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CERTIFIED PUBLIC ACCOUNTANTS

River Pointe Community Church

Financial Statements

For The Years Ended March 31, 2023 and 2022



Batts Morrison
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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

The Advisory Team
River Pointe Community Church
Richmond, Texas

Opinion

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, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
August 23, 2023

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	March 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,237,430	\$ 5,887,117
Cash designated for long-term purposes	367,444	—
Cash restricted for long-term purposes	3,682,027	343,058
Certificates of deposit restricted for long-term purposes	1,000,000	5,000,000
Investments restricted for long-term purposes	1,480,074	—
Other assets	617,149	154,615
Property and equipment, net	52,218,627	53,950,594
Total assets	\$ 64,602,751	\$ 65,335,384

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 524,866	\$ 326,272
Notes payable	6,919,255	7,624,370
Total liabilities	7,444,121	7,950,642

NET ASSETS

Without donor restrictions		
Undesignated	2,857,794	3,377,665
Designated	1,455,091	813,695
Net investment in property and equipment	45,299,372	46,326,224
Total net assets without donor restrictions	49,612,257	50,517,584
With donor restrictions	7,546,373	6,867,158
Total net assets	57,158,630	57,384,742
Total liabilities and net assets	\$ 64,602,751	\$ 65,335,384

RIVER POINTE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES

	For The Years Ended March 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Contributions	\$ 10,007,738	\$ 2,517,960	\$ 12,525,698	\$ 9,811,613	\$ 7,210,902	\$ 17,022,515
Other revenue	1,813,564	—	1,813,564	1,230,197	—	1,230,197
Net assets released from restrictions	<u>1,838,745</u>	<u>(1,838,745)</u>	<u>—</u>	<u>3,112,057</u>	<u>(3,112,057)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>13,660,047</u>	<u>679,215</u>	<u>14,339,262</u>	<u>14,153,867</u>	<u>4,098,845</u>	<u>18,252,712</u>
EXPENSES						
Program activities	12,605,577	—	12,605,577	11,842,157	—	11,842,157
Supporting activities	<u>1,959,797</u>	<u>—</u>	<u>1,959,797</u>	<u>1,988,652</u>	<u>—</u>	<u>1,988,652</u>
Total expenses	<u>14,565,374</u>	<u>—</u>	<u>14,565,374</u>	<u>13,830,809</u>	<u>—</u>	<u>13,830,809</u>
CHANGE IN NET ASSETS	(905,327)	679,215	(226,112)	323,058	4,098,845	4,421,903
NET ASSETS - Beginning of year	<u>50,517,584</u>	<u>6,867,158</u>	<u>57,384,742</u>	<u>50,194,526</u>	<u>2,768,313</u>	<u>52,962,839</u>
NET ASSETS - End of year	<u>\$ 49,612,257</u>	<u>\$ 7,546,373</u>	<u>\$ 57,158,630</u>	<u>\$ 50,517,584</u>	<u>\$ 6,867,158</u>	<u>\$ 57,384,742</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,	
	2023	2022
OPERATING CASH FLOWS		
Cash received from contributors	\$ 10,583,108	\$ 10,657,261
Other revenue received	1,754,988	1,287,394
Cash paid for operating activities and costs	(12,188,493)	(11,374,179)
Interest paid	(332,154)	(265,281)
Net operating cash flows	(182,551)	305,195
INVESTING CASH FLOWS		
Proceeds from sales of certificates of deposit	5,000,000	—
Purchases of certificates of deposit	(1,000,000)	(5,000,000)
Net purchases of investments and reinvestment of interest	(1,455,030)	—
Purchases of and improvements to property and equipment	(543,168)	(2,459,864)
Net investing cash flows	2,001,802	(7,459,864)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment and debt retirement	1,942,590	6,365,254
Repayments of notes payable and line of credit	(705,115)	(414,958)
Net financing cash flows	1,237,475	5,950,296
NET CHANGE IN CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH	3,056,726	(1,204,373)
CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH - Beginning of year	6,230,175	7,434,548
CASH, CASH EQUIVALENTS, DESIGNATED, AND RESTRICTED CASH - End of year	\$ 9,286,901	\$ 6,230,175
REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 5,237,430	\$ 5,887,117
Cash designated for long-term purposes	367,444	—
Cash restricted for long-term purposes	3,682,027	343,058
Total cash, cash equivalents, designated, and restricted cash	\$ 9,286,901	\$ 6,230,175
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ (226,112)	\$ 4,421,903
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment and debt retirement	(1,942,590)	(6,365,254)
Depreciation	2,275,135	2,247,271
Net gain on investments	(25,044)	—
Change in other assets	(462,534)	(43,442)
Change in accounts payable and accrued expenses	198,594	44,717
Net operating cash flows	\$ (182,551)	\$ 305,195

The Accompanying Notes are an Integral
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RIVER POINTE COMMUNITY CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2023

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 6,432,672	\$ 197,416	\$ 6,630,088
Depreciation	2,070,373	204,762	2,275,135
Professional services and fees	836,407	742,220	1,578,627
Facilities management and non-capitalized project expenditures	828,877	457,285	1,286,162
Missions and outreach	871,706	—	871,706
Travel, meals, and refreshments	482,255	—	482,255
Office expense and supplies	448,105	—	448,105
Rent and lease expense	65,815	291,231	357,046
Interest	302,260	29,894	332,154
Other	254,228	36,989	291,217
Information technology and software	12,879	—	12,879
Total expenses	<u>\$ 12,605,577</u>	<u>\$ 1,959,797</u>	<u>\$ 14,565,374</u>

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, 2022

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 5,912,576	\$ 308,495	\$ 6,221,071
Depreciation	2,045,017	202,254	2,247,271
Professional services and fees	782,268	685,769	1,468,037
Facilities management and non-capitalized project expenditures	885,697	482,969	1,368,666
Missions and outreach	751,822	—	751,822
Travel, meals, and refreshments	383,725	—	383,725
Other	342,506	36,941	379,447
Office expense and supplies	352,875	—	352,875
Rent and lease expense	91,193	248,349	339,542
Interest	241,406	23,875	265,281
Information technology and software	53,072	—	53,072
Total expenses	<u>\$ 11,842,157</u>	<u>\$ 1,988,652</u>	<u>\$ 13,830,809</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 designated for long-term purposes

Cash designated for long-term purposes consists of amounts designated by the Advisory Team for capital projects and debt retirement.

Cash and investments restricted for long-term purposes

Cash and investments restricted for long-term purposes consists of donor-restricted amounts for capital projects and debt retirement.

Certificates of deposit restricted for long-term purposes

The Church’s certificates of deposit mature through July 2023, include interest rates up to 2.40% per annum, and are held subject to donor restrictions stipulating that the funds be used for capital 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 capital projects, debt retirement, and reserves. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the useful lives of property and equipment. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the March 31, 2022 financial statements have been reclassified to conform to classifications adopted during the year ended March 31, 2023. The reclassifications had no material effect on the accompanying financial statements.

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:

	March 31,	
	2023	2022
Financial assets available:		
Cash and cash equivalents	\$ 5,237,430	\$ 5,887,117
Cash designated for long-term purposes	367,444	—
Cash restricted for long-term purposes	3,682,027	343,058
Certificates of deposit restricted for long-term purposes	1,000,000	5,000,000
Investments restricted for long-term purposes	1,480,074	—
Total financial assets available within one year	11,766,975	11,230,175
Less:		
Amounts held subject to Advisory Team designations	(1,455,091)	(813,695)
Amounts restricted for long-term purposes	(6,162,101)	(5,343,058)
Net financial assets available within one year	\$ 4,149,783	\$ 5,073,422

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 capital projects, debt retirement, and 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.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 and certificates of deposit 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.

Substantially all of the Church’s debt is owed to one bank.

NOTE E – FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America (“U.S. GAAP”) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical assets

Level 2 – other significant observable inputs (such as quoted prices for similar assets)

Level 3 – significant unobservable inputs

The estimated fair value of certain assets measured on a recurring basis at March 31, 2023 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Obligations of the U.S.				
Government and its agencies:				
Asset-backed securities	\$ 980,820	\$ 980,820	\$ —	\$ —
Treasury securities	<u>499,254</u>	<u>499,254</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 1,480,074</u>	<u>\$ 1,480,074</u>	<u>\$ —</u>	<u>\$ —</u>

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	March 31,	
	2023	2022
Land and land improvements	\$ 16,576,590	\$ 16,576,590
Buildings and improvements	45,567,144	45,543,746
Furniture and equipment	8,022,963	7,909,883
Construction in progress	426,975	20,285
Total property and equipment	70,593,672	70,050,504
Less: Accumulated depreciation	(18,375,045)	(16,099,910)
Net property and equipment	\$ 52,218,627	\$ 53,950,594

Depreciation expense amounted to \$2,275,135 and \$2,247,271 during the years ended March 31, 2023 and 2022, respectively.

NOTE G – NOTES PAYABLE

Notes payable consisted of the following:

	March 31,	
	2023	2022
Non-revolving line of credit with a bank in an amount up to \$8,910,000; no amounts were available to be drawn as of March 31, 2023 or 2022; secured by certain real property; requires varying monthly installments of principal and interest at a rate based on a certain index as described in the loan documents (approximately 6.89% and 2.50% as of March 31, 2023 and 2022, respectively); subject to certain restrictive covenants as described in the loan documents; the non-revolving line of credit was scheduled to expire in May 2023, at which time all outstanding principal and interest were due; refinanced subsequent to March 31, 2023 (see Note J)	\$ 3,503,500	\$ 3,903,900
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; refinanced subsequent to March 31, 2023 (see Note J)	3,372,014	3,645,454
Other notes payable	43,741	75,016
Total notes payable	\$ 6,919,255	\$ 7,624,370

Interest expense amounted to \$332,154 and \$265,281 during the years ended March 31, 2023 and 2022, respectively.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE G – NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows (after giving effect to the subsequent refinance of the Church’s non-revolving line of credit and a certain note payable, including additional borrowings of approximately \$124,000 described in Note J):

Year Ending <u>March 31,</u>		
2024	\$	457,000
2025		479,000
2026		471,000
2027		467,000
2028		467,000
Thereafter		<u>4,702,000</u>
Total		<u>\$ 7,043,000</u>

NOTE H – RESTRICTIONS ON NET ASSETS

Activity for net assets with donor restrictions was as follows during the year ended March 31, 2023:

	<u>Balance</u> <u>April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>March 31</u>
Capital projects and debt retirement	\$ 5,343,058	\$ 1,942,590	\$ (1,123,547)	\$ 6,162,101
Missions	1,442,100	337,685	(475,916)	1,303,869
Other Church ministries	<u>82,000</u>	<u>237,685</u>	<u>(239,282)</u>	<u>80,403</u>
Total	<u>\$ 6,867,158</u>	<u>\$ 2,517,960</u>	<u>\$ (1,838,745)</u>	<u>\$ 7,546,373</u>

Activity for net assets with donor restrictions was as follows during the year ended March 31, 2022:

	<u>Balance</u> <u>April 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>March 31</u>
Capital projects and debt retirement	\$ 1,414,179	\$ 6,365,254	\$ (2,436,375)	\$ 5,343,058
Missions	1,252,975	639,519	(450,394)	1,442,100
Other Church ministries	<u>101,159</u>	<u>206,129</u>	<u>(225,288)</u>	<u>82,000</u>
Total	<u>\$ 2,768,313</u>	<u>\$ 7,210,902</u>	<u>\$ (3,112,057)</u>	<u>\$ 6,867,158</u>

NOTE I – 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 \$188,000 and \$142,000 to the Plan during the years ended March 31, 2023 and 2022, respectively.

RIVER POINTE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE J – SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Church entered into a promissory note payable agreement with a bank for \$7,000,000 to refinance the Church's previous non-revolving line of credit and a certain note payable owed to a separate bank. The promissory note is secured by a mortgage on certain property held by the Church and includes certain financial covenants, the most restrictive of which requires the Church to maintain a minimum debt service coverage ratio and a minimum amount of liquidity as described in the loan documents. The promissory note requires monthly principal installments of \$38,888 and interest at a certain index interest rate plus an applicable margin of 1.60% (as defined in the loan documents) and matures in April 2028. The Church also entered into an interest rate swap contract in connection with this transaction. The interest rate swap contract effectively fixes the Church's annual interest rate exposure on declining notional amounts as described in the interest rate swap contract to approximately 3.79% per annum, plus certain annual fees and costs.

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