

RIVERTREE CHRISTIAN CHURCH
AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2016 and 2015

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Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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 Church'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 Church'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.

Report on Summarized Comparative Information

We have previously audited RiverTree Christian Church's 2015 financial statements, and our report dated March 18, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Certified Public Accountants

March 2, 2017
Canton, Ohio

RIVERTREE CHRISTIAN CHURCH
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

<u>CURRENT ASSETS</u>	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash		\$ 885,925	\$ 1,377,668
Inventory		10,027	-
TOTAL CURRENT ASSETS		<u>895,952</u>	<u>1,377,668</u>
 <u>PROPERTY AND EQUIPMENT</u>			
Land		39,837	39,837
Land improvements		117,142	102,558
Buildings		10,793,083	10,262,479
Furniture and fixtures		893,273	775,982
Equipment		973,273	922,177
Vehicles		30,134	30,134
		<u>12,846,742</u>	<u>12,133,167</u>
Less accumulated depreciation and amortization		5,702,927	5,319,053
		<u>7,143,815</u>	<u>6,814,114</u>
TOTAL ASSETS		<u>\$ 8,039,767</u>	<u>\$ 8,191,782</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Current portion of long-term debt - NOTE D		\$ 57,715	\$ 411,597
Accounts payable and accrued liabilities		163,811	119,877
TOTAL CURRENT LIABILITIES		<u>221,526</u>	<u>531,474</u>
<u>LONG-TERM DEBT - NOTE D</u>		903,955	1,294,367
<u>COMMITMENTS AND CONTINGENT LIABILITIES - NOTE E</u>		-	-
TOTAL LIABILITIES		1,125,481	1,825,841
 <u>NET ASSETS</u>			
Unrestricted		6,528,390	5,193,993
Temporarily restricted - NOTE C		385,896	1,171,948
TOTAL NET ASSETS		<u>6,914,286</u>	<u>6,365,941</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 8,039,767</u>	<u>\$ 8,191,782</u>

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

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2016 with Comparative Totals for 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
			2016	2015
<u>REVENUE AND SUPPORT</u>				
Offerings	\$ 3,827,140	\$ 999,890	\$ 4,827,030	\$ 4,640,672
RiverTree school tuition and registration	1,464,296	-	1,464,296	1,418,280
Merchandise sales	101,677	-	101,677	59,853
Investment income	3,587	-	3,587	857
Miscellaneous income	6,825	-	6,825	2,964
Net assets released from restrictions:				
Satisfaction of donor restriction	1,785,942	(1,785,942)	-	-
TOTAL REVENUE AND SUPPORT	<u>7,189,467</u>	<u>(786,052)</u>	<u>6,403,415</u>	<u>6,122,626</u>
<u>EXPENSES</u>				
<u>Movement and Central Operations</u>				
Communications	97,567	-	97,567	121,159
Finance	331,114	-	331,114	272,523
Logistics	143,663	-	143,663	123,626
Outreach	189,718	-	189,718	-
RiverTree movement	374,398	-	374,398	-
Co-transfer	(32,400)	-	(32,400)	(64,800)
<u>Jackson Campus</u>				
Administration	(521,945)	-	(521,945)	425,300
Children	158,471	-	158,471	152,755
Students	203,401	-	203,401	205,711
Adults	93,324	-	93,324	10,400
Community	28,840	-	28,840	33,792
Care	175,007	-	175,007	153,703
Leadership	-	-	-	456,247
Outreach	-	-	-	133,643
Worship	178,828	-	178,828	162,750
<u>Multi-sites</u>				
Alliance	49,166	-	49,166	21,751
Canton	124,020	-	124,020	149,274
Canal Fulton	173,723	-	173,723	206,460
Massillon	231,722	-	231,722	257,698
Lake	250,726	-	250,726	215,277
Southeast Canton	38,107	-	38,107	13,276
<u>Auxiliary ministry</u>				
School	1,228,106	-	1,228,106	1,089,113
Enterprise funds	125,640	-	125,640	78,099
Restricted	1,792,946	-	1,792,946	687,005
Depreciation and amortization	383,874	-	383,874	334,388
Interest	37,054	-	37,054	62,087
TOTAL EXPENSES	<u>5,855,070</u>	<u>-</u>	<u>5,855,070</u>	<u>5,301,237</u>
INCREASE (DECREASE) IN NET ASSETS	1,334,397	(786,052)	548,345	821,389
NET ASSETS AT BEGINNING OF YEAR	<u>5,193,993</u>	<u>1,171,948</u>	<u>6,365,941</u>	<u>5,544,552</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,528,390</u>	<u>\$ 385,896</u>	<u>\$ 6,914,286</u>	<u>\$ 6,365,941</u>

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

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 548,345	\$ 821,389
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	383,874	334,388
Increase in inventory	(10,027)	-
Increase in accounts payable and accrued liabilities	<u>43,934</u>	<u>5,070</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	966,126	1,160,847
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<u>(713,575)</u>	<u>(312,294)</u>
NET CASH USED BY INVESTING ACTIVITIES	(713,575)	(312,294)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(1,044,294)	(458,933)
Proceeds from issuance of long-term debt	<u>300,000</u>	<u>200,000</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(744,294)</u>	<u>(258,933)</u>
NET INCREASE (DECREASE) IN CASH	(491,743)	589,620
CASH AT BEGINNING OF YEAR	<u>1,377,668</u>	<u>788,048</u>
CASH AT END OF YEAR	<u>\$ 885,925</u>	<u>\$ 1,377,668</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the years for:		
Interest	\$ 37,054	\$ 62,087

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

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 and disclosure of contingent 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.

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.

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, 2016 and 2015, the Church had uninsured cash balances of \$384,076 and \$1,144,366, respectively.

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 related 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 which cost in excess of \$500.

FEDERAL INCOME TAXES

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

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.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash, accounts payable, accrued liabilities, and short-term borrowings approximate fair value due to the short maturity of these instruments. The carrying amount of notes payable approximates fair value because the fixed rates are based on current rates offered to the Church for debt with similar terms and maturities.

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.

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 \$33,260 and \$30,267 in 2016 and 2015, respectively.

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 2, 2017, which is the date the financial statements were available to be issued.

NOTE B - LINE-OF-CREDIT

At December 31, 2016, 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.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE C - RESTRICTIONS ON NET ASSETS

There were no permanently restricted net assets at December 31, 2016 or 2015. Temporarily restricted net assets were available for the following purposes:

	2016	2015
Benevolence – cancer warriors	\$ -	\$ 5,500
Building – Canal Fulton	66,484	-
Building - Jackson	19,549	601,714
Building - Lake	38,770	89,310
Building - Massillon	455	43,143
Canal Fulton reserve	71,081	48,782
Canton reserve	47,596	18,821
Children’s ministry	5,438	6,340
Harvest meals - Thanksgiving	(833)	1,832
Hunger Task Force	24,556	29,863
Investment transfer	(250,000)	-
Jackson reserve	(355,930)	(234,315)
Lake campus reserve	26,475	-
Major emergency – R & R reserve	-	670
Massillon campus reserve	143,765	137,673
Movement - adoption	102,637	105,892
Movement - Alliance	(22,623)	87,970
Missions - Christmas eve	160,285	3,961
Movement - mission trips	11,774	16,547
Movement - Nuevos Amigos	4,976	(17,913)
Missions	-	500
Movement - NA missionaries	41,875	30,291
Movement – SE Canton	127,801	115,465
Movement - Kingdom	30,000	-
Preschool	52,287	38,942
Recovery	5,426	5,312
Sending lenders	-	873
Student ministries - Jackson	34,052	30,418
Student ministries - Lake	-	4,357
	\$ 385,896	\$ 1,171,948

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE D - LONG-TERM DEBT

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

	2016	2015
Note payable to bank, due in various monthly installments, including interest at 2.443%, secured by all Church assets, due November, 2018.	\$ -	\$ 946,761
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.	434,620	488,237
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.	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.	229,187	270,966
	961,670	1,705,964
Less current portion	57,715	411,597
	\$ 903,955	\$ 1,294,367

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

2017		\$ 57,715
2018		60,115
2019		62,614
2020		65,143
2021		283,596
Thereafter		432,487
		\$ 961,670

The Church's debt agreement contains a covenant regarding the maintenance of a specific balance sheet ratio. As of December 31, 2016, the Church was in compliance with this ratio.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - 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 \$54,655 and \$17,327 for the years ended December 31, 2016 and 2015, respectively. As of December 31, future minimum lease payments under the above operating leases are as follows:

2017	\$	81,180
2018		74,050
2019		30,875
	\$	<u>186,105</u>

NOTE F - 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 \$78,867 and \$75,226 in 2016 and 2015, respectively.