

**RIVERSIDE COVENANT CHURCH, INC.**

**Compiled Financial Statements**

**June 30, 2019**

RIVERSIDE COVENANT CHURCH, INC.

JUNE 30, 2019

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## Accountants' Compilation Report

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

Management is responsible for the accompanying financial statements of the Riverside Covenant Church, Inc. which comprise of the statement of financial position - modified cash basis as June 30, 2019 and the related statement of activity - modified cash basis for the twelve months then ended in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Specifically, the treatment of fixed assets and the related allowance for depreciation have been presented in a manner not normally found in modified cash basis financial statements. Please see Note 1 – Basis of Accounting for further explanation.

### Supplementary Information

The supplementary information contained in the schedule of expenses - modified cash basis for the twelve months ended June 30, 2019 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

*Pherson & Associates, P.C. CPAs*  
Pherson & Associates, P.C. CPAs

August 31, 2019

Riverside Covenant Church, Inc.  
 STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS  
 June 30, 2019

	2019
Current Assets:	
Cash	\$ 135,108
Cash in Savings	191,754
Total Current Assets	326,862
Property and Equipment:	
Land	507,740
Building & improvements	595,350
Total Property and Equipment	1,103,090
Total Assets	\$ 1,429,952
Current Liabilities:	
Credit Cards Payable	\$ 3,519
Note Payable - NCP House	161,367
Current Portion Of Debt	18,984
Total Current Liabilities	183,870
Long-Term Liabilities	
Note Payable - NCP Church Building	103,956
Note Payable - NCP Land	387,902
Less: Current Portion of Debt	(18,984)
Total Current Liabilities	472,874
Total Liabilities	656,744
Net Assets without Restrictions:	
Undesignated	640,523
Board Designated	91,419
Total Net Assets without Restrictions	731,942
Net Assets with Restrictions	41,266
Total Net Assets	773,208
Total Liabilities and Net Assets	\$ 1,429,952

See Accountants' Compilation Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
STATEMENT OF ACTIVITY - MODIFIED CASH BASIS  
For the Year Ended June 30, 2019

	2019		
	Without Restriction	With Restriction	Totals
Contributions	\$ 553,367	\$ 28,537	\$ 581,904
Rental Income - Farm	2,340		2,340
Building & Vehicle Use	590		590
Program Income	11,810		11,810
Miscellaneous Income	505		505
Interest Income	1,814		1,814
 Total Revenues	 570,426	 28,537	 598,963
 Net assets released in satisfaction of program restrictions	 107,393	 (107,393)	 0
 Total Support and Revenues	 677,819	 (78,856)	 598,963
 General Office & Administrative	6,971		6,971
General Property	141,795		141,795
General Minsitry	140,966		140,966
General Community	11,961		11,961
Staff Compensation & Benefits	250,416		250,416
Interest	34,551		34,551
 Total Expenses	 586,660	 -	 586,660
 Increase (Decrease) in Net Assets	 91,159	 (78,856)	 12,303
 Net Assets, Beginning of Year	 640,783	 120,122	 760,905
 Net Assets, End of Year	 \$ 731,942	 \$ 41,266	 \$ 773,208

See Accountants' Compilation Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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 the modified cash basis, 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 revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. Other modifications from the strict cash basis of accounting which have substantial support, are equivalent to Generally Accepted Accounting Principles in the United States and are logical when taken together are made. The Church has made the following modifications to the strict cash basis:

Capitalization of Buildings and Land and recording associated debt financing – The Church has elected to record buildings and land as an asset when purchased at original cost, as well as recording the associated long-term debt financing as a liability on the balance sheet. The Church believes there is substantial support for this modification to the Cash Basis of accounting.

Depreciation - The Church has elected not to record depreciation and charge the cost of the buildings over the assets estimated useful economic lives, which is not considered to have substantial support when capitalizing buildings and land as an asset. The Church has not determined the effect of this departure on the financial statements.

Recording of Credit Card Payable – The Church has elected to record certain expenses incurred on credit card and the corresponding current liability for credit card payable on the balance sheet. The Church believes there is substantial support for this modification to the Cash Basis of accounting.

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, 2019, 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, 2019, the total cash on deposit is \$77,610. The Church has not experienced any losses on this account and believes that it is not exposed to any significant risks on them.

RIVERSIDE COVENANT CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Display of Net Assets by Class

In accordance with the FASB Accounting Standards Codification (Accounting Standards), the net assets of the Organization are reported in each of the following classes:

- 1) Net Assets Without Donor Restrictions--Net assets that are not subject to donor-imposed stipulations.
- 2) Net Assets with Donor Restriction--Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time; and those that will be maintained in perpetuity.

All donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the restriction even if the restriction is met in the same period. 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 statement of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise noted by the donor.

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.

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 – LIQUIDITY:

The Church's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash & Cash Equivalents	\$	326,862
Less Cash with Donor Imposed Restrictions		<u>(41,266)</u>
Total	\$	285,596

The Church has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$99,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The Church invests cash in excess of daily requirements in short-term investments and certificates of deposits.

RIVERSIDE COVENANT CHURCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 3 – NOTES PAYABLE:

As of June 30, 2019, the Church had a note payable secured by property located at 1841 N Salisbury St; West Lafayette, IN with a balance due of \$161,366.80. Interest only is payable monthly. The church is currently paying \$725.00 per month. The total amount of principal and interest paid during the year were 1,731.51 and \$8,468.49, respectively. The interest rate is variable and is currently at 5.25%. Currently, this loan is an interest only short-term note that is renewed annually.

As of June 30, 2019, the Church had a note payable secured by land located on Klondike Rd.; West Lafayette, IN with a balance due of \$387,901.83. Principal and interest are payable monthly in the amount \$2,100.00. The total amount of principal and interest paid during the year were \$4,518.57 and \$20,681.43, respectively. The interest rate is variable and is currently at 5.25% and the note is expected to mature in May of 2030. Expected future payments are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>
2020	\$ 4,896.73
2021	5,216.57
2022	5,497.12
2023	5,792.79
2024	6,104.34
Thereafter	\$ 360,394.28

As of June 30, 2019, the Church had a note payable secured by property located at 1850 Woodland Ave; West Lafayette, IN with a balance due of \$103,955.52. Principal and interest are payable monthly in the amount \$1,558.00. The total amount of principal and interest paid during the year were \$19,233.84 and \$5,402.16, respectively. The interest rate is variable and is currently at 4.75% and the note matures in June of 2026. Expected future payments are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>
2020	\$ 14,087.64
2021	14,745.55
2022	15,461.42
2023	16,212.05
2024	16,999.09
Thereafter	\$ 26,449.77

NOTE 4: LEASE INCOME

The Church owns farmland located on Klondike in West Lafayette, IN. The lease is renewable annually, and the rent in the amount of \$1,170.00 is due on a semi-annual basis. Total rents received in the current year were \$2,340.00.



RIVERSIDE COVENANT CHURCH, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

NOTE 5: PENSION

The Church contributes the denomination’s pension, which covers all credentialed pastors. Total current year contributions to the plan were \$17,034.16.

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 \$8,123.21.

NOTE 6: NET ASSETS WITH RESTRICTIONS

Unrestricted board designated net assets consist of the following at June 30, 2019:

Worship Ministry	\$ 9,067.08
Building Maintenance Reserve	26,352.52
National Covenant Properties Agreement	<u>56,000.00</u>
 Total	 <u><u>\$ 91,419.60</u></u>

Board designated funds are included in the unrestricted balance on the Statement of Financial Position – Modified Cash Basis as of June 30, 2019.

As of June 30, 2019, 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.

At June 30, 2019, Net Assets with Restrictions consisted of the following:

Youth Ministry	\$ 11,504.91
General Benevolence	17,060.40
Women’s Ministry	25.00
Mission Trip	1,746.01
Memorial Fund	703.00
Compassion Fund	3,692.00
Woodland Fund	6,529.83
Other	<u>4.46</u>
 Total	 <u><u>\$ 41,265.61</u></u>

NOTE 6: SUBSEQUENT EVENTS

The Church has evaluated subsequent events through August 31, 2019 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, 2019

General Office and Administrative:

Office Supplies	\$	523
Postage		373
Copy Charges		1,000
Dues and Subscriptions		2,703
Accounting Fees		1,111
Professional Fees		786
Miscellaneous Office		475
Total General Office and Administrative Expenses		6,971

General Property:

Building Insurance	\$	6,930
Vehicle Insurance		640
Workman's Comp		672
Building Maintenance and Repairs		16,531
Building Improvements - Woodland Fund		81,505
Office Furniture		64
New Equipment		
Nursery & Children's Ministry	\$	480
Worship, Sound, Lighting		48
Computers & Software		3,699
General Church Use Equipment		324
Total New Equipment		4,551
Equipment Rental		191
Utilities		13,508
Custodial Service & Supplies		8,780
Landscaping		5,887
Vehicle		736
Misc Property Expenses		1,800
Total General Property Expenses	\$	141,795

See Accountants' Compilation Report and Accompanying Notes

RIVERSIDE COVENANT CHURCH, INC.  
SCHEDULE OF EXPENSES  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019

General Ministry:

Mission Trip	\$	24,354
Compassion Funding		836
Children's Ministry		2,523
Youth Ministry		9,874
Adult Formation		4,260
Small Groups		423
Women's Ministries		1,677
Men's Ministry		810
Worship Ministry		2,345
Outreach/Evangelism Ministry		4,181
Missions		
Evangelical Covenant National	\$	35,442
Central Conference		20,261
Missionary Support		29,221
Total Missions		84,924
Benevolence Fund	\$	3,952
Stephen Ministry		109
General Ministry Miscellaneous		698
Total General Ministry Expenses	\$	140,966

General Community:

Fellowship		
Meals	\$	257
Sunday Coffee Supplies & Donuts		2,736
Special Events		1,719
Gifts & Condolences		309
Childcare		35
Total Fellowship		5,056
Leadership Development		6,905
Total General Community Expenses	\$	11,961

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RIVERSIDE COVENANT CHURCH, INC.  
SCHEDULE OF EXPENSES  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019

Staff Compensation & Benefits:

Salaries & Wages	
Senior Pastor - Salary	\$ 60,170
Senior Pastor - Housing Allowance	20,000
Senior Pastor - SECA	6,133
Administrative Assistant	20,163
Children's/Family Min. Director	18,952
Women's Ministry Director	27,846
Worship/Youth Discipleship Dir - Salary	34,203
Worship/Youth Discipleship Dir - Housing	22,000
Worship/Youth Discipleship Dir - SECA	<u>4,300</u>
Total Salaries & Wages	\$ 213,767
Continuing Education - Pastor	211
Continuing Education - Staff	79
Retirement Benefits - Pastor	22,485
Retirement Benefits - Other Staff	2,672
Life & Disability Insurance	3,586
Cell Phone Reimbursement	2,400
Payroll Taxes	<u>5,216</u>
Total Staff Compensation & Benefits Expenses	\$ <u>250,416</u>

Mortgage Interest:

Interest Expense - 1850 Woodland	\$ 5,402
Interest Expense - 1841 Salisbury	8,468
Interest Expense - Land	<u>20,681</u>
Total Mortgage Interest Expense	\$ <u>34,551</u>

Total Expenses	\$ <u><u>586,660</u></u>
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