

RIVERTREE CHRISTIAN CHURCH
AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2007 and 2006

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Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

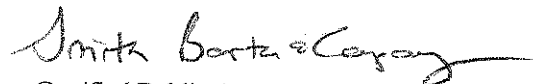
Independent Auditor's Report

Board of Elders
RiverTree Christian Church
Massillon, Ohio

We have audited the accompanying statement of financial position of RiverTree Christian Church (a not-for-profit corporation) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of RiverTree Christian Church's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Church's 2006 financial statements and in our report dated February 2, 2007, we expressed an unqualified opinion of those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RiverTree Christian Church as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountants

February 29, 2008

Canton, Ohio

RIVERTREE CHRISTIAN CHURCH
STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

<u>CURRENT ASSETS</u>	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 391,272	\$ 614,235
Accounts receivable - preschool	2,916	9,967
Inventory	39,863	44,367
Prepaid expenses	298	994
TOTAL CURRENT ASSETS	<u>434,349</u>	<u>669,563</u>
<u>PROPERTY AND EQUIPMENT - NOTE C</u>	7,754,890	7,975,692
<u>OTHER ASSETS</u>		
Loan amortization cost	<u>-</u>	<u>8,852</u>
TOTAL ASSETS	<u>\$ 8,189,239</u>	<u>\$ 8,654,107</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt - NOTE D	\$ 435,476	\$ 464,061
Accounts payable	15,869	45,466
Interest-rate swap - NOTE E	167,224	-
Other current liabilities and accrued expenses	26,921	100,646
TOTAL CURRENT LIABILITIES	<u>645,490</u>	<u>610,173</u>
<u>LONG-TERM DEBT - NOTE D</u>	4,769,956	5,228,380
<u>COMMITMENTS AND CONTINGENT LIABILITIES - NOTE F</u>	-	-
<u>NET ASSETS</u>		
Unrestricted	2,605,341	2,664,701
Temporarily restricted - NOTE B	<u>168,452</u>	<u>150,853</u>
TOTAL NET ASSETS	<u>2,773,793</u>	<u>2,815,554</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,189,239</u>	<u>\$ 8,654,107</u>

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2007 with Comparative Totals for 2006

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
			2007	2006
<u>REVENUE AND SUPPORT</u>				
Offerings	\$ 3,659,833	\$ 197,010	\$ 3,856,843	\$ 3,932,518
In-kind donations - NOTE C	-	-	-	340,000
Building fund capital campaign	-	180,196	180,196	202,104
RiverTree school-tuition and registration	844,123	-	844,123	787,652
Rental income	80	-	80	-
Merchandise sales	58,993	-	58,993	70,096
Interest income	16,552	-	16,552	20,842
Miscellaneous income	6,861	-	6,861	(1,630)
Unrealized loss on interest-rate swap agreement	(167,224)	-	(167,224)	-
Net assets released from restrictions:				
Satisfaction of donor restriction	359,607	(359,607)	-	-
TOTAL REVENUE AND SUPPORT	<u>4,778,825</u>	<u>17,599</u>	<u>4,796,424</u>	<u>5,351,582</u>
<u>EXPENSES</u>				
<u>Ministry Areas (net of any reimbursements)</u>				
Loving				
Global (local and global) outreach	832,678	-	832,678	751,964
RiverTree school	657,030	-	657,030	621,200
Learning				
Adult ministries	170,410	-	170,410	209,304
Children's ministries	153,935	-	153,935	147,192
Student ministries	126,288	-	126,288	122,213
Living				
S.H.A.P.E., living seminars	140,826	-	140,826	87,215
Leading				
Staff and lay leadership	248,379	-	248,379	194,862
Total Ministry Areas	<u>2,329,546</u>	<u>-</u>	<u>2,329,546</u>	<u>2,133,950</u>
<u>Supporting Services</u>				
Administration	910,136	-	910,136	738,135
Building	388,960	-	388,960	340,118
Worship	189,152	-	189,152	155,496
Pastoral care	107,376	-	107,376	56,622
Miscellaneous	251,092	-	251,092	331,535
Interest expense	329,660	-	329,660	348,370
Depreciation and amortization expense	332,263	-	332,263	322,094
Total Supporting Services	<u>2,508,639</u>	<u>-</u>	<u>2,508,639</u>	<u>2,292,370</u>
TOTAL EXPENSES	<u>4,838,185</u>	<u>-</u>	<u>4,838,185</u>	<u>4,426,320</u>
INCREASE (DECREASE) IN NET ASSETS	(59,360)	17,599	(41,761)	925,262
NET ASSETS AT BEGINNING OF YEAR	<u>2,664,701</u>	<u>150,853</u>	<u>2,815,554</u>	<u>1,890,292</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,605,341</u>	<u>\$ 168,452</u>	<u>\$ 2,773,793</u>	<u>\$ 2,815,554</u>

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH

STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ (41,761)	\$ 925,262
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	332,263	322,094
Unrealized loss on interest-rate swap agreement	167,224	-
In-kind donations	-	(340,000)
Loss on sale or disposal of fixed assets	-	4,500
(Increase) decrease in accounts receivable - preschool	7,051	(4,123)
(Increase) decrease in inventory	4,504	(7,842)
(Increase) decrease in prepaid expenses	696	(758)
Increase (decrease) in accounts payable	(29,597)	21,925
Decrease in other current liabilities and accrued expenses	(73,725)	(15,207)
	<u>366,655</u>	<u>905,851</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales of property and equipment	-	3,000
Purchase of property and equipment	(102,609)	(147,634)
	<u>(102,609)</u>	<u>(144,634)</u>
NET CASH USED BY INVESTING ACTIVITIES		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(487,009)	(457,519)
	<u>(487,009)</u>	<u>(457,519)</u>
NET CASH USED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(222,963)	303,698
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>614,235</u>	<u>310,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 391,272</u>	<u>\$ 614,235</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	\$ 329,660	\$ 348,370

The accompanying notes are an integral part of these financial statements.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

RiverTree Christian Church (the Church), a not-for-profit corporation, is dedicated to the purpose directly rooted in the Great Commission and the Great Commandment in the Bible. The Church is committed to loving the lost and offering them new and eternal life, learning and growing in community, living the life God has always wanted us to live, and leading by giving ourselves away. The Church is supported primarily through contributions from the congregation and revenue from the preschool.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DONATED SERVICES

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made."

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Church considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INVENTORIES

Inventories are stated at lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of buildings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

LOAN AMORTIZATION COSTS

Loan amortization costs consists of debt issue costs that are being amortized over the life of the related loan using the straight-line method.

FEDERAL INCOME TAXES

The Church qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes.

CONCENTRATION OF CREDIT RISK

The Church maintains cash balances in excess of \$100,000 in a certain financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Church's uninsured cash balances totaled \$285,955.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FINANCIAL STATEMENT PRESENTATION

Under Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Church is required to present a statement of cash flows.

DERIVATIVE INSTRUMENTS

The Church uses a derivative to manage risks related to interest rate movements. The Church's interest-rate swap contract is reported at fair value. The change in the swap contract's fair value is reported as a gain or loss in the statements of activities. The Church's interest-rate risk management strategy is to stabilize cash flow requirements by maintaining an interest-rate swap contract to convert variable-rate debt to a fixed rate. The Church's derivative instrument does not qualify as a hedge.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

RECLASSIFICATION

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

ADVERTISING

The Church participates in various advertising and marketing programs. All costs related to marketing and advertising the Company's products are expensed in the period incurred. Advertising costs charged to operations was \$93,700 and \$113,907 in 2007 and 2006, respectively.

RIVERTREE CHRISTIAN CHURCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE B - RESTRICTIONS ON NET ASSETS

No permanently restricted net assets existed at December 31, 2007 and 2006. Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Benevolence	\$ 1,104	\$ 600
Building fund	16,005	3,825
Building fund – debt retirement	-	1,500
Capital projects – Design	11,683	60,000
Children’s	5,936	3,123
General – kitchen equipment	1,712	1,661
Hunger Task Force	1,982	1,812
HTF – Thanksgiving baskets	3,762	4,500
Lay counseling	897	897
Library fund – Leaf-A-Legacy	89	71
Missions - BIOH	3,308	2,308
Missions – Mission Trips	2,368	-
Missions – Ecuador/Von Deschitz	525	5,756
Missions - Multisites	103,757	51,897
Preschool	3,767	4,078
Sports	1,394	3,099
Student SH – mission	5,068	2,726
Student JH – mission	2,481	386
Women’s scholarship/childcare	2,614	2,614
	<u>\$ 168,452</u>	<u>\$ 150,853</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 152,287	\$ 152,287
Land improvements	95,500	95,500
Buildings	9,153,722	9,153,722
Furniture and fixtures	373,096	321,163
Equipment	310,918	260,244
Vehicles	9,851	9,851
	<u>10,095,374</u>	<u>9,992,767</u>
Less accumulated depreciation	<u>2,340,484</u>	<u>2,017,074</u>
	<u>\$ 7,754,890</u>	<u>\$ 7,975,693</u>

In 2006, the Church received a donation of real estate and a building. The real estate and building had an appraised value of \$340,000 at the time of the donation. The Church utilizes the property and has no plans of selling.

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE D – LONG-TERM DEBT

Long-term notes payable at December 31, consisted of the following:

	2007	2006
Note payable to bank, due in monthly installments of \$63,125, including interest at 5.875%, secured by substantially all assets of the Church, due November, 2017.	\$ -	\$ 5,692,441
Note payable to bank, due in various monthly installments, including interest at 6.875%, secured by substantially all assets of the Church, due November, 2014.	3,841,558	-
Note payable to bank, due in monthly installments of \$12,585, including interest at 7.00%, secured by substantially all assets of the Church, due November, 2014.	1,363,874	-
	\$ 5,205,432	\$ 5,692,441
Less current portion	435,476	464,061
	\$ 4,769,956	\$ 5,228,380

The aggregate maturities for the five years ending December 31, are as follows:

2008	\$ 435,476
2009	455,404
2010	476,727
2011	499,545
2012	523,960
Thereafter	2,814,320
	\$ 5,205,432

NOTE E – DERIVATIVE INSTRUMENT – INTEREST RATE SWAP

The Church entered into an interest-rate swap agreement to minimize the effect of changes in market interest rates in November 2007. The agreement was based on a notional amount of \$3,887,124 as of November 1, 2007, which pays interest at a fixed rate of 6.79% and receives interest at LIBOR plus 1.65% (6.25% at December 31, 2007).

Unrealized loss from change in swap contract fair value	\$ 167,224
Interest-rate swap liability	\$ 167,224

RIVERTREE CHRISTIAN CHURCH
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE F - COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES

Starting September 18, 2005, the Church is leasing a facility for the Massillon campus on a month-to-month basis. The Church also leases another facility in Massillon and office equipment under non-cancelable operating leases having remaining terms in excess of one year. Total rent paid for office equipment was \$22,659 and \$25,528 for the years ending December 31, 2007 and 2006, respectively. As of December 31, the future minimum lease payments are as follows:

2008	\$	28,930
2009		32,319
2010		28,875
2011		6,797
	\$	<u>96,921</u>

NOTE G - EMPLOYEE BENEFIT PLAN

The Church has a 403(b)(9) plan covering all eligible employees. Employees may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. Total contributions to the plan were \$46,138 in 2007 and no contributions were made in 2006.