

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

December 31, 2015 and 2014

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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, 2015, 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, 2015, 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 2014 financial statements, and our report dated February 24, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Certified Public Accountants

March 18, 2016
Canton, Ohio

RIVERTREE CHRISTIAN CHURCH
STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

<u>CURRENT ASSETS</u>	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash		\$ 1,377,668	\$ 788,048
 <u>PROPERTY AND EQUIPMENT</u>			
Land		39,837	39,837
Land improvements		102,558	102,558
Buildings		10,262,479	9,770,541
Furniture and fixtures		775,982	734,728
Equipment		922,177	870,057
Vehicles		30,134	30,134
Construction in progress		-	273,018
		<u>12,133,167</u>	<u>11,820,873</u>
Less accumulated depreciation and amortization		<u>5,319,053</u>	<u>4,984,665</u>
		<u>6,814,114</u>	<u>6,836,208</u>
TOTAL ASSETS		<u>\$ 8,191,782</u>	<u>\$ 7,624,256</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Current portion of long-term debt - NOTE D		\$ 411,597	\$ 493,320
Accounts payable and accrued liabilities		119,877	114,807
TOTAL CURRENT LIABILITIES		<u>531,474</u>	<u>608,127</u>
<u>LONG-TERM DEBT - NOTE D</u>		1,294,367	1,471,577
<u>COMMITMENTS AND CONTINGENT LIABILITIES - NOTE F</u>		-	-
<u>NET ASSETS</u>			
Unrestricted		5,193,993	4,879,642
Temporarily restricted - NOTE C		1,171,948	664,910
TOTAL NET ASSETS		<u>6,365,941</u>	<u>5,544,552</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 8,191,782</u>	<u>\$ 7,624,256</u>

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

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2015 with Comparative Totals for 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
			2015	2014
<u>REVENUE AND SUPPORT</u>				
Offerings	\$ 3,728,594	\$ 912,078	\$ 4,640,672	\$ 4,690,627
RiverTree school tuition and registration	1,418,280	-	1,418,280	1,208,504
Merchandise sales	59,853	-	59,853	16,831
Investment income	857	-	857	2,009
Miscellaneous income	2,964	-	2,964	3,477
Unrealized gain on interest rate swap agreement	-	-	-	76,471
Net assets released from restrictions:				
Satisfaction of donor restriction	405,040	(405,040)	-	-
TOTAL REVENUE AND SUPPORT	5,615,588	507,038	6,122,626	5,997,919
<u>EXPENSES</u>				
<u>Church and auxiliary</u>				
Communications	121,159	-	121,159	124,538
Finance	272,523	-	272,523	317,428
Logistics	123,626	-	123,626	121,438
Co-transfer	(64,800)	-	(64,800)	-
<u>Jackson Campus</u>				
Administration	425,300	-	425,300	673,226
Children	152,755	-	152,755	169,392
Students	205,711	-	205,711	200,125
Adults	10,400	-	10,400	105,261
Community	33,792	-	33,792	45,765
Care	153,703	-	153,703	186,773
Leadership	456,247	-	456,247	364,933
Outreach	133,643	-	133,643	296,151
Worship	162,750	-	162,750	185,578
<u>Multi-sites</u>				
Alliance	21,751	-	21,751	-
Canton	149,274	-	149,274	127,145
Canal Fulton	206,460	-	206,460	248,953
Massillon	257,698	-	257,698	226,286
Lake	215,277	-	215,277	230,948
Southeast Canton	13,276	-	13,276	-
<u>Auxiliary ministry</u>				
School	1,089,113	-	1,089,113	1,012,401
Enterprise funds	78,099	-	78,099	36,572
Partnership	-	-	-	(770)
Restricted	687,005	-	687,005	543,664
Depreciation and amortization	334,388	-	334,388	402,875
Interest	62,087	-	62,087	111,174
TOTAL EXPENSES	5,301,237	-	5,301,237	5,729,856
INCREASE IN NET ASSETS	314,351	507,038	821,389	268,063
NET ASSETS AT BEGINNING OF YEAR	4,879,642	664,910	5,544,552	5,276,489
NET ASSETS AT END OF YEAR	\$ 5,193,993	\$ 1,171,948	\$ 6,365,941	\$ 5,544,552

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

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 821,389	\$ 268,063
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	334,388	402,875
Unrealized gain on interest rate swap agreement	-	(76,471)
Decrease in inventory	-	23,443
Increase (decrease) in accounts payable and accrued liabilities	5,070	(2,389)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,160,847</u>	<u>615,521</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<u>(312,294)</u>	<u>(743,525)</u>
NET CASH USED BY INVESTING ACTIVITIES	(312,294)	(743,525)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(458,933)	(426,824)
Proceeds from issuance of long-term debt	<u>200,000</u>	<u>592,200</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(258,933)</u>	<u>165,376</u>
NET INCREASE IN CASH	589,620	37,372
CASH AT BEGINNING OF YEAR	<u>788,048</u>	<u>750,676</u>
CASH AT END OF YEAR	<u>\$ 1,377,668</u>	<u>\$ 788,048</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the years for:		
Interest	\$ 62,087	\$ 111,174

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

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 year ended December 31, 2015 and 2014, the Church had uninsured cash balances of \$1,144,366 and \$538,048, 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, 2015 and 2014

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 statement 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 \$30,267 and \$44,303 in 2015 and 2014, respectively.

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2016, which is the date the financial statements were available to be issued.

NOTE B - LINE-OF-CREDIT

At December 31, 2015, the Church had a line-of-credit, with nothing outstanding 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, 2015 and 2014

NOTE C - RESTRICTIONS ON NET ASSETS

There were no permanently restricted net assets at December 31, 2015 or 2014. Temporarily restricted net assets were available for the following purposes:

	2015	2014
Benevolence – cancer warriors	\$ 5,500	\$ -
Building - Jackson	601,714	410,074
Building - Lake	89,310	185,561
Building - Massillon	43,143	24,273
Building - coffee shop	-	(42,476)
Canal Fulton reserve	48,782	41,463
Canton reserve	18,821	47,900
Children's ministry	6,340	2,211
Harvest meals - Thanksgiving	1,832	-
Hunger Task Force	29,863	27,231
Jackson reserve	(234,315)	(346,594)
Lake campus reserve	-	(3,937)
Major emergency – R & R reserve	670	-
Massillon campus reserve	137,673	69,679
Missions - adoption	105,892	111,461
Missions - Alliance	87,970	-
Missions - Christmas eve	3,961	26,448
Missions - mission trips	16,547	6,951
Missions - Nuevos Amigos	(17,913)	37,481
Missions	500	1,430
Missions - NA missionaries	30,291	17,314
Missions – SE Canton	115,465	-
Preschool	38,942	14,969
Recovery	5,312	1,005
Sending lenders	873	-
Student ministries - Jackson	30,418	27,572
Student ministries - Lake	4,357	-
Synergy - Stadia	-	4,894
	\$ 1,171,948	\$ 664,910

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE D - LONG-TERM DEBT

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

	2015	2014
Note payable to bank, due in various monthly installments, including interest at 2.443%, secured by all Church assets, due November, 2018.	\$ 946,761	\$ 1,379,606
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.	488,237	300,000
Note payable to bank, due in various monthly installments, including interest at 4.40%, secured by substantially all Church assets, due February, 2029.	270,966	285,291
	1,705,964	1,964,897
Less current portion	411,597	493,320
	\$ 1,294,367	\$ 1,471,577

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

2016	\$ 411,597
2017	414,725
2018	246,633
2019	46,202
2020	48,123
Thereafter	538,684
	\$ 1,705,964

The Church's debt agreement contains a covenant regarding the maintenance of a specific balance sheet ratio. As of December 31, 2015, the Church was in compliance with this ratio.

NOTE E - INTEREST RATE SWAP

In November 2007, the Church entered into an interest rate swap agreement to minimize the effect of changes in market interest rates. The agreement was based on a notional amount of \$3,887,124 as of November 1, 2007, and pays interest at a fixed rate. The fair market value of the interest rate swap agreement is the amount which the Church would receive or pay to terminate the agreement taking into consideration current interest rates. This interest rate swap matured in November, 2014.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE F - 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 \$17,327 for the year ended December 31, 2015. As of December 31, future minimum lease payments under the above operating leases are as follows:

2016	\$ 12,480
2017	8,880
2018	700
	<u>\$ 22,060</u>

NOTE G - 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 \$75,226 and \$81,725 in 2015 and 2014, respectively.