



RIVER POINTE COMMUNITY CHURCH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019





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, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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, 2020 and 2019, 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
August 27, 2020

RIVER POINTE COMMUNITY CHURCH**STATEMENTS OF FINANCIAL POSITION****ASSETS**

	March 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,726,002	\$ 3,953,952
Cash restricted for long-term purposes	1,352,604	—
Prepaid expenses	130,592	152,805
Property and equipment, net	54,570,699	52,827,635
Total assets	\$ 60,779,897	\$ 56,934,392

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 215,337	\$ 1,405,505
Notes payable	10,682,104	9,197,465
Total liabilities	10,897,441	10,602,970
NET ASSETS		
Without donor restrictions		
Undesignated	45,280,368	43,177,198
Designated	1,820,971	1,585,349
Total net assets without donor restrictions	47,101,339	44,762,547
With donor restrictions	2,781,117	1,568,875
Total net assets	49,882,456	46,331,422
Total liabilities and net assets	\$ 60,779,897	\$ 56,934,392

The Accompanying Notes are an Integral
Part of These Financial Statements

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES

	For The Year Ended March 31, 2020			For The Year Ended March 31, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions without donor restrictions	\$ 9,280,782	\$ —	\$ 9,280,782	\$ 7,270,321
Contributions with donor restrictions	—	5,894,986	5,894,986	5,818,550
Other revenue	628,257	—	628,257	711,574
Net assets released from restrictions	<u>4,682,744</u>	<u>(4,682,744)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>14,591,783</u>	<u>1,212,242</u>	<u>15,804,025</u>	<u>13,800,445</u>
EXPENSES				
Program	10,628,589	—	10,628,589	10,144,725
Supporting activities	<u>1,624,402</u>	<u>—</u>	<u>1,624,402</u>	<u>1,670,882</u>
Total expenses	<u>12,252,991</u>	<u>—</u>	<u>12,252,991</u>	<u>11,815,607</u>
Change in net assets without donor restrictions	2,338,792	—	2,338,792	6,469,542
Change in net assets with donor restrictions	<u>—</u>	<u>1,212,242</u>	<u>1,212,242</u>	<u>(4,484,704)</u>
CHANGE IN NET ASSETS	2,338,792	1,212,242	3,551,034	1,984,838
NET ASSETS - Beginning of year	<u>44,762,547</u>	<u>1,568,875</u>	<u>46,331,422</u>	<u>44,346,584</u>
NET ASSETS - End of year	<u>\$ 47,101,339</u>	<u>\$ 2,781,117</u>	<u>\$ 49,882,456</u>	<u>\$ 46,331,422</u>

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RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS

	For The Years Ended March 31,	
	2020	2019
OPERATING CASH FLOWS		
Cash received from contributors	\$ 10,118,730	\$ 7,940,131
Other revenue received	585,266	751,871
Cash paid for operating activities and costs	(11,102,284)	(11,507,227)
Interest paid	(437,636)	(191,342)
Net operating cash flows	(835,924)	(3,006,567)
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(3,581,099)	(12,760,516)
Net investing cash flows	(3,581,099)	(12,760,516)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment and debt retirement	5,057,038	5,148,740
Proceeds from issuance of notes payable and draws on line of credit	4,222,471	4,769,922
Repayments of notes payable and line of credit	(2,737,832)	(276,661)
Net financing cash flows	6,541,677	9,642,001
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,124,654	(6,125,082)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	3,953,952	10,079,034
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 6,078,606	\$ 3,953,952
REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 4,726,002	\$ 3,953,952
Cash restricted for long-term purposes	1,352,604	—
Total cash, cash equivalents, and restricted cash	\$ 6,078,606	\$ 3,953,952
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 3,551,034	\$ 1,984,838
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment and debt retirement	(5,057,038)	(5,148,740)
Depreciation	1,885,369	1,517,321
Change in prepaid expenses	22,213	(52,879)
Change in accounts payable and accrued expenses	(1,237,502)	(1,307,107)
Net operating cash flows	\$ (835,924)	\$ (3,006,567)

SUPPLEMENTAL DISCLOSURE

As of March 31, 2020 and 2019, approximately \$47,000 and \$919,000 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, 2020

	<u>Program</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 5,074,220	\$ 209,897	\$ 5,284,117
Depreciation	1,602,564	282,805	1,885,369
Professional services and fees	1,066,152	414,809	1,480,961
Facilities management and non-capitalized project expenditures	806,859	361,834	1,168,693
Missions and outreach	969,575	85,512	1,055,087
Travel, meals, and refreshments	569,546	54,797	624,343
Other	220,576	9,595	230,171
Rent and lease expense	78,371	99,800	178,171
Interest	145,913	25,749	171,662
Office expense and supplies	90,305	63,100	153,405
Information technology and software	<u>4,508</u>	<u>16,504</u>	<u>21,012</u>
Total expenses	<u>\$ 10,628,589</u>	<u>\$ 1,624,402</u>	<u>\$ 12,252,991</u>

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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	<u>43,771</u>	<u>12,724</u>	<u>56,495</u>
Total expenses	<u>\$ 10,144,725</u>	<u>\$ 1,670,882</u>	<u>\$ 11,815,607</u>

The Accompanying Notes are an Integral
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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 consists of donor-restricted amounts 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 statements of functional expenses present 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 reserve purposes.

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”) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash is effective for the Church’s financial statements for the year ended March 31, 2020. The ASU requires that restricted cash amounts be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statements of cash flows. The adoption of the ASU had no effect on the Church’s net assets as of April 1, 2018 or the change in net assets presented for the year ended March 31, 2019. As required by applicable guidance, the Church has retrospectively applied the ASU’s provisions to the statement of cash flows for the year ended March 31, 2019.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets available:		
Cash and cash equivalents	\$ 4,726,002	\$ 3,953,952
Cash restricted for long-term purposes	<u>1,352,604</u>	<u>—</u>
Total financial assets available within one year	6,078,606	3,953,952
Less:		
Amounts held subject to Advisory Team designations	(1,820,971)	(1,585,349)
Amounts restricted for long-term purposes	<u>(1,352,604)</u>	<u>—</u>
Net financial assets available within one year	<u>\$ 2,905,031</u>	<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 one year; however, the Advisory Team could make them available, if necessary. The Church also has certain assets limited to use for long-term donor-restricted purposes. Because of the nature of the restrictions, the Church must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year. The Church also has other donor-restricted net assets that are available for general expenditure within one year, because the restrictions on net assets are expected to be met by conducting the normal activities of the Church 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.

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:

<u>Category</u>	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 16,487,018	\$ 16,318,983
Buildings and improvements	42,655,852	29,556,946
Furniture and equipment	6,879,478	5,665,147
Construction in progress	<u>227,678</u>	<u>11,080,517</u>
Total property and equipment	66,250,026	62,621,593
Less: Accumulated depreciation	<u>(11,679,327)</u>	<u>(9,793,958)</u>
Net property and equipment	<u>\$ 54,570,699</u>	<u>\$ 52,827,635</u>

Depreciation expense amounted to \$1,885,369 and \$1,517,321 during the years ended March 31, 2020 and 2019, respectively.

NOTE F – NOTES PAYABLE

Notes payable consisted of the following:

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Non-revolving line of credit with a bank in an amount up to \$8,910,000 (\$8,800,000 until renewal in June 2019); the amount available to be drawn decreases annually beginning on December 31, 2019 based on an availability schedule as described in the loan documents (any outstanding amounts in excess of the availability schedule are due on demand); no amounts were available to be drawn as of March 31, 2020 and approximately \$2,389,000 was available to be drawn as of March 31, 2019; secured by certain real property; interest payable monthly at the one-month LIBOR rate plus 2.25% per annum (approximately 3.24% and 4.75% as of March 31, 2020 and March 31, 2019, respectively); subject to certain restrictive covenants as described in the loan documents; the non-revolving line of credit expires in January 2022, at which time all outstanding principal and interest are due	\$ 6,457,000	\$ 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	4,159,380	4,397,850
Other notes payable	<u>65,724</u>	<u>99,879</u>
Total notes payable	<u>\$ 10,682,104</u>	<u>\$ 9,197,465</u>

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE F – NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows:

Year Ending
March 31,

2021	\$ 274,000
2022	6,738,000
2023	293,000
2024	300,000
2025	<u>3,077,000</u>
Total	<u>\$ 10,682,000</u>

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

	<u>For The Years Ended</u> <u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total interest paid	\$ 437,636	\$ 191,342
Total accrued interest	—	114,521
Less: Amount capitalized as property and equipment	<u>(265,974)</u>	<u>(305,863)</u>
Interest expense	<u>\$ 171,662</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, 2020:

	<u>Balance</u> <u>April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>March 31</u>
Capital projects	\$ —	\$ 5,057,038	\$ (3,704,434)	\$ 1,352,604
Missions	937,542	597,011	(350,136)	1,184,417
Other Church ministries	335,393	236,937	(396,528)	175,802
Disaster relief	<u>295,940</u>	<u>4,000</u>	<u>(231,646)</u>	<u>68,294</u>
Total	<u>\$ 1,568,875</u>	<u>\$ 5,894,986</u>	<u>\$ (4,682,744)</u>	<u>\$ 2,781,117</u>

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

	<u>Balance</u> <u>April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <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>

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 \$114,000 and \$122,000 to the Plan during the years ended March 31, 2020 and 2019, 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, 2020 and March 31, 2019 amounted to approximately \$100,000 and \$248,000, respectively.

NOTE J – SUBSEQUENT EVENTS

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Church’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Church of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending March 31, 2021.

Subsequent to year-end, the Church obtained a Paycheck Protection Program loan in the approximate amount of \$822,000. Pursuant to federal law, the loan amount may be forgiven in whole or in part based on the nature of the Church’s expenditures during an applicable period. Management expects that all or a significant portion of the loan will be forgiven. The Church will recognize the amount forgiven as revenue when the conditions for forgiveness are met.

The Church has evaluated for possible financial statement reporting and disclosure subsequent events through August 27, 2020, the date as of which the financial statements were available to be issued.