Report

Board of Elders
RiverTree Christian Church

We have audited the accompanying financial statements of RiverTree Christian Church (a non-profit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RiverTree Christian Church as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2016 were audited by Smith, Barta and Company, who merged with Maloney + Novotny, LLC as of January 1, 2018, and whose report dated March 2, 2017, expressed an unmodified opinion on those statements.



Canton, Ohio
July 11, 2018

RIVERTREE CHRISTIAN CHURCH
STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

<u>CURRENT ASSETS</u>	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents		\$ 1,269,619	\$ 885,925
Accounts receivable		3,672	-
Inventory		7,303	10,027
TOTAL CURRENT ASSETS		<u>1,280,594</u>	<u>895,952</u>
 <u>PROPERTY AND EQUIPMENT</u>			
Land		39,837	39,837
Land improvements		117,142	117,142
Buildings		10,797,522	10,793,083
Furniture and fixtures		971,250	893,273
Equipment		1,008,905	973,273
Vehicles		30,134	30,134
		<u>12,964,790</u>	<u>12,846,742</u>
Less accumulated depreciation and amortization		6,055,851	5,702,927
		<u>6,908,939</u>	<u>7,143,815</u>
TOTAL ASSETS		<u>\$ 8,189,533</u>	<u>\$ 8,039,767</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Current portion of long-term debt - NOTE D		\$ 60,115	\$ 57,715
Accounts payable and accrued liabilities		164,141	163,811
TOTAL CURRENT LIABILITIES		<u>224,256</u>	<u>221,526</u>
<u>LONG-TERM DEBT - NOTE D</u>		758,276	903,955
<u>COMMITMENTS AND CONTINGENT LIABILITIES - NOTE E</u>		-	-
TOTAL LIABILITIES		982,532	1,125,481
 <u>NET ASSETS</u>			
Unrestricted		6,689,879	6,408,319
Temporarily restricted - NOTE C		517,122	505,967
TOTAL NET ASSETS		<u>7,207,001</u>	<u>6,914,286</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 8,189,533</u>	<u>\$ 8,039,767</u>

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND SUPPORT</u>			
Offerings	\$ 4,123,712	\$ 616,809	\$ 4,740,521
RiverTree school tuition and registration	1,589,514	-	1,589,514
Merchandise sales	130,297	-	130,297
Investment income	6,509	-	6,509
Miscellaneous income	42,602	-	42,602
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>
<u>EXPENSES</u>			
Communications	108,665	-	108,665
Finance	295,798	-	295,798
Outreach	454,073	-	454,073
RiverTree movement	442,397	-	442,397
Campuses	2,658,350	-	2,658,350
School	1,380,184	-	1,380,184
Enterprise activities	350,599	-	350,599
Missions activities	409,741	-	409,741
Building	185,602	-	185,602
Benevolence	4,872	-	4,872
Children's ministry	5,439	-	5,439
TOTAL EXPENSES	<u>6,295,720</u>	<u>-</u>	<u>6,295,720</u>
INCREASE IN NET ASSETS	281,560	11,155	292,715
NET ASSETS AT BEGINNING OF YEAR	<u>6,408,319</u>	<u>505,967</u>	<u>6,914,286</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,689,879</u>	<u>\$ 517,122</u>	<u>\$ 7,207,001</u>

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND SUPPORT</u>			
Offerings	\$ 3,445,397	\$ 850,655	\$ 4,296,052
RiverTree school tuition and registration	1,464,296	-	1,464,296
Merchandise sales	101,677	-	101,677
Investment income	3,587	-	3,587
Miscellaneous income	6,825	-	6,825
Net assets released from restrictions:			
Satisfaction of donor restriction	1,261,667	(1,261,667)	-
TOTAL REVENUE AND SUPPORT	<u>6,283,449</u>	<u>(411,012)</u>	<u>5,872,437</u>
<u>EXPENSES</u>			
Communications	97,567	-	97,567
Finance	331,114	-	331,114
Logistics	143,663	-	143,663
Outreach	189,718	-	189,718
RiverTree movement	374,398	-	374,398
Campuses	1,572,218	-	1,572,218
School	1,228,106	-	1,228,106
Enterprise activities	125,640	-	125,640
Missions activities	169,505	-	169,505
Building	1,067,193	-	1,067,193
Benevolence	21,668	-	21,668
Children's ministry	3,302	-	3,302
TOTAL EXPENSES	<u>5,324,092</u>	<u>-</u>	<u>5,324,092</u>
INCREASE (DECREASE) IN NET ASSETS	959,357	(411,012)	548,345
NET ASSETS AT BEGINNING OF YEAR	<u>5,448,962</u>	<u>916,979</u>	<u>6,365,941</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,408,319</u>	<u>\$ 505,967</u>	<u>\$ 6,914,286</u>

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 292,715	\$ 548,345
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	421,185	383,874
Gain on sale of assets	(78,992)	-
(Increase) decrease:		
Accounts receivable	(3,672)	-
Inventory	2,724	(10,027)
Increase (decrease):		
Accounts payable and accrued liabilities	330	43,934
	<u>634,290</u>	<u>966,126</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	634,290	966,126
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of assets	143,653	-
Purchase of property and equipment	(250,970)	(713,575)
	<u>(107,317)</u>	<u>(713,575)</u>
NET CASH USED BY INVESTING ACTIVITIES		
	(107,317)	(713,575)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(143,279)	(1,044,294)
Proceeds from issuance of long-term debt	-	300,000
	<u>(143,279)</u>	<u>(744,294)</u>
NET CASH USED BY FINANCING ACTIVITIES		
	(143,279)	(744,294)
NET INCREASE (DECREASE) IN CASH	383,694	(491,743)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>885,925</u>	<u>1,377,668</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,269,619</u>	<u>\$ 885,925</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the years for:		
Interest	\$ 39,010	\$ 37,054

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies

A. Organization

RiverTree Christian Church (the Church), a non-profit 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.

B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. 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 the "Accounting for Contributions Received and Contributions Made" topic of the FASB ASC.

D. 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, 2017 and 2016, the Church had uninsured cash balances of \$1,017,769 and \$634,076, respectively.

E. 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 ready cash investments that bear interest at Christian Financial Resources, Inc., which is uninsured by the Federal Deposit Insurance Corporation (FDIC).

F. 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 as follows:

Building and building improvements	5 - 30 years
Furniture and equipment	5 - 10 years
Equipment under capital lease	lesser of lease term or useful life
Parking lot improvements	10 - 20 years

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies (continued)

F. Property and Equipment (continued)

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.

G. Federal Income Taxes

The Church qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes.

H. Financial Statement Presentation

As required by the "Financial Statements of Not-for-Profit Organizations" topic of the FASB ASC, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Church is required to present a statement of cash flows.

I. Uncertain Tax Positions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. 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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

K. 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. Advertising costs charged to operations were \$36,540 and \$32,260 in 2017 and 2016, respectively.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

Organization and Summary of Significant Accounting Policies (continued)

L. Date of Management's Review of Subsequent Events

Subsequent events have been evaluated through March 2, 2018, which is the date the financial statements were available to be issued.

Note 1 – Line of Credit

At December 31, 2017, the Church had a line of credit, with no outstanding balance under the available line of credit of \$250,000. All borrowings bear interest at a floating rate, and are secured by the real estate of the Church.

Note 2 – Restrictions on Net Assets

There were no permanently restricted net assets at December 31, 2017 or 2016. Temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Missions activities	\$ 277,776	\$ 351,546
Building	216,768	125,259
Benevolence	22,578	23,723
Children's ministry	<u>-</u>	<u>5,439</u>
	<u>\$ 517,122</u>	<u>\$ 505,967</u>

Note 3 – Long-Term Debt

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

	<u>2017</u>	<u>2016</u>
Note payable to bank, additional draws during 2015, due in various monthly installments, including interest at 4.40%, secured by substantially all Church assets, due June, 2022.	\$ 322,283	\$ 434,620
Note payable to a bank, due in monthly installments of \$2,192, including interest at 3.75%, secured by all Church assets, due November, 2021.	283,800	297,863
Note payable to bank, due in various monthly installments, including interest at 4.40%, secured by substantially all Church assets, due February, 2029.	212,308	229,187
	<u>818,391</u>	<u>961,670</u>
Less current portion	<u>60,115</u>	<u>57,715</u>
	<u>\$ 758,276</u>	<u>\$ 903,955</u>

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

Note 3 – Long-Term Debt (continued)

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

2018	\$ 60,115
2019	62,614
2020	65,143
2021	284,745
2022	228,057
Thereafter	<u>117,717</u>
	<u>\$ 818,391</u>

The Church's debt agreement contains a covenant regarding the maintenance of a specific balance sheet ratio. As of December 31, 2017, the Church was in compliance with this ratio.

Note 4 – Commitments and Contingent Liabilities

Operating Leases – The Church leases facilities for services and extracurricular activities under non-cancelable operating leases having remaining terms in excess of one year. Total rent paid under these leases was \$81,180 and \$54,655 for the years ended December 31, 2017 and 2016, respectively. As of December 31, future minimum lease payments under the above operating leases are as follows:

2018	\$ 74,050
2019	<u>30,875</u>
	<u>\$ 104,925</u>

Note 5 – 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 \$93,207 and \$78,867 in 2017 and 2016, respectively.

Note 6 – Functional Expenses

The functional classification of expenses is as follows:

	<u>2017</u>	<u>2016</u>
Program	\$ 5,891,257	\$ 4,895,411
Management and general	<u>404,463</u>	<u>428,681</u>
	<u>\$ 6,295,720</u>	<u>\$ 5,324,092</u>