



RIVER POINTE COMMUNITY CHURCH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017





REPORT OF INDEPENDENT AUDITOR

The Advisory Team
River Pointe Community Church
Richmond, Texas

We have audited the accompanying financial statements of River Pointe Community Church ("the Church"), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 River Pointe Community Church as of March 31, 2018 and 2017, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.
BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
September 12, 2018

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	March 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 6,193,653	\$ 1,880,831
Cash restricted for long-term purposes	3,885,381	4,607,200
Prepaid expenses	99,926	63,830
Property and equipment, net	40,665,213	31,790,394
Total assets	\$ 50,844,173	\$ 38,342,255

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,793,385	\$ 293,812
Notes payable	4,704,204	4,898,894
Total liabilities	6,497,589	5,192,706
NET ASSETS		
Unrestricted		
Undesignated	35,079,308	26,791,479
Designated	3,213,697	933,291
Total unrestricted net assets	38,293,005	27,724,770
Temporarily restricted	6,053,579	5,424,779
Total net assets	44,346,584	33,149,549
Total liabilities and net assets	\$ 50,844,173	\$ 38,342,255

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES

	For The Year Ended March 31, 2018			For the Year Ended March 31, 2017
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Unrestricted contributions	\$ 9,543,458	\$ —	\$ 9,543,458	\$ 7,187,741
Temporarily restricted contributions	—	11,127,019	11,127,019	8,535,130
Other revenue	800,095	—	800,095	660,471
Net assets released from restrictions	<u>10,498,219</u>	<u>(10,498,219)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>20,841,772</u>	<u>628,800</u>	<u>21,470,572</u>	<u>16,383,342</u>
EXPENSES				
Program	8,832,363	—	8,832,363	7,846,375
Supporting activities	<u>1,441,174</u>	<u>—</u>	<u>1,441,174</u>	<u>1,216,510</u>
Total expenses	<u>10,273,537</u>	<u>—</u>	<u>10,273,537</u>	<u>9,062,885</u>
Change in unrestricted net assets	10,568,235	—	10,568,235	7,606,839
Change in temporarily restricted net assets	<u>—</u>	<u>628,800</u>	<u>628,800</u>	<u>(286,382)</u>
CHANGE IN NET ASSETS	10,568,235	628,800	11,197,035	7,320,457
NET ASSETS - Beginning of year	<u>27,724,770</u>	<u>5,424,779</u>	<u>33,149,549</u>	<u>25,829,092</u>
NET ASSETS - End of year	<u>\$ 38,293,005</u>	<u>\$ 6,053,579</u>	<u>\$ 44,346,584</u>	<u>\$ 33,149,549</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	March 31,	
	2018	2017
OPERATING CASH FLOWS		
Cash received from contributors	\$ 11,522,587	\$ 7,780,951
Other revenue received	810,531	660,471
Cash paid for operating activities and costs	(8,581,279)	(8,220,436)
Interest paid	(155,531)	(121,895)
Net operating cash flows	3,596,308	99,091
INVESTING CASH FLOWS		
Net release of cash restricted for long-term purposes	721,819	699,188
Proceeds from sales of investments	—	1,313,456
Purchases of and improvements to property and equipment	(8,958,505)	(8,719,574)
Net investing cash flows	(8,236,686)	(6,706,930)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment and debt retirement	9,147,890	7,941,920
Proceeds from issuance of notes payable and draws on line of credit	48,015	1,731,549
Repayments of notes payable and line of credit	(242,705)	(1,991,451)
Net financing cash flows	8,953,200	7,682,018
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,312,822	1,074,179
CASH AND CASH EQUIVALENTS - Beginning of year	1,880,831	806,652
CASH AND CASH EQUIVALENTS - End of year	\$ 6,193,653	\$ 1,880,831
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 11,197,035	\$ 7,320,457
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment and debt retirement	(9,147,890)	(7,941,920)
Depreciation	1,144,141	897,006
Change in prepaid expenses	(36,096)	118,122
Change in accounts payable and accrued expenses	439,118	(294,574)
Net operating cash flows	\$ 3,596,308	\$ 99,091

The Accompanying Notes are an Integral
Part of These Financial Statements

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

River Pointe Community Church (“the Church”) is a not-for-profit Texas corporation. The purpose of the Church is to glorify God by fulfilling the Great Commandment and the Great Commission. The Church operates three campuses in the Houston metro area – one each located in Richmond, Missouri City, and Houston, Texas.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

The Church recognizes cash contributions as revenue when the contributions are received by the Church. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. 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.”

Cash and cash equivalents

The Church considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consisted of amounts held which are restricted for building and construction projects and debt retirement.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Income taxes

The Church is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Church is further classified as a public charity and not a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Designated net assets

Designated net assets represent amounts designated by the Advisory Team for various operating needs.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to estimating the useful lives of property and equipment. Actual results could differ from the estimates.

Subsequent events

The Church has evaluated for possible financial reporting and disclosure subsequent events through September 12, 2018, the date as of which the financial statements were available to be issued.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE C – CONCENTRATIONS

The Church maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Church has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>March 31,</u>	
	<u>2018</u>	<u>2017</u>
Land and land improvements	\$14,275,069	\$13,348,979
Buildings and improvements	20,808,669	20,388,143
Furniture and equipment	4,592,124	4,052,457
Construction in progress	<u>9,265,988</u>	<u>1,137,879</u>
Total property and equipment	48,941,850	38,927,458
Less: Accumulated depreciation	<u>(8,276,637)</u>	<u>(7,137,064)</u>
Net property and equipment	<u>\$40,665,213</u>	<u>\$31,790,394</u>

Depreciation expense amounted to \$1,144,141 and \$897,006 during the years ended March 31, 2018 and 2017, respectively.

NOTE E – NOTES PAYABLE

Notes payable consisted of the following:

	<u>March 31,</u>	
	<u>2018</u>	<u>2017</u>
Note payable to a bank; payable in monthly installments of principal and interest at 4.17% per annum; subject to certain restrictive covenants as described in the loan documents; secured by the Church's real property; the note matures in December 2024	\$ 4,627,222	\$ —
Other notes payable	76,982	60,162
Note payable to a bank; payable in monthly installments of principal and interest at 2.50% per annum; subject to certain restrictive covenants as described in the loan documents; secured by the Church's real property; refinanced in December 2017	—	4,106,667
Note payable to a bank; payable in monthly installments of principal and interest at 3.13% per annum; secured by certain of the Church's real property; refinanced in December 2017	<u>—</u>	<u>732,065</u>
Total notes payable	<u>\$ 4,704,204</u>	<u>\$ 4,898,894</u>

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows:

Year Ending <u>March 31,</u>	
2019	\$ 257,000
2020	265,000
2021	266,000
2022	273,000
2023	285,000
Thereafter	<u>3,358,000</u>
Total	<u>\$ 4,704,000</u>

Interest paid, capitalized, and expensed consisted of the following amounts:

	<u>For The Years Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Total interest paid	\$ 155,531	\$ 121,895
Less: Amount capitalized as construction in progress	<u>(155,531)</u>	<u>—</u>
Interest expense	<u>\$ —</u>	<u>\$ 121,895</u>

The Church has available an \$8.8 million non-revolving line of credit with a bank which expires during June 2019. Interest on outstanding amounts is payable at the one-month LIBOR rate plus 2.25% per annum (approximately 3.91% and 3.03% as of March 31, 2018 and March 31, 2017, respectively). The line is secured by certain real property. The Church drew and repaid approximately \$1,711,000 on the line of credit during the year ended March 31, 2017. No amounts were drawn during the year ended March 31, 2018. Therefore, approximately \$7,100,000 was available to be drawn as of March 31, 2018. No amounts were outstanding under the line as of March 31, 2018 and 2017, respectively.

NOTE F – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes during the year ended March 31, 2018:

	<u>Balance April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance March 31</u>
Capital projects	\$ 4,607,200	\$ 9,147,890	\$ (9,869,709)	\$ 3,885,381
Missions	731,781	533,840	(45,626)	1,219,995
Disaster relief	—	1,172,252	(310,406)	861,846
Other Church ministries	<u>85,798</u>	<u>273,037</u>	<u>(272,478)</u>	<u>86,357</u>
Total	<u>\$ 5,424,779</u>	<u>\$ 11,127,019</u>	<u>\$ (10,498,219)</u>	<u>\$ 6,053,579</u>

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE F - RESTRICTIONS ON NET ASSETS (Continued)

Net assets were temporarily restricted for the following purposes during the year ended March 31, 2017:

	<u>Balance</u> <u>April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>March 31</u>
Capital projects	\$ 5,306,388	\$ 7,941,920	\$ (8,641,108)	\$ 4,607,200
Missions	276,012	525,261	(69,492)	731,781
Other Church ministries	<u>128,761</u>	<u>67,949</u>	<u>(110,912)</u>	<u>85,798</u>
Total	<u>\$ 5,711,161</u>	<u>\$ 8,535,130</u>	<u>\$ (8,821,512)</u>	<u>\$ 5,424,779</u>

NOTE G - RETIREMENT PLAN

The Church maintains a 403(b) retirement plan ("the Plan") for the benefit of its employees. Eligible employees may make elective deferral contributions to the Plan. Employer contributions to the Plan are discretionary. The Church contributed approximately \$107,000 and \$94,000 to the Plan during the years ended March 31, 2018 and 2017, respectively.

NOTE H - LEASES

The Church leases building space and certain equipment under operating lease agreements. Total lease expense for all leases for the years ended March 31, 2018 and March 31, 2017 amounted to approximately \$206,000 and \$274,000, respectively.

Future minimum lease payments under noncancellable operating leases are approximately as follows:

<u>Year Ending</u> <u>March 31,</u>	
2019	\$ 139,000
2020	33,000
2021	<u>1,500</u>
Total	<u>\$ 173,500</u>

NOTE I - COMMITMENTS

During the year ended March 31, 2018, the Church executed a contract totaling approximately \$7,309,000 in connection with the construction of the new Children's Building located on its Richmond campus of which approximately \$400,000 remained unpaid as of March 31, 2018. The Church also executed a contract totaling approximately \$11,108,000 in connection with the construction of the Church's Missouri City campus of which approximately \$10,240,000 remained unpaid as of March 31, 2018. Progress payments on both contract amounts are made as work on each project is completed.