



RIVER POINTE COMMUNITY CHURCH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2019 AND 2018





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 consist of the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended March 31, 2019, 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, 2019 and 2018, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Plano, Texas
October 30, 2019

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | March 31, | |
|--|----------------------|----------------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash and cash equivalents | \$ 3,953,952 | \$ 6,193,653 |
| Cash restricted for long-term purposes | — | 3,885,381 |
| Prepaid expenses | 152,805 | 99,926 |
| Property and equipment, net | 52,827,635 | 40,665,213 |
| Total assets | \$ 56,934,392 | \$ 50,844,173 |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,405,505 | \$ 1,793,385 |
| Notes payable | 9,197,465 | 4,704,204 |
| Total liabilities | 10,602,970 | 6,497,589 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 43,177,198 | 35,079,308 |
| Designated | 1,585,349 | 3,213,697 |
| Total net assets without donor restrictions | 44,762,547 | 38,293,005 |
| With donor restrictions | 1,568,875 | 6,053,579 |
| Total net assets | 46,331,422 | 44,346,584 |
| Total liabilities and net assets | \$ 56,934,392 | \$ 50,844,173 |

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES

| | For The Year Ended March 31, 2019 | | | For the Year Ended March 31, 2018 |
|---|-----------------------------------|----------------------------|-----------------------------|--|
| | Without donor restrictions | With donor restrictions | Total | |
| PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS | | | | |
| Contributions without donor restrictions | \$ 7,270,321 | \$ — | \$ 7,270,321 | \$ 9,543,458 |
| Contributions with donor restrictions | — | 5,818,550 | 5,818,550 | 11,127,019 |
| Other revenue | 711,574 | — | 711,574 | 800,095 |
| Net assets released from restrictions | <u>10,303,254</u> | <u>(10,303,254)</u> | <u>—</u> | <u>—</u> |
| Total public support and revenue and net assets released from restrictions | <u>18,285,149</u> | <u>(4,484,704)</u> | <u>13,800,445</u> | <u>21,470,572</u> |
| EXPENSES | | | | |
| Program | 10,144,725 | — | 10,144,725 | 8,832,363 |
| Supporting activities | <u>1,670,882</u> | <u>—</u> | <u>1,670,882</u> | <u>1,441,174</u> |
| Total expenses | <u>11,815,607</u> | <u>—</u> | <u>11,815,607</u> | <u>10,273,537</u> |
| Change in net assets without donor restrictions | 6,469,542 | — | 6,469,542 | 10,568,235 |
| Change in net assets with donor restrictions | <u>—</u> | <u>(4,484,704)</u> | <u>(4,484,704)</u> | <u>628,800</u> |
| CHANGE IN NET ASSETS | 6,469,542 | (4,484,704) | 1,984,838 | 11,197,035 |
| NET ASSETS - Beginning of year | <u>38,293,005</u> | <u>6,053,579</u> | <u>44,346,584</u> | <u>33,149,549</u> |
| NET ASSETS - End of year | <u>\$ 44,762,547</u> | <u>\$ 1,568,875</u> | <u>\$ 46,331,422</u> | <u>\$ 44,346,584</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, | |
| | 2019 | 2018 |
| OPERATING CASH FLOWS | | |
| Cash received from contributors | \$ 7,940,131 | \$ 11,522,587 |
| Other revenue received | 751,871 | 810,531 |
| Cash paid for operating activities and costs | (11,507,227) | (8,581,279) |
| Interest paid | (191,342) | (155,531) |
| Net operating cash flows | (3,006,567) | 3,596,308 |
| INVESTING CASH FLOWS | | |
| Net release of cash restricted for long-term purposes | 3,885,381 | 721,819 |
| Purchases of and improvements to property and equipment | (12,760,516) | (8,958,505) |
| Net investing cash flows | (8,875,135) | (8,236,686) |
| FINANCING CASH FLOWS | | |
| Proceeds from contributions restricted for investment in property and equipment and debt retirement | 5,148,740 | 9,147,890 |
| Proceeds from issuance of notes payable and draws on line of credit | 4,769,922 | 48,015 |
| Repayments of notes payable and line of credit | (276,661) | (242,705) |
| Net financing cash flows | 9,642,001 | 8,953,200 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,239,701) | 4,312,822 |
| CASH AND CASH EQUIVALENTS - Beginning of year | 6,193,653 | 1,880,831 |
| CASH AND CASH EQUIVALENTS - End of year | \$ 3,953,952 | \$ 6,193,653 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS | | |
| Change in net assets | \$ 1,984,838 | \$ 11,197,035 |
| Adjustments to reconcile change in net assets to net operating cash flows | | |
| Contributions restricted for investment in property and equipment and debt retirement | (5,148,740) | (9,147,890) |
| Depreciation | 1,517,321 | 1,144,141 |
| Change in prepaid expenses | (52,879) | (36,096) |
| Change in accounts payable and accrued expenses | (1,307,107) | 439,118 |
| Net operating cash flows | \$ (3,006,567) | \$ 3,596,308 |

SUPPLEMENTAL DISCLOSURE

As of March 31, 2019 and 2018, approximately \$919,000 and \$1,060,000 of property and equipment additions are included in "accounts payable and accrued expenses" in the accompanying statements of financial position, respectively.

The Accompanying Notes are an Integral
Part of These Financial Statements

RIVER POINTE COMMUNITY CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2019

| | <u>Program</u> | <u>Supporting activities</u> | <u>Total expenses</u> |
|--|-----------------------------|----------------------------------|-----------------------------|
| Personnel costs | \$ 4,625,734 | \$ 510,527 | \$ 5,136,261 |
| Professional services and fees | 1,885,850 | 317,384 | 2,203,234 |
| Depreciation | 1,289,723 | 227,598 | 1,517,321 |
| Missions and outreach | 809,493 | 42,673 | 852,166 |
| Facilities management and non-capitalized project expenditures | 592,063 | 199,504 | 791,567 |
| Travel, meals, and refreshments | 530,171 | 49,563 | 579,734 |
| Rent and lease expense | 63,664 | 247,692 | 311,356 |
| Other | 191,195 | 5,779 | 196,974 |
| Office expense and supplies | 113,061 | 57,438 | 170,499 |
| Information technology and software | 43,771 | 12,724 | 56,495 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 10,144,725</u> | <u>\$ 1,670,882</u> | <u>\$ 11,815,607</u> |

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

Revenue recognition

The Church recognizes cash contributions as revenue when the contributions are received by the Church. Contributions received are recorded as without or with donor restrictions 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), 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.”

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.

Functional allocation of expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Advisory Team and/or management for general operating purposes. From time to time, the Advisory Team may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. Designated net assets consist of amounts designated by the Advisory Team for various operating needs.

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.

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.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Church’s financial statements for the year ended March 31, 2019. The ASU requires various changes to the presentation of financial statements of not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity’s liquidity and availability of resources. The adoption of the ASU had no effect on the Church’s net assets as of April 1, 2017, or the change in net assets for the year ended March, 31 2018. As allowed by applicable guidance, the Church has chosen not to retrospectively apply provisions not required to be applied to the financial statements as of and for the year ended March 31, 2018.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the March 31, 2019 statement of financial position for general expenditure are as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 3,953,952 |
| Less: amounts held subject to Advisory Team designations | <u>(1,585,349)</u> |
| Total financial assets available within one year | <u>\$ 2,368,603</u> |

The Church is primarily supported by contributions. As part of the Church’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church’s Advisory Team has designated certain amounts for reserve purposes. Because of the nature of the designations, these amounts are not available for general expenditure within the next year; however, the Advisory Team could make them available, if necessary. The Church’s donor-restricted net assets are available for general expenditure within one year of March 31, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Church’s programs in the coming year.

Management believes the Church has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need. The Church also has a non-revolving line of credit in an amount up to \$8,800,000 with approximately \$2,389,000 available to be drawn as an additional source of liquidity as of March 31, 2019, which is further described in Note F.

NOTE D – 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.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| Category | March 31, | |
|--------------------------------|--------------|--------------|
| | 2019 | 2018 |
| Land and land improvements | \$16,318,983 | \$14,275,069 |
| Buildings and improvements | 29,556,946 | 20,808,669 |
| Furniture and equipment | 5,665,147 | 4,592,124 |
| Construction in progress | 11,080,517 | 9,265,988 |
| Total property and equipment | 62,621,593 | 48,941,850 |
| Less: Accumulated depreciation | (9,793,958) | (8,276,637) |
| Net property and equipment | \$52,827,635 | \$40,665,213 |

Depreciation expense amounted to \$1,517,321 and \$1,144,141 during the years ended March 31, 2019 and 2018, respectively.

NOTE F - NOTES PAYABLE

Notes payable consisted of the following:

| | March 31, | |
|--|--------------|--------------|
| | 2019 | 2018 |
| Non-revolving line of credit with a bank in an amount up to \$8,800,000; secured by certain real property, interest payable monthly at one-month LIBOR rate plus 2.25% per annum (approximately 4.75% and 3.91% as of March 31, 2019 and March 31, 2018, respectively); subject to certain restrictive covenants as described in the loan documents; the Church drew and repaid approximately \$1,711,000 on the line of credit during a prior year, and drew approximately \$4,700,000 during the year ended March 31, 2019, therefore, approximately \$2,389,000 was available to be drawn as of March 31, 2019; renewed subsequent to March 31, 2019 (see Note K) | \$ 4,699,736 | \$ — |
| 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 | 4,397,850 | 4,627,222 |
| Other notes payable | 99,879 | 76,982 |
| Total notes payable | \$ 9,197,465 | \$ 4,704,204 |

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE F - NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows (after giving effect to the renewal of the line of credit described above and at Note K):

| Year Ending <u>March 31,</u> | |
|---------------------------------|---------------------|
| 2020 | \$ 273,000 |
| 2021 | 275,000 |
| 2022 | 4,981,000 |
| 2023 | 293,000 |
| 2024 | 304,000 |
| Thereafter | <u>3,071,000</u> |
| Total | <u>\$ 9,197,000</u> |

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

| | For The Years Ended <u>March 31,</u> | |
|--|---|------------------|
| | <u>2019</u> | <u>2018</u> |
| Total interest paid | \$ 191,342 | \$ 155,531 |
| Total accrued interest | 114,521 | — |
| Less: Amount capitalized as construction in progress | <u>(305,863)</u> | <u>(155,531)</u> |
| Interest expense | <u>\$ —</u> | <u>\$ —</u> |

NOTE G - RESTRICTIONS ON NET ASSETS

Activity for net assets with donor restrictions was as follows during the year ended March 31, 2019:

| | Balance <u>April 1</u> | <u>Contributions</u> | <u>Releases</u> | Balance <u>March 31</u> |
|-------------------------|---------------------------|----------------------|------------------------|----------------------------|
| Missions | \$ 1,219,995 | \$ 197,462 | \$ (479,915) | \$ 937,542 |
| Other Church ministries | 86,357 | 420,826 | (171,790) | 335,393 |
| Disaster relief | 861,846 | 51,522 | (617,428) | 295,940 |
| Capital projects | <u>3,885,381</u> | <u>5,148,740</u> | <u>(9,034,121)</u> | <u>—</u> |
| Total | <u>\$ 6,053,579</u> | <u>\$ 5,818,550</u> | <u>\$ (10,303,254)</u> | <u>\$ 1,568,875</u> |

Activity for net assets with donor restrictions was as follows during the year ended March 31, 2018:

| | Balance <u>April 1</u> | <u>Contributions</u> | <u>Releases</u> | Balance <u>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 H – 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 \$122,000 and \$107,000 to the Plan during the years ended March 31, 2019 and 2018, respectively.

NOTE I – 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, 2019 and March 31, 2018 amounted to approximately \$248,000 and \$206,000, respectively.

NOTE J – COMMITMENTS

During the year ended March 31, 2018, the Church executed a contract totaling approximately \$11,108,000 in connection with the construction of the Church’s Missouri City campus of which approximately \$2,526,000 remained unpaid as of March 31, 2019. Progress payments on contract amounts are made as work on the project is completed.

NOTE K – SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the Church renewed the non-revolving line of credit agreement with a bank (as described in Note F). The agreement requires monthly interest-only payments at the one-month LIBOR rate plus 2.25% per annum, beginning in June 2019 on any outstanding amounts, until the expiration date of January 2022, at which time all outstanding principal and accrued and unpaid interest are due. The line is secured by certain real property and is subject to certain restrictive covenants as described in the loan documents.

The Church has evaluated for possible financial statement reporting and disclosure subsequent events through October 30, 2019, the date as of which the financial statements were available to be issued.