

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH**

Financial Statements – Cash Basis

For the Year Ended December 31, 2009

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of the
Red River Presbytery of the
Cumberland Presbyterian Church:**

We have audited the accompanying statement of assets and net assets-cash basis of Red River Presbytery of the Cumberland Presbyterian Church (the "Presbytery") as of December 31, 2009, and the related statement of unrestricted cash receipts, expenditures, and changes in net assets-cash basis for the year then ended. These financial statements are the responsibility of the Presbytery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Presbytery's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Presbytery as of December 31, 2009, and its unrestricted cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Hartman Leito + Bolt, LLP

**February 21, 2011
Fort Worth, Texas**

RED RIVER PRESBYTERY OF THE CUMBERLAND PRESBYTERIAN CHURCH
Statement of Assets and Net Assets-Cash Basis
December 31, 2009

ASSETS

Cash	\$ 16,451
Denominational cash funds	<u>570,967</u>
Total assets	<u>\$ 587,418</u>

UNRESTRICTED NET ASSETS

Designated:

For New Church Development	\$ 418,788
For Rowlett Road Church	73,970
For Camp and Christian Education	<u>22,503</u>
	515,261

Undesignated

	<u>72,157</u>
Total unrestricted net assets	<u>\$ 587,418</u>

See accompanying notes and independent accountants' audit report.

RED RIVER PRESBYTERY OF THE CUMBERLAND PRESBYTERIAN CHURCH
Statement of Unrestricted Cash Receipts, Expenditures and Changes in Net Assets - Cash Basis
For the Year Ended December 31, 2009

	Designated for New Church Development	Designated for Rowlett Road Church	Designated for Endowments	Designated for Japan General Assembly	Undesignated	Total
RECEIPTS						
Apportionments from churches	\$ -	\$ -	\$ -	\$ -	\$ 206,098	\$ 206,098
Church payments - health and accident insurance	-	-	-	-	60,640	60,640
Camp fees	-	-	-	-	79,927	79,927
Receipts from sale of property	-	-	-	-	26,335	26,335
Covenant church receipts - principal	-	-	-	-	26,582	26,582
Other receipts	-	-	-	-	961	961
Total receipts	-	-	-	-	400,543	400,543
EXPENDITURES						
Finance	-	-	-	-	227,532	227,532
Missions	-	-	-	-	40,433	40,433
Christian education	-	-	-	-	93,897	93,897
Stated clerk	-	-	-	-	12,422	12,422
Other	-	-	-	-	12,501	12,501
Total expenditures	-	-	-	-	386,785	386,785
Excess of receipts over expenditures	-	-	-	-	13,758	13,758
Net assets at beginning of year	353,786	73,970	22,503	2,850	120,551	573,660
Transfers between designated and undesignated net assets	65,002	-	-	(2,850)	(62,152)	-
Net assets at end of year	\$ 418,788	\$ 73,970	\$ 22,503	\$ -	\$ 72,157	\$ 587,418

See accompanying notes and independent accountants' audit report.

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH**
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Presbytery and Operations

The Red River Presbytery of the Cumberland Presbyterian Church (the "Presbytery") is a not-for-profit corporation. The Presbytery represents the church judicatory body representing twenty-eight Cumberland Presbyterian Churches in North Texas and Oklahoma. The accompanying financial statements do not include any financial information of the twenty-eight Cumberland Presbyterian Churches in North Texas and Oklahoma. In addition, the financial statements of the Cumberland Presbyterian Churches are not included in these financial statements.

(b) Basis of Accounting

The financial statements of the Presbytery have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Accordingly, cash receipts are recorded when received and expenditures are recorded when paid. Noncash transactions are not recognized in the financial statements.

All receipts from notes or other debts on real property will be separately recorded and held for new church development only. The interest from these transactions flows to the operating accounts.

The Presbytery, on behalf of the individual churches, approves the acquisition of land and construction of new churches. The churches obtain financing in the name of the Presbytery, but the individual church is responsible for making the payment directly to the lending institution. However, in the event of default on the loan, the Presbytery would make payment on the defaulted note to assist the church in default (see Note 8).

(c) Financial Statement Presentation

The Presbytery 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.

(d) Federal Income Taxes

The Presbytery qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes.

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH**
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Apportionments and Other Receipts

The Presbytery recognizes apportionments and other receipts when received. Receipts are considered to be available for unrestricted use unless specifically restricted by the donor.

(f) Concentrations of Credit Risk

The Presbytery maintains cash funds with the Cumberland Presbyterian Church Investment Loan Program, Inc., a related party. The funds maintained by this Presbytery are not insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2009, the Presbytery's uninsured cash balance was \$570,967.

Two churches contributed 51% of total apportionments in the current year.

(g) Recent Accounting Pronouncements

In June 2009, the FASB issued a standard that established the FASB ASC, which effectively amended the hierarchy of U.S. generally accepted accounting principles ("GAAP") and established only two levels of GAAP, authoritative and non-authoritative. All previously existing accounting standard documents were superseded, and the ASC became the single source of authoritative, nongovernmental GAAP. All other non-grandfathered, non-SEC accounting literature not included in the ASC became non-authoritative. The ASC was intended to provide access to the authoritative guidance related to a particular topic in one place. New guidance issued subsequent to June 30, 2009 will be communicated by the FASB through Accounting Standards Updates. The ASC was effective for financial statements for annual reporting periods ending after September 15, 2009. The Presbytery adopted and applied the provisions of the ASC for the Presbytery's financial statements, and has eliminated references to pre-ASC accounting standards throughout the notes to the financial statements. The Presbytery's adoption of the ASC did not have a material impact on the Presbytery's financial statements.

In May 2009, the FASB issued authoritative guidance on ASC topic *Subsequent Events* which establishes general standards of accounting for and disclosure of events that occur after the statement of assets and net assets date, but before financial statements are issued or are available to be issued. Specifically, this guidance provides (i) the period after the statement of assets and net assets date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the statement of assets and net assets date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the statement of assets and net assets date. This guidance is effective for periods ending after June 15, 2009. The adoption of this guidance did not have a material effect on the Presbytery's financial statements. See footnote entitled "*Subsequent Events*," for certain required disclosures related to this guidance.

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009**

2. DESIGNATED NET ASSETS

The designated net assets for new church development at December 31, 2009 consist primarily of amounts collected for future church expansion. In addition, the Presbytery is liable in the event of a defaulted note – see Note 8.

The remaining designated net assets at December 31, 2009 consist of amounts set aside by the Presbytery's board for camp and Christian education.

The following summarizes the change in designated net assets for the year ended December 31, 2009:

Designated net assets at beginning of year	\$ 453,109
Transfer from undesignated net assets	<u>62,152</u>
Designated net assets at end of year	\$ <u>515,261</u>

At the end of each fiscal year, reserve funds in excess of fifteen percent (15%) of that year's total budget will be transferred to designated net assets. In fiscal year 2009, \$62,152 was transferred in accordance with this policy.

3. CHURCH GRANTS AND MISSIONS

For the year ended December 31, 2009 the Presbytery expended from undesignated net assets financial assistance to the following churches for program assistance and to enable construction of their churches:

Eastlake aid	\$ 9,000
Locust Grove aid	5,000
Society of St. Giles aid	10,000
Stonegate aid	<u>6,000</u>
	\$ <u>30,000</u>

4. CHURCH PAYMENTS - HEALTH AND ACCIDENT INSURANCE

The Presbytery administers health insurance plans for Churches in the Presbytery. Churches within the Presbytery made the following payments to the Presbytery for insurance premiums for their dependents during the year:

	<u>Budget</u>	<u>Received</u>	(Over) Under <u>Budget</u>
Clinton	\$ 6,880	\$ 7,200	\$ (320)
Denton	6,880	7,040	(160)
Faith	6,880	7,520	(640)
Shiloh	6,880	6,880	-
Society of St. Giles	6,880	6,880	-
St. Matthew	6,880	6,880	-
Stonegate	6,880	7,280	(400)
St. Timothy	6,880	4,080	2,800
Trinity	<u>6,880</u>	<u>6,880</u>	-
Total	\$ <u>61,920</u>	\$ <u>60,640</u>	\$ <u>1,280</u>

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH**
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009

5. APPORTIONMENTS

The Presbytery collected the following amounts from its twenty-eight churches during the year in the form of apportionments, which are either a set fee or a portion of the churches' monthly collections:

	<u>Budget</u>	<u>Received</u>	<u>(Over) Under Budget</u>
Burns Flat	\$ 8,998	\$ 9,749	\$ (751)
Clinton	9,682	6,790	2,892
Covenant	10,659	10,668	(9)
Denton	5,634	1,840	3,794
Duncan	2,425	600	1,825
Eastlake	5,363	5,363	-
Ethel	910	1,027	(117)
Faith	6,368	6,118	250
Hubbard	1,595	1,495	100
Lake Highlands	7,378	5,535	1,843
Locust Grove	1,219	1,200	19
Mangum	2,653	-	2,653
Marlow	4,441	4,212	229
Mesquite	7,881	4,297	3,584
Mt. Zion	704	-	704
Newberry	2,314	2,314	-
Olney	6,600	7,200	(600)
Sandy Springs	935	-	935
Shiloh	10,281	11,076	(795)
St. John	7,419	7,419	-
St. Luke	23,272	3,600	19,672
St. Mark Fort Worth	4,684	2,700	1,984
St. Matthew	126,669	73,983	52,686
St. Timothy	26,479	30,144	(3,665)
Stonegate	4,636	380	4,256
Trinity	9,708	6,774	2,934
Whitney	1,615	1,614	1
Zion Valley	1,195	-	1,195
Total	\$ <u>301,717</u>	\$ <u>206,098</u>	\$ <u>95,619</u>

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH**
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009

6. EXPENDITURES

Operating expenditures during the year consisted of the following:

	<u>Budget</u>	<u>Paid</u>	<u>(Over) Under Budget</u>
Finance:			
Synodic Apportionment	\$ 5,060	\$ 5,060	\$ -
Ministers' Health and Accident Insurance	160,000	141,211	18,789
Ministers' Dental and Vision Insurance	-	444	(444)
Ministers' Dependent Insurance	75,000	59,120	15,880
Ministers' Disability Insurance	4,700	4,250	450
Committee Expenditures	250	-	250
Commissioners General Assembly Synodic	12,000	6,657	5,343
Liability Insurance	4,500	3,380	1,120
Treasurer's Salary	6,000	6,000	-
Treasurer's Expenditures	1,500	1,410	90
Audit	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Finance	<u>274,010</u>	<u>227,532</u>	<u>46,478</u>
Missions:			
Board Expenditures	2,000	283	1,717
Stonegate Aid	6,000	6,000	-
St. Giles Aid	10,000	10,000	-
Eastlake Aid	9,000	9,000	-
Aid to Locust Grove	5,000	5,000	-
Scholarships South America	3,000	-	3,000
Magnolia NCD	6,000	-	6,000
Congregation Aid/Mission	<u>14,500</u>	<u>10,150</u>	<u>4,350</u>
Total Missions	<u>55,500</u>	<u>40,433</u>	<u>15,067</u>
Christian Education:			
Christian Education Conference	1,000	1,000	-
Board Expenditures & Travel	1,500	-	1,500
All Camps Rent	85,840	81,350	4,490
Sr High Supplies	-	2,365	(2,365)
Sr High Staff Travel	-	282	(282)
Sr High Accident Insurance	-	731	(731)
T-Shirts	-	2,082	(2,082)
Verification	500	-	500
Youth Retreats	7,500	4,767	2,733
Training Events	1,000	-	1,000
CPYC Transportation	5,300	6,320	(1,020)
CPYC Chaperones	600	-	600
Camp Directors Conference	1,000	-	1,000
Endowment Camp	<u>10,400</u>	<u>(5,000)</u>	<u>15,400</u>
Total Christian Education	<u>114,640</u>	<u>93,897</u>	<u>20,743</u>

**RED RIVER PRESBYTERY OF THE
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Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009**

6. EXPENDITURES (Continued)

	<u>Budget</u>	<u>Paid</u>	<u>(Over) Under Budget</u>
Stated clerk:			
Clerk's Salary	\$ 7,200	\$ 9,000	\$ (1,800)
Engrossing Clerk Salary	900	900	-
Printing and Postage	3,600	709	2,891
Other Expenditures	<u>1,800</u>	<u>1,813</u>	<u>(13)</u>
Total Stated Clerk	<u>13,500</u>	<u>12,422</u>	<u>1,078</u>
Other:			
Ministry:			
Probationers	15,000	11,555	3,445
Committee Expenditures	<u>5,000</u>	<u>655</u>	<u>4,345</u>
Total Ministry	<u>20,000</u>	<u>12,210</u>	<u>7,790</u>
Trustee Expenditures	400	191	209
Ordained clergy	<u>3,000</u>	<u>100</u>	<u>2,900</u>
Total Other Expenditures	<u>23,400</u>	<u>12,501</u>	<u>10,899</u>
Total Expenditures	<u>\$ 481,050</u>	<u>\$ 386,785</u>	<u>\$ 94,265</u>

7. RELATED PARTIES

The Presbytery receives 51% of its receipts from apportionments collected from the twenty-eight churches in the Presbytery. Apportionments are figured for each church on a formula of:

50% based on the percentage share of the congregation's receipts after extraordinary and building fund gifts are excluded; and 50% based on a dollar share per active member. Both figures are derived from statistics in the previous year's annual report.

Churches are required to remit a set fee or a portion of monthly collections to the Presbytery (see Note 5).

The Presbytery has entered into multi-year agreements with several affiliated churches to provide financial support in accordance with the Presbytery - approved mission designs (see Note 3).

8. COMMITMENTS AND CONTINGENCIES

The Presbytery, in conjunction with the Cumberland Presbyterian Church, creates and approves mission designs detailing future commitments for church construction and program assistance to churches undergoing development and re-development. Funds for church construction are drawn from funds dedicated for church construction ("designated funds") with program subsidy drawn from the general operating account. Currently, the Presbytery has future obligations for 2010 totaling \$17,000 for program assistance.

**RED RIVER PRESBYTERY OF THE
CUMBERLAND PRESBYTERIAN CHURCH
Notes to Financial Statements – Cash Basis
For the Year Ended December 31, 2009**

8. COMMITMENTS AND CONTINGENCIES (Continued)

The Presbytery has entered into note agreements with various lending institutions to finance the acquisition of land and construction of new churches. However, the related debt and assets are recorded on the church's financial statements. The Presbytery is liable in the event of default.

In October 1999, the Presbytery approved interest payment assistance of a defaulted church loan for the Stonegate Cumberland Presbyterian Church ("Stonegate") of Edmond, Oklahoma. The Presbytery paid \$6,000 out of the unrestricted net assets for interest on the loan in 2009. The unpaid mortgage is \$264,854 at December 31, 2009. The Presbytery has rendered an agreement with Stonegate to assist with interest payments until Stonegate is able to generate sufficient cash flows to meet its entire obligation. The Presbytery anticipates assisting Stonegate with \$250 per month toward their interest payments through 2010.

In 2008, the Rowlett Road Cumberland Presbyterian Church ("Rowlett Road") was dissolved. As a result, the Presbytery began making the church loan payments that remained on the Rowlett Road property. These payments are offset by rental income the Presbytery receives. During 2009, the Presbytery paid \$17,665 for such church loan payments and received \$24,000 in rental income for the same property. The net amount of rental income is included receipts from sale of property income on the statement of unrestricted cash receipts, expenditures and changes in net assets – cash basis. The unpaid mortgage is \$341,898 at December 31, 2009. The monthly loan payments on the loan are \$1,350.

9. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent statement of assets and net assets – cash basis, have been evaluated for possible adjustment to the financial statements or disclosure is February 21, 2011, which is the date on which the financial statements were available to be issued.