

CGB-CC-0520



FILED/ACCEPTED

APR - 6 2012

Federal Communications Commission  
Office of the Secretary

April 6, 2012

Office of the Secretary  
Federal Communications Commission  
Attention: Disability Rights Office, Room 3-B431  
9300 East Hampton Drive  
Capitol Heights, MD 20743

*Via Hand Delivery*

**Re: Case Identifier CGB-CC-052: Petition for Exemption from Closed Captioning Requirements under Section 79.1(f)**

This correspondence will acknowledge receipt of your letter dated March 7, 2012 with respect to the above-captioned matter. Per your request, please accept the following supplemental information, and the accompanying exhibits, for your favorable consideration.

As stated in our previous correspondence, attached hereto as "Exhibit A," and the accompanying exhibits, the additional cost of closed captioning would cause significant hardship to our congregation and community. Effects would most likely include the decrease in the quality of our program, forced elimination of other church-sponsored services, and/or the reduction of staff benefits. For these reasons, and the reasons set forth below, **Riverbend Church hereby renews its request to be granted an exemption from the closed captioning requirement pursuant to Section 79.1(f).**

#### BACKGROUND

Located in Austin, Texas, Riverbend Church ("Riverbend") is a domestic nonprofit corporation organized under the laws of the State of Texas. Our vision is to make Austin a great place for all, by: being a leading spiritual voice in our community; creating an authentic community; celebrating the arts in our community; serving the community; championing the message of God's grace. An important component of our vision is Riverbend's Television Ministry program, which is a 30 minute program that airs every Sunday morning at 7:30 am on KTBC Fox Austin. Reaching approximately 5,800 - 6,500 viewers each morning, the Television Ministry has been changing the lives of thousands of people for over 25 years. It reaches those people living in loneliness and brokenness that desperately need to hear God's message. It is our belief that if we can continue to reach these people via this medium, it can make a difference in their lives.

## NATURE AND COST OF CLOSED CAPTIONING

As evidenced by the schedule compiled and attached hereto as "Exhibit B," in an effort to comply with the FCC's requirement to provide closed captioning services, representatives of Riverbend contacted several national captioning and transcription services to inquire about the cost of outsourcing closed caption production. The additional expenditure would average an additional \$340 per telecast, with an aggregate total of \$17,680 per year. In-house production of captioning would require the purchase of specialized equipment and the hiring of additional skilled staff, resulting in projected costs similar or greater to that of outsourcing. Taking into consideration that Riverbend recently had to lay off employees due to budget constraints, the hiring of additional staff is not feasible or realistic.

In light of the above, and in further compliance with the requirements of Section 79.1(f), our representatives sought the assistance of our video programming distributor, KTBC FOX 7. Unfortunately, FOX 7 is unable to provide closed captioning services at a free or reduced cost. Attached hereto, as "Exhibit C," is the affidavit, in which I attest to that fact.

## IMPACT ON THE OPERATION OF THE PROGRAM PROVIDER

In addition to the burden of cost described above, we are faced with a burden of time. To appropriately transcribe one half-hour television program an additional two to three hours of production time would be required. The additional time required for the production processes would greatly infringe upon already narrow deadlines that are beyond our control to change, resulting in a program that is untimely.

## FINANCIAL RESOURCES OF THE PROGRAM PROVIDER

Member and community gifts to our general fund were significantly under target goals in 2011. As a result, we have had to reduce the 2012 budget by over \$550,000. We are in the process of completing our 2011 financials, but have included the most recent certified and verified financial information from 2010 and 2009, which is attached hereto as "Exhibit D."

The area most impacted by the drastic reduction in giving is the Television Ministry, which costs a minimum of \$175,000 annually to produce and air. Due to impact of our budget reductions, the broadcast is already on the verge of termination unless we are able to raise \$350,000 over the course of the next two years. This amount does not include additional costs associated with closed captioning, which would increase the costs of production by almost 19% per year. We have attempted to spur contributions from our congregation, as well as outside donors, but continue to fall short. An example of our efforts is represented by the attached "Exhibit E," a letter to our congregation dated February 21, 2012 which solicits donations specifically for the Television Ministry.

### TYPE OF OPERATIONS OF THE PROGRAM PROVIDER

Riverbend is first and foremost a church that operates at physical location, and provides traditional services for its members, community outreach, and engages in other activities commonly associated with a community religious organization. Our Television Ministry is but one aspect of the services we provide. With that, television is one of the most powerful and effective communication methods available today. We depend on our weekly telecast to draw in members, and provide ministry for those who are not able to leave their homes to attend church. In many instances, this is the only way our shut-in members can worship, or even have the semblance of normalcy they once enjoyed. We feel that the elimination of the Ministry would have a detrimental impact on our members, and the entire Austin community.

### OTHER FACTORS

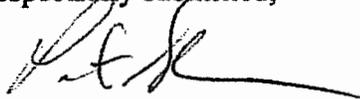
Riverbend is willing to actively solicit volunteers from its membership to agree to interpret the program into sign language on-air, in an attempt to find a reasonable substitute for the closed captioning requirement. It is our understanding that this is a historically common solution to the economic barriers that close captioning production would otherwise impose.

### SUMMARY

As demonstrated by the information provided herein, as well as the exhibits attached, the Federal Communications Commission should grant Riverbend Church a Section 79.1(f) exemption, as the addition of closed captioning costs to our budget would be economically burdensome. The requirement would necessitate the addition of paid staff, significantly increase production cost, cause time delays in the production process, and would significantly impact the day to day operations of the Church due to resulting cuts from other areas of the budget.

On behalf of Riverbend Church, we ask for your favorable response to this request. As always, should you have any questions or require any additional information, please do not hesitate to contact me at your very earliest convenience.

Respectfully submitted,



Peter Sleeper  
Executive Pastor  
Riverbend Church

**EXHIBIT A**

Received & Inspected

DEC 21 2011

FCC Mail Room

Case Identifier: CGB-CC-0520

Commission's Secretary,  
Office of the Secretary  
Federal Communications Commission  
Attention: Disability Rights Office, Room 3-B431  
445 12<sup>th</sup> Street, SW,  
Washington, DC 20554

Subject: Exemption to the Closed Captioning Rules

To Whom It May Concern:

Riverbend Church is an Austin, Texas non-profit organization. We believe that as part of the Church of Jesus Christ we have been called to a mission to Reclaim the bruised, battered, broken and bored to the cause of Jesus Christ so that they might be Restored to a committed, personal relationship with Christ and thereby, in the course of their own spiritual growth, become Reproducers for the Kingdom of God. We believe God is the source of all blessings, and all we have and are we owe to Him. We freely serve Him with our time, talent, and material possessions to use for helping others. The television broadcast is one medium by which we strive to connect to people in the community.

Riverbend Church is hereby requesting an exemption from the closed captioning rules pursuant to Section 79.1(d) of the commission's rules for the reasons listed below:

#### **Nature and Cost of Closed Captions**

We contacted several national captioning services to determine the cost of outsourcing closed captioning programming. The cost averaged an additional \$340 per episode or a total of \$17,680 per year. To handle the captioning in-house would require the purchase of equipment at a cost of \$7,000, plus the hiring of additional staff to handle the verbatim transcription of the sermons. In addition, it takes approximately 2-3 hours to transcribe one 30-minute program. Either option would impact our airdate deadlines and the timeliness of our program. We believe such additional cost and time delays would place an undue burden on the ministry.

#### **Impact on the Operation of the Provider Program**

The total cost of our broadcast on an annual basis is \$94,412 per year. Closed captioning would increase that cost by almost 19% per year. This increase is not budgeted in 2012. If forced to absorb the additional cost, the church may be forced to eliminate programs to provide closed captioning for the broadcast.

**R**iverbend

4214 N. Capital of Tx Hwy.  
Austin, Tx 78746

512.327.3540 phone  
512.327.3895 fax

**EXHIBIT B**

Closed Captioning costs

We contacted several national captioning services to determine the cost of outsourcing closed captioning programming.

CPC – Computer Prompting & Captioning Co.

Rockville, MD 20852

Captioning service: 2-day turnaround

    Caption only - \$17,680 per year

    Transcript & caption - \$22,360 per year

In-house captioning

CPC Captioning hardware/software:

DTV - \$6,995

MacCapture – text capture - \$495

Additional employee time

Dynamic Captioning LLC

Service:

Captioning - \$8,580 per year

Transcription costs

Caption Labs

Service:

Captioning - \$8,684 per year

Transcription costs

**EXHIBIT C**

**AFFIDAVIT OF PASTOR PETER SLEEPER**

STATE OF TEXAS                   §  
                                                 §  
COUNTY OF TRAVIS           §

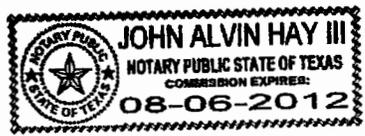
Before me, the undersigned authority, on this date personally appeared PETER SLEEPER, executive pastor at Riverbend Church, who, after being duly sworn, deposed on his oath had stated:

1. I am the Executive Pastor at Riverbend Church, a non-profit organization in Austin, Texas. I am an adult over eighteen years of age, I am of sound mind and am in all respects qualified to make this Affidavit. I have personal knowledge of the facts stated herein, and such facts are true and correct.
  
2. I have sought the assistance of our video programming distributor, KTBC FOX 7. Unfortunately, FOX 7 is unable to provide closed captioning services at a free or reduced cost.
  
3. I have reviewed the Petition for Exemption for Closed Captioning Requirements filed on behalf of Riverbend Church, and upon information and belief, believe the statements regarding our organization and the Television Ministry to be true and accurate.

FURTHER AFFIANT SAYETH NOT.”

  
\_\_\_\_\_  
PETER SLEEPER

Sworn to and subscribed before me on this the 6 day of April, 2012.



  
\_\_\_\_\_  
Notary Public for the State of Texas

**EXHIBIT D**

**RIVERBEND CHURCH**  
(and a subsidiary company)

CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2010 and 2009

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**INDEPENDENT AUDITOR'S REPORT**

To the Church Council and Members of  
Riverbend Church  
Austin, Texas

We have audited the accompanying consolidated statement of financial position of **Riverbend Church** and a subsidiary company, as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 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 audits provide 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 **Riverbend Church**, and a subsidiary company, as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gindler, Chappell, Morrison & Co., P.C.*

Austin, Texas  
May 2, 2011

CONSOLIDATED FINANCIAL STATEMENTS

# RIVERBEND CHURCH

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 703,021	\$ 656,503
Receivables		
Pledges due within one year (note 2)	2,143,797	-
Affiliated organizations	3,691	3,794
Program and other cost reimbursements	1,619	3,980
Other receivables	17,216	11,171
Prepaid insurance and expenses	42,824	41,828
Inventory - Bookstore	58,649	54,492
Total current assets	<u>2,970,817</u>	<u>771,768</u>
Cash and investments restricted as to use (note 7)	<u>1,291,613</u>	<u>145,317</u>
Pledges due in future periods (note 2)	<u>2,435,686</u>	<u>-</u>
Fixed assets		
Land, buildings and improvements	31,294,043	31,336,236
Furniture and equipment	2,113,271	1,950,180
Less accumulated depreciation	<u>(16,260,604)</u>	<u>(15,229,576)</u>
Net fixed assets before construction	17,146,710	18,056,840
Construction in progress	481,326	23,651
Net fixed assets	<u>17,628,036</u>	<u>18,080,491</u>
Other assets	<u>15,868</u>	<u>15,868</u>
Life insurance policy (note 3)	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$24,342,020</u></b>	<b><u>\$19,013,444</u></b>
<b>LIABILITIES, RETAINED EARNINGS AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 94,619	\$ 86,656
Payroll taxes payable	31,022	16,883
Vacation leave accrued	70,279	64,744
Deposits collected	81,278	73,987
Due to affiliated organizations	13,920	-
Current portion of long-term debt (note 5)	<u>136,297</u>	<u>317,925</u>
Total current liabilities	<u>427,415</u>	<u>560,195</u>
Other accrued liabilities	46,685	55,850
Long-term debt, net of current portion (note 5)	<u>9,555,481</u>	<u>9,691,757</u>
<b>Total liabilities</b>	<b><u>10,029,581</u></b>	<b><u>10,307,802</u></b>
Retained earnings (deficit)	<u>9,784</u>	<u>(37,166)</u>
Net assets		
Unrestricted net assets		
Available for operations	84,005	415,917
Designated for repairs and maintenance	300,000	-
Investment in fixed assets	<u>8,036,259</u>	<u>8,170,806</u>
Total unrestricted net assets	8,420,264	8,586,723
Temporarily restricted net assets (note 7)	5,872,291	146,585
Permanently restricted net assets (note 8)	10,100	9,500
Total net assets	<u>14,302,655</u>	<u>8,742,808</u>
<b>Total liabilities, retained earnings and net assets</b>	<b><u>\$24,342,020</u></b>	<b><u>\$19,013,444</u></b>

See accompanying Notes to Consolidated Financial Statements.

## RIVERBEND CHURCH

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2010 and 2009

	2010			Total
	Current Operating Funds		Permanently Restricted	
	Unrestricted	Temporarily Restricted		
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 5,077,232	\$ 6,437,964	\$ 600	\$11,515,796
Building use and event fees	600,186	-	-	600,186
Sales and other revenues	12,402	-	-	12,402
Fund raising	2,462	5,292	-	7,754
Investment income	445	8	-	453
Net assets released from donor imposed restrictions (note 6)	717,558	(717,558)	-	-
<b>Total revenue and support</b>	<b>6,410,285</b>	<b>5,725,706</b>	<b>600</b>	<b>12,136,591</b>
<b>EXPENSES</b>				
Program services				
Worship and related programs	5,690,046	-	-	5,690,046
Grants to other organizations	145,467	-	-	145,467
Support services				
General administration	451,878	-	-	451,878
Fund raising	188,916	-	-	188,916
<b>Total expenses</b>	<b>6,476,307</b>	<b>-</b>	<b>-</b>	<b>6,476,307</b>
<b>CHANGE IN NET ASSETS (deficit)</b>	<b>(66,022)</b>	<b>5,725,706</b>	<b>600</b>	<b>5,660,284</b>
Change in retained earnings (increase)	(46,950)	-	-	(46,950)
Other change				
Disposal of fixed assets - book value	(53,487)	-	-	(53,487)
<b>NET ASSETS</b>				
Beginning of year	8,586,723	146,585	9,500	8,742,808
End of year	<b>\$ 8,420,264</b>	<b>\$ 5,872,291</b>	<b>\$ 10,100</b>	<b>\$14,302,655</b>

See accompanying Notes to Consolidated Financial Statements.

## RIVERBEND CHURCH

### CONSOLIDATED STATEMENTS OF ACTIVITIES - continued

Years Ended December 31, 2010 and 2009

	2009			Total
	Current Operating Funds		Permanently Restricted	
	Unrestricted	Temporarily Restricted		
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 5,039,778	\$ 25,749	\$ -	\$ 5,065,527
Building use and event fees	427,261	-	-	427,261
Sales and other revenues	47,575	-	-	47,575
Fund raising	3,479	-	-	3,479
Investment income	188	79	-	267
Net assets released from donor imposed restrictions (note 6)	50,155	(50,155)	-	-
Total revenue and support	5,568,436	(24,327)	-	5,544,109
<b>EXPENSES</b>				
Program services				
Worship and related programs	5,737,945	-	-	5,737,945
Grants to other organizations	113,456	-	-	113,456
Support services				
General administration	372,620	-	-	372,620
Fund raising	4,582	-	-	4,582
Total expenses	6,228,603	-	-	6,228,603
<b>CHANGE IN NET ASSETS (decrease)</b>	(660,167)	(24,327)	-	(684,494)
Change in retained earnings - decrease	19,043	-	-	19,043
<b>NET ASSETS</b>				
Beginning of year	9,227,847	170,912	9,500	9,408,259
End of year	\$ 8,586,723	\$ 146,585	\$ 9,500	\$ 8,742,808

See accompanying Notes to Consolidated Financial Statements.

## RIVERBEND CHURCH

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>		
Change in net assets (decrease)	\$ 5,660,284	\$ (684,494)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		
Donated fixed asset	1,070,371	1,099,096
(Increase) decrease in operating assets	(5,670)	-
Receivables, including pledges receivables		
Prepaid insurance and expenses	(4,583,063)	1,506
Inventory	(996)	(9,478)
Other assets	(4,157)	1,871
Increase (decrease) in operating liabilities	-	3,102
Accounts payable		
Payroll taxes payable	7,963	(12,530)
Vacation leave accrued	14,139	(382)
Deposits collected	5,535	(13,839)
Due to affiliated organizations	7,291	4,291
Other accrued liabilities	13,920	-
(Increase) decrease in cash and investments restricted as to use	(9,165)	5,450
Net cash flows provided by operating activities	<u>(1,146,296)</u>	<u>35,095</u>
	<u>1,030,156</u>	<u>429,688</u>
<b>CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES</b>		
Purchase of improvements, furniture and equipment	(208,059)	(3,000)
Purchase of construction in progress	(457,675)	(12,146)
Net cash flows provided by (used by) investing activities	<u>(665,734)</u>	<u>(15,146)</u>
<b>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(317,904)	(289,494)
Proceeds from long-term debt	-	50,000
Net cash flows provided by (used by) financing activities	<u>(317,904)</u>	<u>(239,494)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>46,518</u>	<u>175,048</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>656,503</u>	<u>481,455</u>
End of year	<u>\$ 703,021</u>	<u>\$ 656,503</u>
<b>Supplementary information:</b>		
Interest paid	<u>\$ 452,466</u>	<u>\$ 515,234</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing activities		
Disposal of fixed assets	<u>\$ 92,832</u>	<u>\$ -</u>
Accumulated depreciation related to disposal	<u>\$ (39,345)</u>	<u>\$ -</u>
Donated fixed assets	<u>\$ 5,670</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

**RIVERBEND CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization

Riverbend Church, Austin, Texas, was established in July, 1979, to provide and preserve Christian fellowship and to develop and maintain a style and direction of Christian service and ministry. The Church's primary activities are church services, church events, and Christian education. The Church's primary source of revenue is free-will donations from Church members and the community. In 2002, Riverbend Centre, Inc. (the Centre), a wholly-owned, for-profit subsidiary of Riverbend Church, was created to serve as the public interface with parties interested in renting Church facilities for events and programs, such as artistic performances and instructional seminars and exhibits that will further public awareness of the Church and its programs and invite many new people into the Riverbend religious community.

The accompanying consolidated financial statements include the activity of Riverbend Church and Riverbend Centre, Inc. and do not include the activities of Riverbend Christian School, which is a separate, but affiliated organization.

Riverbend Church is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code for any income related to its exempt purpose. Riverbend Centre, Inc., is a for-profit, Texas corporation that files annual corporate tax returns and pays Federal and state taxes on any taxable income. Riverbend Centre, Inc. did not report any taxable income for 2010 or 2009.

Summary of Significant Accounting Policies

**Accounting Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Consolidation:** The accompanying consolidated financial statements present the consolidated financial position and changes in net assets of the Church. All significant Church and Centre transactions have been eliminated.

**Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting, which includes recognition of revenues and support and accounts receivables as funds are earned and expenses and accounts payable as obligations are incurred. Contributions are recognized as support when the donor makes a promise to give that is, in substance, unconditional. Promises to give that cover several years are reported at their present value. Contributions that are restricted by the donor are considered conditional promises to give and are reported as temporarily restricted until such time as the donor imposed restriction is satisfied. Generally, restrictions stipulated by donors determine how the Church may use the funds.

**Reclassifications:** Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**Adopted Accounting Pronouncements:** The Church has adopted guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. In 2007, Texas enacted its version as it adopted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The guidance also requires enhanced disclosures for all endowment funds.

**Fair Value Measurements:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Church measures and discloses fair value measurements in accordance with the following general valuation techniques.

1. Market approach (Level 1) - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
2. Cost approach (Level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach (Level 3) - uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

**RIVERBEND CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2010 and 2009**

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Eligible financial assets and financial liabilities such as cash, receivables, accounts payable and note payables are valued using an alternative fair value option as management believes the use of the fair value option for eligible items or group of similar eligible items provides more relevant and understandable information for financial statement users because the fair value option reflects the current cash equivalent of the financial instruments rather than another measure. The fair value of such assets and liabilities are deemed to be the face value of the instrument due to either the short term nature of the instrument or to an interest rate that is considered to be a market rate.

Changes in fair value of financial instruments and unrealized gains or losses on financial instruments are reported in the statement of activities. Investment income is reported as an increase or in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

**Net Assets Classes:** Riverbend Church reports the following net assets classes:

Permanently restricted net assets The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets.

Temporarily restricted net assets Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of an organization are reported as temporarily restricted net assets.

Unrestricted net assets Resources not included in the above categories are considered unrestricted. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, governing board designations, legal requirements, and contractual obligations.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

**Receivables:** Receivables are valued using an allowance for uncollectible accounts. The allowance is determined by management's review of balances at year end, an analysis of historical bad debts, a review of the aging of the balances, and an analysis of the individual or entity that owes the amount. At such time as balances are determined to be uncollectible, the amount is written off against the allowance. The allowance for uncollectible accounts reported in the financial statements is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Fixed Assets:** Fixed assets are capitalized if the initial cost of the item is \$1,500 or more. Fixed assets are valued at cost, if purchased, or fair value at date of contribution, if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the item. Estimated useful lives range from three to forty years. Depreciation reported for 2010 and 2009 is \$1,070,372 and \$1,099,096, respectively. Depreciation expense, accumulated depreciation and the useful life used in the computation are considered accounting estimates. The estimates may be adjusted as more current information becomes available and any adjustment could be significant. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Church determined that no such events occurred. The Church uses the direct expensing method to account for planned major maintenance activities.

**Inventory:** Inventory consists of books, tapes, gift items and clothing for sale in the Church's bookstore and is stated at the lower of cost (determined on a first-in, first-out basis) or market.

**Other Accrued Liabilities:** The responsibility for future expenses related to Riverbend Church's Remembrance Gardens' markers and engravings are estimated and reported as other accrued liabilities. The other accrued liabilities reported in the financial statements are considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Subsequent Events:** The Church has evaluated subsequent events through May 2, 2011, the date which the financial statements were available to be issued.

**RIVERBEND CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2010 and 2009**

**NOTE 2: PLEDGES**

In September, 2010 the Church approved a proposal to build a Student & Children's Center and to renovate select portions of some existing buildings and grounds. The building project was approved with a total budget of \$5.5 million. The Church collected pledges of \$7,511,351 to be used for the project. Pledges reported in the 2010 financial statements are the following.

Collected in current year	\$ 1,762,434
Receivable in less than one year	2,679,746
Receivable in one to five years	3,069,171
Receivable in more than five years	-
Total amount of pledges collected	<u>\$ 7,511,351</u>
Receivable in less than one year	\$ 2,679,746
Allowance for uncollectible pledges	<u>(535,949)</u>
Pledges due within one year	<u>\$ 2,143,797</u>
Receivable in one to five years	\$ 3,069,171
Allowance for uncollectible pledges	<u>(608,922)</u>
Present value discount	<u>(24,563)</u>
Pledges due in future periods	<u>\$ 2,435,686</u>

Pledges receivable with due dates extending beyond one year are valued using a present value discount based on a Treasury bill rate for similar term investments, which is a Level 3 method of valuation. Annual amortization of the present value discount is reported as temporarily restricted contributions in the statement of activities. During 2010, \$-0- in pledges receivables was written off. At year end 2010, \$282,274 in pledges are considered past due. The allowance for uncollectible pledges is considered a significant accounting estimate. The present value discount is considered an accounting estimate. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

The pledges receivable will be collateral against the Church's construction loan which was obtained in early 2011.

**NOTE 3: LIFE INSURANCE POLICY**

The Church is the beneficiary of a \$2,000,000 insurance policy on the life of a former pastor. The policy calls for monthly premium payments by the Church. The asset has not been recorded on the financial statements as the fair market value of the policy is not readily available. The life insurance policy is pledged against a note - see Note 4: Long-Term Debt and Note 5: Related Party Transactions.

**NOTE 4: PENSION PLAN**

Riverbend Church sponsors a defined contribution pension plan and during 2010 and 2009 paid \$132,343 and \$47,488, respectively, into annuities for staff (6% of salaries) and pastors (8% of salaries). The annuities are fully vested and owned by the individuals. The Church has no outstanding liabilities related to the pension plan.

**NOTE 5: LONG-TERM DEBT**

Long-term debt reported in the financial statements consists of the following.

	<u>2010</u>	<u>2009</u>
Note payable to a bank dated April 9, 2004, original amount of \$11,250,000, interest accrues at a contract rate - 5.71% at year end, the note has a maturity date in May, 2014, collateral is a deed of trust.	\$ 9,591,778	\$ 9,909,682

**RIVERBEND CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2010 and 2009**

**NOTE 5: LONG-TERM DEBT - continued**

Note payable to a related party dated October 5, 2008, note is non-interest bearing was due in full on or before September 30, 2010 - the due date has been extended until January 1, 2012, secured by the pledge of a life insurance policy - see note 3.

	<u>100,000</u>	<u>100,000</u>
Total long-term debt	9,691,778	10,009,682
Less current portion of long-term debt	<u>(136,297)</u>	<u>(317,925)</u>
Long-term debt, net of current portion	<u>\$ 9,555,481</u>	<u>\$ 9,691,757</u>

The note payable to a bank was refinanced with another bank in February 2011, with a primary note of \$8.1 million and a second note of up to \$5,250,000. The second note consists of \$1,471,503 of previous debt and up to \$3,778,497 in construction costs. Interest on the primary note is based on LIBOR plus 2.5%, and is adjusted quarterly. The note has scheduled principal payments and a maturity date in March, 2021 with collateral being a deed of trust. Interest on the second note is based on the Prime Rate plus 0.5%. The second note is interest only until the principal is payable in March, 2014 with collateral being a second lien and amounts collected or pledged to the current capital campaign.

Estimated annual maturity due on the long-term debt, including the notes under the 2011 refinancing, is the following: 2011- \$136,297; 2012- \$263,025; 2013- \$173,283; 2014- \$1,654,380; 2015- \$193,015 and thereafter \$7,251,503.

Interest costs incurred and charged to expense during 2010 and 2009 was \$452,466 and \$515,234, respectively.

**NOTE 6: RELATED PARTY TRANSACTIONS**

The Church provides space and services to its subsidiary. During 2010 and 2009, transactions between the Church and the Centre for management fees, accounting fees, office space rental and building rental amounted to \$-0- and \$49,582, respectively. These transactions and any amounts due to or from are eliminated in the consolidated financial statements.

The Church has an agreement with a financial corporation whose president is a member of the Church. The agreement allowed the Church to borrow \$100,000 - see note 4 for the terms of the note and the collateral of the note.

The Church has a contract for building design services with an individual who is a member of the Church. During 2010 and 2009, the Church paid this related party \$223,218 and \$8,346, respectively.

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

During 2010 and 2009, net assets of \$717,558 and \$50,155, respectively were released from accompanying stipulations due to the Church's action and are considered net assets released from donor imposed restrictions and are reported as transfers from temporarily restricted net assets to unrestricted net assets in the financial statements.

At year end, Riverbend Church had the following temporarily restricted net assets.

Funding Source	2010	2009	Nature of Imposed Restrictions
Contributions	\$5,756,326	\$ 31,164	Pledges and cash for building project
Contributions	114,770	\$ 114,153	Restricted for specific Church programs
Endowment income	<u>1,195</u>	<u>1,268</u>	Restricted to endowment until appropriated for expenditure
Total	<u>\$5,872,291</u>	<u>\$ 146,585</u>	

**RIVERBEND CHURCH**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**

**Years Ended December 31, 2010 and 2009**

**NOTE 8: PERMANENTLY RESTRICTED NET ASSETS**

In 2003, the Church was the recipient of a \$9,500 bequest that established a permanent endowment fund. The endowment fund constitutes a separate and permanent fund held as an existing component part of the Church in its regular corporate capacity and not as a separate trust. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church has not sought a legal interpretation as to whether TUPMIFA requires the preservation of fair value or the maintenance of purchasing power of donor-restricted endowment funds. The Church operates the endowment to preserve the fair value of the bequest. Other policies related to donor-restricted endowment funds are the following.

The Church classifies as permanently restricted net assets the original fair value of gifts donated to the endowment fund. Any increase in the endowment fund, such as investment income or appreciation, is classified in temporarily restricted net assets until those amounts are appropriated for expenditure. The Church considers the following factors in making a determination to appropriate or accumulate increases in their endowment fund.

- Duration and preservation of the fund
- Purposes of the Church and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Church
- Investment policies and strategies of the Church

The Church's investment strategy is to emphasize a return of current income with minimal risk to the fair value of the original gift.

From time to time the fair value of assets, or the purchasing power associated with donor-restricted endowment funds may fall below the level that the donor or the TUPMIFA requires an organization maintain in a fund of perpetual duration. The Church believes that no deficiencies exist with the donor-restricted endowment fund.

During 2010, the Church had the following donor-restricted endowment fund activities.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>Endowment Funds</b>			
Beginning of year	\$ -	\$ 1,268	\$ 9,500
Contributions	-	-	600
Net appreciation	-	-	-
Investment income	-	8	-
Appropriated	81	(81)	-
Expenditures	(81)	-	-
<b>End of year</b>	<u>\$ -</u>	<u>\$ 1,195</u>	<u>\$ 10,100</u>

**EXHIBIT E**



February 21, 2012

Dear Friend,

Thank you for taking a moment to let us update you on a recent development at Riverbend. This is indeed a time of change and growth for our community, a time of significant challenges and great opportunities.

While it is not Riverbend's policy to solicit contributions for a specific ministry area, I have been directly asked by a member of our congregation to make a special appeal for your help in preserving our Sunday morning Television Ministry.

As previously communicated, although Riverbend exceeded its 2011 goal of our "Building a Blessing" capital campaign, the giving to our general fund was significantly under budget and as a result we have had to reduce our 2012 budget by over \$550,000. As a result, one of the areas affected by this reduction will be the termination of our Television Ministry.

Today, while television is still one of the most powerful and effective communication methods available, it is also the most expensive. The annual cost to produce and air our program totals \$175,000. In order for us to be able to continue this ministry, we need to immediately receive pledged commitments totaling \$350,000, to be paid over the next two years. In addition, these commitments must be above and in addition to any and all contributions presently being made.

In an effort to preserve Riverbend's Television Ministry, the member who requested I make this personal appeal, has committed to contribute \$12,000 per year for the next two years, so I would like to take this opportunity to invite you to prayerfully consider the way God will lead you to respond and hopefully join in the endeavor to continue to bring God's Word of hope to people all across our broadcast area. This outreach ministry allows us touch people that otherwise would never hear about Riverbend.

Riverbend's Television Ministry has been changing the lives of thousands of people for over 25 years. People living in loneliness and brokenness that desperately need to hear God's message. If we continue to reach them, we can make a difference, no matter their situation.

So today, I am calling on you to involve yourself in the future of Riverbend's Television Ministry and to **pledge your financial support** by making a two year commitment to sustain this ministry. Your support will help us to continue our outreach to thousands each and every Sunday, with the HOPE that only God can bring. You will truly be making a valuable investment in the lives of people all over our community.

Please join us in preserving this ministry by making the best pledge you can. Don't hesitate, fill out the enclosed card and mail it to us in the envelope provided by **March 6<sup>th</sup>**. Your pledge will be recorded and provided we receive sufficient commitments to continue our Television ministry, you will be contacted on how to fulfill your commitment.

We pray that this is a time of new commitments to generously support the vital role of this church in proclaiming the Good News of God's love, forgiveness and grace, weekly on television to thousands of people.

Thank you again for taking the time to read this letter. Whether or not you are able to make a pledge to our Television Ministry, we certainly hope that you will join us in praying for the future of this ministry.

SDG,

A handwritten signature in black ink that reads "D. Haney".

Dave Haney  
Senior Pastor