

**RIVERSIDE COVENANT CHURCH, INC.**

**Reviewed Financial Statements**

**June 30, 2016**

RIVERSIDE COVENANT CHURCH, INC.

JUNE 30, 2016

TABLE OF CONTENTS

Independent Accountants' Review Report	1
Statement of Financial Position – Modified Cash Basis	2
Statement of Activity – Modified Cash Basis	3
Notes to Financial Statements	4
Schedule of Expenses – Modified Cash Basis	8



**PERSON &  
ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

410 South 18th Street  
Lafayette, IN 47905-1239  
765-742-1056

Fax 765-742-6681

info@phersoncpa.com

www.phersoncpa.com

American Institute of CPAs

Indiana CPA Society

Travis V. Pherson, CPA

Donald G. Ruth, CPA

Steven R. Koerner, CPA

## Independent Accountants' Review Report

To the Leadership Team  
Riverside Covenant Church, Inc.  
West Lafayette, IN 47906

We have reviewed the accompanying statement of financial position – modified cash basis of Riverside Covenant Church, Inc. as of June 30, 2016, and the related statement of activity – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

### **Supplementary Information**

The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the modified cash basis of accounting. We have not audited the information and, accordingly, do not express an opinion on such information.

*Pherson & Associates, P.C. CPAs*

Pherson & Associates, P.C. CPAs  
September 19, 2016

Riverside Covenant Church, Inc.  
 STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS  
 June 30, 2016

	2016
<b>Current Assets:</b>	
Cash	\$ 66,514
Cash in Savings	226,994
Total Current Assets	293,508
<b>Property and Equipment:</b>	
Land	507,740
Building & improvements	595,350
Total Property and Equipment	1,103,090
<b>Total Assets</b>	\$ 1,396,598
<b>Current Liabilities:</b>	
Payroll Liabilities	\$ 2,994
Security Deposit	300
Current Portion Of Debt	37,041
Total Current Liabilities	40,335
<b>Long-Term Liabilities</b>	
Note Payable - NCP Church Building	170,048
Note Payable - NCP House	193,577
Note Payable - NCP Land	409,164
Less: Current Portion of Debt	(37,041)
Total Current Liabilities	735,748
<b>Total Liabilities</b>	776,083
<b>Net Assets:</b>	
Unrestricted	504,616
Unrestricted - Board Designated	66,301
Temporarily Restricted	49,698
Total Net Assets	620,615
<b>Total Liabilities and Net Assets</b>	\$ 1,396,698

See Accountants' Review Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
STATEMENT OF ACTIVITY - MODIFIED CASH BASIS  
For the Year Ended June 30, 2016

	2016		
	Unrestricted	Temporarily Restricted	Totals
Contributions	\$ 551,514	\$ 63,771	\$ 615,285
Rental Income - Apartment	9,000		9,000
Rental Income - Farm	2,320		2,320
Building & Vehicle Use	1,485		1,485
Program Income	14,742		14,742
Miscellaneous Income	199		199
Interest Income	1,328		1,328
	<u>580,588</u>	<u>63,771</u>	<u>644,359</u>
Total Revenues			
Net assets released in satisfaction of program restrictions	<u>51,199</u>	<u>(51,199)</u>	<u>0</u>
Total Support and Revenues	631,787	12,572	644,359
General Office & Administrative	6,483		6,483
General Property	50,320		50,320
General Ministry	167,732		167,732
General Community	9,385		9,385
Staff Compensation & Benefits	202,240		202,240
Interest	32,690		32,690
Rental	4,028		4,028
	<u>472,878</u>	<u>-</u>	<u>472,878</u>
Total Expenses			
Increase (Decrease) in Net Assets	158,909	12,572	171,481
Net Assets, Beginning of Year	<u>412,008</u>	<u>37,126</u>	<u>449,134</u>
Net Assets, End of Year	<u>\$ 570,917</u>	<u>\$ 49,698</u>	<u>\$ 620,615</u>

See Accountants' Review Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Riverside Covenant Church, Inc. is an Evangelical Covenant Church whose mission is to glorify God by becoming disciples of Jesus Christ who share life in authentic community and transform the world through God's love, truth, and power.

Basis of Accounting

The financial statements of the Church are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than general accepted accounting principles. The basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include not capitalizing and depreciating certain fixed assets. Equipment and vehicles have been expensed in the year of purchase. However, land and building acquisitions are disclosed on the Statement of Financial Position at their original cost.

Cash

Cash consists of cash on deposit at financial institutions. The Church considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Church maintains its checking account with a financial institution that insures cash balances of up to the amount insurable through the Federal Deposit Insurance Corporation. As of June 30, 2016, the balance is below the insured limit.

The Church also maintains accounts with a financial institution that is not insured by the Federal Deposit Insurance Corporation. As of June 30, 2016, the total cash on deposit is \$226,903. The Church has not experienced any losses on this account and believes that it is not exposed to any significant risks on them.

Display of Net Assets by Class

The net assets of the Church are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Contributed Support

The Church recognizes contributions as revenue in the year in which the contribution is received. Contributions consist mainly of tithes and offerings from the church congregation.

RIVERSIDE COVENANT CHURCH, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The Church 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 the reported revenues, expenses, and changes in net assets.

NOTE 2 – NOTES PAYABLE:

As of June 30, 2016, the Church had a note payable secured by property located at 1841 N Salisbury St; West Lafayette, IN with a balance due of \$193,577.00. Principal and interest are payable monthly in the amount \$725.00. The total amount of principal and interest paid during the year were \$4,436.28 and \$7,863.72, respectively. Expected future payments are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>
2017	\$ 4,641.38
2018	4,830.50
2019	5,027.29
2020	5,232.11
2021	5,445.26
Thereafter	\$ 168,400.46

As of June 30, 2016, the Church had a note payable secured by property located at 1850 Woodland Ave; West Lafayette, IN with a balance due of \$409,163.76. Principal and interest are payable monthly in the amount \$2,100.00. The total amount of principal and interest paid during the year were \$8,598.88 and \$16,601.12, respectively. Expected future payments are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>
2017	\$ 8,997.21
2018	9,363.79
2019	9,745.26
2020	10,142.31
2021	10,555.52
Thereafter	\$ 360,359.67

RIVERSIDE COVENANT CHURCH, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 2 – NOTES PAYABLE: (continued)

As of June 30, 2016, the Church had a note payable secured by land located on Klondike Rd; West Lafayette, IN with a balance due of \$170,047.50. Principal and interest are payable monthly in the amount \$2,548.00. The total amount of principal and interest paid during the year were \$22,350.40 and \$8,225.60, respectively. Expected future payments are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>
2017	\$ 23,402.64
2018	24,477.75
2019	25,602.24
2020	26,778.42
2021	28,008.61
Thereafter	\$ 41,777.84

NOTE 3: LEASE INCOME

The Church owns an apartment that it rents for \$750.00 per month on a 12 month lease expiring in August of 2016. After August 2016, the apartment will continue to be leased on a month-to-month basis.

NOTE 4: PENSION

The Church contributes the denomination’s pension, which covers all credentialed pastors. Total current year contributions to the plan were \$11,456.28.

The Church also contributes to a SEP IRA on behalf of all employees. The contribution equals 4% of the employee’s gross wages. Total current year contributions were \$4,898.76.

NOTE 5: RESTRICTED NET ASSETS

Unrestricted board designated net assets consist of the following at June 30, 2016:

Worship Ministry	\$ 1,979.00
Building Maintenance Reserve	8,322.10
National Covenant Properties Agreement	56,000.00
 Total	 \$ 66,301.10

Board designated funds are included in the unrestricted balance on the Statement of Financial Position – Modified Cash Basis as of June 30, 2016.



RIVERSIDE COVENANT CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5: RESTRICTED NET ASSETS (continued)

As of June 30, 2016, the Church has a verbal agreement with National Covenant Properties to designate \$56,000.00 to be used for either future mortgage payments or improvements to the land located on Klondike Road. The funds are not legally restricted for this purpose. However, the Church has a moral obligation to comply with the verbal agreement made with National Covenant Properties.

Temporarily restricted net assets consisted of the following:

Youth Ministry	\$ 8,110.72
General Benevolence	15,809.92
Women's Ministry	25.00
Mission Trip	5,118.25
Compassion Fund	5,896.00
Woodland Fund	13,317.61
CCM Grant	<u>1,420.37</u>
Total	<u>\$ 49,697.87</u>

NOTE 6: SUBSEQUENT EVENTS

The Church has evaluated subsequent events through September 19, 2016, the date which the financial statements were available to be issued.

RIVERSIDE COVENANT CHURCH, INC.  
SCHEDULE OF EXPENSES  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

General Office and Administrative:

Office Supplies		808
Postage		553
Copy Charges		1,721
Dues and Subscriptions		1,561
Accounting Fees		1,235
Professional Fees - Other		469
Miscellaneous Office Expense		136
Total General Office and Administrative Expenses		6,483

General Property:

Building Insurance		5,997
Vehicle Insurance		700
Workman's Comp		688
Building Maintenance and Repairs		4,452
Office Furniture		4,117
New Equipment		
Office	593	
Nursery & Children's Ministry	235	
Worship, Sound, Lighting	2,969	
Computers & Software	3,222	
Kitchen	66	
General Church Use Equipment	917	
Total New Equipment		8,002
Equipment Rental		191
Utilities		10,979
Custodial Service & Supplies		8,337
Landscaping		4,426
Vehicle		458
Misc Property Expenses		1,973
Total General Property Expenses		50,320

See Accountants' Review Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
SCHEDULE OF EXPENSES  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

General Ministry:

General Benevolence		22,650
Mission Trip		21,922
Compassion Sponsorships		2,736
IF Gathering		104
CCM Grant Expenses		2,601
Special Gifts		1,185
Children's Ministry		4,903
Youth Ministry		3,334
Adult Formation		1,184
Small Groups		254
Women's Ministries		7,300
Men's Ministry		972
Worship Ministry		3,750
Outreach/Evangelism Ministry		4,213
Missions		
Evangelical Covenant National	37,244	
Central Conference	21,403	
Missionary Support	24,611	
Miscellaneous	150	
Total Missions		83,408
Benevolence Fund		5,983
Nursery Ministry		322
Prayer Ministry		838
Server Ministry		73
Total General Ministry Expenses		167,732

General Community:

Fellowship		
Meals	1,468	
Sunday Coffee Supplies & Donuts	4,722	
Special Events	1,411	
Gifts & Condolences	101	
Childcare	247	
Total Fellowship		7,949
Leadership Development		1,436
Total General Community Expenses		9,385

See Accountants' Review Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
SCHEDULE OF EXPENSES  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

Staff Compensation & Benefits:

Salaries & Wages

Senior Pastor - Salary	65,272
Senior Pastor - Housing Allowance	20,989
Administrative Assistant	18,453
Worship Director	881
Children's/Family Min. Director	18,552
Youth Director	6,131
Women's Ministry Director	9,277
Pastor of Discipleship	1,484
Worship/Youth Discipleship Dir	2,769

Total Salaries & Wages	143,808
Worship Director	2,925
Christian Education Director	15,000
Staff Benefits Health Benefits	988
Continuing Education - Pastor	1,158
Continuing Education - Staff	613
Retirement Benefits - Pastor	14,035
Retirement Benefits - Other Staff	2,321
Life & Disability Insurance	1,204
Staff Search	15,251
Payroll Taxes	4,937
Total Staff Compensation & Benefits Expenses	<u>202,240</u>

Mortgage Interest:

Interest Expense - 1850 Woodland	8,225
Interest Expense - 1841 Salisbury	7,864
Interest Expense - Land	16,601
Total Mortgage Interest Expense	<u>32,690</u>

Rental:

Utilities	645
Building Maintenance & Repair	3,383
Total Rental Expenses	<u>4,028</u>

Total Expenses	<u><u>472,878</u></u>
----------------	-----------------------

See Accountants' Review Report and Accompanying Notes