

Report of the Church Growth Fund, Inc.

The Reformed Church in America Church Growth Fund, Inc., (CGF) is a non-profit corporation that functions under the supervision of the RCA General Synod. The CGF supports the work of the denomination by making affordable rate loans to current and former Reformed Church in America (RCA) churches and related agencies for the purchase, construction, and improvement of buildings and other properties used in ministries. The CGF loan programs offer unsecured loans up to \$200,000 and secured borrowing up to \$5,000,000.

As a primary source of funding for loans, the CGF sells interest bearing investments called savings certificates. The CGF offers two types of savings certificates:

1. Term savings certificates, which are available in maturities from one to ten years.
2. Demand savings certificates, which allow the investment and redemption of amounts in the certificate at any time (subject to the limits described in the CGF Offering Circular).

As a way to further support the denomination, the CGF contributes a portion of its earnings annually to the General Synod Council (GSC), which awards the funds as ministry grants for three RCA programs:

1. Church Multiplication provides grant funding to church plants. In the fiscal year ending September 30, 2021 (FY21), the CGF contributed \$530,000 for church plant grants.
2. The Next Generation Missional Engagement Fund provides scholarships to middle school age—children through post-college young adults to cover part of the cost of mission trips and internships, disaster response work, vision and study tours, and missional training experiences. Due to reduced travel this past year, funding for Next Generation Missional Engagement scholarships was not needed; therefore, the CGF did not contribute funds to the scholarship fund in FY21.
3. The Flourishing Churches Grant Program provides grants for facility improvements to economically challenged RCA congregations whose ministries are thriving. In FY21, the CGF contributed \$250,000 for this program.

More specific information on CGF loans and how to invest in savings certificates is available on the CGF webpage at www.rca.org/cgf. The audited financial statement may be found on the RCA website at www.rca.org/finance.

Assets

In FY21, assets increased by \$2.2 million (2.63 percent) to over \$85 million. CGF assets at the end of FY21 consisted primarily of loans of \$57.2 million and cash and investments of \$28.7 million. Loans during FY21 decreased by \$2.1 million (3.6 percent) as the CGF funded \$6.9 million in new loans to nine RCA congregations and related agencies while receiving \$9 million in loan principal payments from existing borrowers.

Despite the pandemic, the overall financial health of CGF church borrowers remains strong. This has resulted in few delinquent loans in the CGF portfolio and has contributed to the CGF continuing its long history of never having experienced a loan principal loss. We continue to have a few church borrowers that are challenged to repay their loans, and the CGF works in partnership with these affected congregations by restructuring debt repayment terms to ensure viable continuance of their ministries.

Savings Certificates

At the end of FY21, the CGF had savings certificate investments of nearly \$35 million, representing a slight increase of \$452,794 (1.3 percent) over the previous year end. In FY21, the CGF received \$6.2 million in new savings certificate investments plus reinvested interest of \$530,454, which was offset by redemptions of \$6,302,521. Savings certificate investors continue to recognize the favorable return received on their funds as well as how their investment supports the mission of the CGF. Funds received from investment in savings certificates are used by the CGF primarily to make loans to current and former RCA churches throughout the United States and Canada.

CGF savings certificates are state-regulated securities. Currently, the CGF is authorized to sell savings certificates in 27 states, which are listed on www.rca.org/cgf. Rates of interest paid on savings certificates, along with other information on the CGF and how to invest in savings certificates, can also be found on the website.

Earnings

In FY21, the CGF showed net earnings of \$2.58 million before making discretionary contributions to the GSC for church ministry grants, an increase of \$375,148 (17 percent) from the previous year. Net earnings after grant contributions were \$1.8 million, an increase of \$386,148 (27 percent) from the previous year.

The difference in earnings in FY21 compared to FY20 were primarily a result of (a) a decrease in loan interest due to a decrease in average loans outstanding and a decrease in the average loan portfolio yield; (b) a decrease in interest expense due to a lower average cost of funds; (c) an increase in contributions and bequests due to a large estate gift received in FY21; and (d) a decrease in operating expenses due primarily to reduced staff costs and reduced travel due to the pandemic.

Ministry Grants

In 1999, the CGF began contributing a portion of its earnings to the GSC to be used for grants to new church plants. From 1999 through FY21, the CGF has contributed more than \$7 million to support RCA Church Multiplication. In that time, 405 church plants have been approved, and the majority of them have received grant funds to help start their ministry.

In 2014, the CGF began contributing annually to provide financial assistance to RCA youth for mission trip experiences. In FY21, travel for youth mission trips was greatly reduced; as a result, there was not a need for funds for this program. Since the inception of the Next Generation Missional Engagement Fund, however, the CGF has been its primary financial supporter, making contributions totaling \$450,000. Since the program has been in place, 2,682 young people have benefitted from scholarships awarded.

In 2018, the CGF launched the Flourishing Church Grant Program, which provides grants of up to \$50,000 to churches for facility improvements necessary to continue and grow already successful ministries. To date, 33 RCA congregations have been Flourishing Church grant recipients, and the CGF has contributed a total of \$1.15 million to this program.

In total, the CGF contributed \$780,000 in FY21 to fund RCA ministry grants.

Financial Strength

A measure of financial strength of an entity is its level of net assets, also known as capital or equity. As of September 30, 2021, the CGF had net assets or capital of \$50,162,464. This represents the accumulation of earnings and contributions received over its years of operations.

The funds received from savings certificates are used by the CGF primarily to make loans to current and former RCA churches. The ability of the CGF to repay savings certificate investors is related to its level of capital, net earnings, as well as repayment of the loans funded from certificate investment dollars. CGF loans typically are secured by first mortgages on church facilities. The CGF follows strict guidelines in approving loans to make sure congregations can sustain such debt payments. While past performance is no guarantee of future events, the CGF has never experienced a loss of principal on any loan. No CGF savings certificate investor has ever experienced a loss of investment or missed receiving an interest payment.

Financial Highlights	FY 2021	FY 2020
Total Assets	\$85,167,480	\$82,981,397
Net Assets (Capital)	\$50,162,464	\$48,357,704
Savings Certificates Outstanding	\$34,878,929	\$34,428,846
Number of Churches with Loans	105	112
Dollar Amount of Loans Outstanding	\$57,216,216	\$59,327,650
Number of Loans Funded in Year	9	10
Dollar Amount of Loans Funded in Year	\$ 6,913,058	\$ 5,205,239
Net Earnings Before Ministry Grants	\$ 2,584,760	\$ 2,209,612
Contributions to GSC for Ministry Grants	\$ 780,000	\$ 791,000

Future CGF Activity

The General Synod held in October 2021 approved changes to the CGF's articles of incorporation and bylaws that would explicitly allow outstanding loans to churches that were formerly organized as RCA churches to remain outstanding, and that would also allow the CGF to make new loans to former RCA churches. Continuation of the lending relationship between the CGF and a former RCA church is not automatic. The CGF has a process in place for borrowers that intend to leave the denomination to follow; as part of that process, the church will be required to complete an Application for Continuance of the CGF loan, which allows the CGF to do a thorough review of the church's situation before granting continuance.

Additional revisions were made to the CGF's articles of incorporation and bylaws to clarify that CGF savings certificates will be available to current or former assemblies, institutions, and agencies (and their corporate affiliates) of the RCA, to current or former members of such assemblies, institutions, and agencies or their governing boards, and to current or former donors to such assemblies, institutions, and agencies (or their corporate affiliates).

The changes mentioned above will benefit (a) churches that are leaving, as they will have less disruption to ministry and will maintain their favorable loan terms; (b) the CGF, as it will be able to further advance its mission of providing affordable rate loans to former and current RCA

churches for the purchase, construction, and improvement of buildings used in ministry; and (c) RCA churches, as it will increase the CGF's ability to contribute funds to the GSC for ministry grants to support growing church planting initiatives, Next Generation Missional Engagement Fund scholarships, and grants to flourishing but financially challenged churches in need of building renovation for ministry.

The CGF is thankful for the support of its investors and borrowers as we continue in ministry together, and pray that the best interests of Christ's kingdom be served in all that we do.