
Reformed Church in America 403(b) Retirement Program

**Modified Cash Basis Financial Report
September 30, 2022**

Reformed Church in America 403(b) Retirement Program

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Independent Auditor's Report

To the Audit and Risk Management Committee
of the General Synod Council and
the Board of Benefits Services of the Reformed
Church in America, Inc.
Reformed Church in America 403(b) Retirement Program

Opinion on the 2022 Modified Cash Basis Financial Statements

We have audited the modified cash basis financial statements of Reformed Church in America 403(b) Retirement Program (the "Plan"), which comprise the statement of net assets available for benefits - modified cash basis as of September 30, 2022 and the related statement of changes in net assets available for benefits - modified cash basis for the year then ended and the related notes to the modified cash basis financial statements (2022 modified cash basis financial statements).

In our opinion, the accompanying 2022 modified cash basis financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of September 30, 2022 and the changes in net assets available for benefits for the year then ended on the modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 2022 Modified Cash Basis Financial Statements* section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 to the modified cash basis financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 to the modified cash basis financial statements, the Plan has elected to change its method of accounting from the accrual basis of accounting in conformity with GAAP to the modified cash basis of accounting. The beginning of the year net assets available for benefits as of October 1, 2021 have been adjusted to reflect this change. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the 2022 Modified Cash Basis Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2 and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of modified cash basis financial statements that are free from material misstatement, whether due to fraud or error.

To the Audit and Risk Management Committee
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In preparing the modified cash basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the modified cash basis financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the 2022 Modified Cash Basis Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the modified cash basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the modified cash basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the modified cash basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the modified cash basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Audit and Risk Management Committee
of the General Synod Council and
the Board of Benefits Services of the Reformed
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Auditor's Report on the Prior Year Financial Statements and Restatement

The financial statements of the Plan as of September 30, 2021 were audited by predecessor auditors, whose report dated January 25, 2022 expressed an unmodified opinion on those financial statements prior to the restatement described in Note 2. The 2021 financial statements, as noted in the *Emphasis of Matter* section of our report, were prepared in accordance with GAAP. As part of our audit of the 2022 modified cash basis financial statements, we audited adjustments described in Note 2 that were applied to restate the beginning of the year net assets available for benefits to restate under the modified cash basis of accounting. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Plan other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Plante & Moran, PLLC

Southfield, Michigan
March 1, 2023

Reformed Church in America 403(b) Retirement Program

**Statement of Net Assets Available for Benefits - Modified
Cash Basis**

September 30, 2022

Assets - Participant-directed investments at fair value - Mutual funds	<u>\$ 245,879,330</u>
Net Assets Available for Benefits	<u><u>\$ 245,879,330</u></u>

Reformed Church in America 403(b) Retirement Program

Statement of Changes in Net Assets Available for Benefits - Modified Cash Basis

Year Ended September 30, 2022

Additions

Contributions:	
Participants	\$ 2,438,640
Organizations	7,370,066
Rollovers	345,352
Reallocations from Reformed Church in America Retirement Plan	<u>6,585,273</u>
Total contributions	16,739,331
Investment income (loss):	
Interest and dividends	30,791,497
Net depreciation in fair value of investments	(89,799,244)
Net realized losses on investments	<u>(668,241)</u>
Total investment loss	(59,675,988)
Interest from participant notes receivable	76,614
Participant notes receivable payments collected	<u>546,457</u>
Total additions	(42,313,586)

Deductions

Benefits paid directly to participants or beneficiaries	15,908,164
Administrative expenses:	
General Fund	166,830
Other	191,324
Participant notes receivable disbursements	<u>533,603</u>
Total deductions	<u>16,799,921</u>

Net Decrease (59,113,507)

Net Assets Available for Benefits

Beginning of year - As restated	<u>304,992,837</u>
End of year	<u><u>\$ 245,879,330</u></u>

Reformed Church in America 403(b) Retirement Program

Notes to Modified Cash Basis Financial Statements

September 30, 2022

Note 1 - Plan Description

The following description of Reformed Church in America 403(b) Retirement Program (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan is a multiple-employer plan established to provide funds for eligible ordained ministers and for lay employees of Reformed Church in America (RCA) congregations, classes, regional synods, and other RCA-affiliated boards and agencies. The Plan covers ordained ministers and employees who are employed by an adopting employer. The Plan is administered by The Board of Benefits Services of the Reformed Church in America, Inc. (BOBS).

BOBS also administers the Support Fund and Investment Fund, which are closed to new participants. Participants are 100 percent vested in the funds' contributions and earnings thereon. The funds are 403(b) retirement funds.

Contributions

The Plan provides for employee salary deferral contributions up to a maximum of annual compensation subject to maximum tax-deferred limitations established by the Internal Revenue Code (IRC). The Plan also allows participants to contribute on an after-tax basis. Participants may make contributions to the Plan in the form of a rollover of funds from another qualified plan.

Participating employers are required to make basic contributions on behalf of eligible ordained ministers and foreign missionaries. For full-time ordained ministers, basic contributions must be at least the amount of Effective Buying Power per Household, as approved by BOBS annually, or 11 percent, whichever is greater. Participating employers may make basic contributions on behalf of lay employees under the terms of their adoption agreement, and the amount of such lay employee basic contributions shall be established pursuant to the adoption agreement.

Participating employers may make matching contributions under the terms of their adoption agreement, and the amount of such matching contributions shall be established pursuant to the adoption agreement.

Participating employers may make special contributions on behalf of participants who are eligible to receive such special contributions; however, BOBS may make such special contributions on behalf of the participating employer. These special contributions are subject to certain IRC limits and are presented as reallocations from Reformed Church in America Retirement Plan on the statement of changes in net assets available for benefits - modified cash basis.

Participant Notes Receivable

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum of 50 percent of their account balances, not to exceed \$50,000. Notes receivable are collateralized by the participant's account balance and bear interest at the prime rate plus 1 percent. Participant notes receivable are not recognized on the statement of net assets available for benefits - modified cash basis given the financial statements are prepared under the modified cash basis of accounting.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of the participating employers contributions and plan earnings and charged with an allocation of administrative expenses. Allocations are based on participants' compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants may direct the investments of their account balances into various investment options offered by the Plan.

Reformed Church in America 403(b) Retirement Program

Notes to Modified Cash Basis Financial Statements

September 30, 2022

Note 1 - Plan Description (Continued)

Vesting

Participants are immediately vested in their contributions and employer basic contributions, plus actual earnings thereon. Vesting in the participating employer's matching contribution portion of their accounts, plus actual earnings thereon, is determined as part of the participating employer's adoption agreement.

Benefit Payments

On termination of service due to death, disability, or retirement, participants (or the participant's beneficiary in the case of death) may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or various installment annuities. For distributions to participants at least age 59½, participants may only withdraw all or a portion of their employee contributions. Participants may request that all or a portion of their accounts be distributed in the case of financial hardship, as defined in the plan document.

Termination

While it has not expressed any intent to do so, BOBS has the right under the Plan to reduce, suspend, or discontinue contributions at any time and to terminate the Plan subject to the provisions set forth in BOBS' bylaws. Upon termination of the Plan, participants become 100 percent vested in their employer matching contribution account balances.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan prepares its financial statements on the modified cash basis of accounting. Revenue is recorded when received, rather than when earned; expenses are recorded when paid, rather than when the obligation is incurred; and investments are recognized at fair value. Under GAAP, a receivable and the related revenue is recognized when contributions are due to the Plan and an allowance, if necessary, is recognized based on estimated uncollectible contributions. Under the modified cash basis of accounting, revenue is recognized when cash is received and no receivable is recognized.

BOBS has elected not to recognize the balance of participant notes receivable, and, therefore, these balances are not reflected on the statement of net assets available for benefits - modified cash basis. Principal payments are recognized as revenue when received, rather than reducing participant notes receivable. Disbursements of funds on newly issued participant notes receivable are recognized as expenses when disbursed, rather than increasing participant notes receivable. Accordingly, the financial statements are not intended to be in conformity with GAAP.

Restatement

Effective October 1, 2021, the Plan elected to change its basis of accounting from the accrual basis of accounting in conformity with GAAP to the modified cash basis of accounting. The Plan elected this change to clarify financial reporting of the Plan based on the users of the financial statements and how the financial statements are used. This change in the basis of accounting resulted in a reduction of net assets available for benefits of \$2,921,012 as of October 1, 2021.

Investment Valuation

The Plan's investments are stated at fair value, based on quoted market values. Net depreciation in fair value of investments includes the Plan's unrealized gains and losses on investments held during the year.

See Note 5 for additional information.

Benefit Payments

Benefits are recorded when paid.

Notes to Modified Cash Basis Financial Statements

September 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Administrative Expenses

Administrative costs are paid by the Plan.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

After years of disagreement on sexuality, interpretation of Scripture, polity, and other tensions, the denomination appointed and tasked the Vision 2020 Team with considering how - and if - the RCA could live together in the tension. At the suggestion of the Vision 2020 Team, the restructuring team was approved by the General Synod of the RCA (General Synod) in 2021. General Synod 2021 also affirmed the RCA should continue to live in the tension, and people who no longer want to live in the tension have an avenue to leave, with the blessing of the remaining churches. The work of the restructuring team is to propose changes to the denomination's organizational structure that better allow for living in tension. The new structure will also be optimized for sustained spiritual and organizational health. During fiscal year 2022, some churches have pursued those avenues to leave the RCA. This could result in decreased contributions to the Plan. The restructuring team will bring its proposals to General Synod 2024; an interim report is expected in 2023. No participating employers have spun off from the Plan, and the plan document includes employers that have elected to leave the RCA but have continued to make contributions on behalf of ordained ministers.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 1, 2023, which is the date the financial statements were available to be issued.

Note 3 - Tax Status

The Internal Revenue Service is not currently accepting applications for individual 403(b) plan determination letters. The plan administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of IRC Section 403(b). Therefore, no provision for income taxes has been included in the Plan's financial statements.

Reformed Church in America 403(b) Retirement Program

Notes to Modified Cash Basis Financial Statements

September 30, 2022

Note 4 - Investments

The fair values of mutual fund investments held for the Plan at September 30, 2022 were as follows:

Allspring Emerging Markets Equity Fund	\$ 1,199,443
PIMCO Total Return ESG Fund	3,518,387
Oakmark International Fund	1,393,652
PIMCO Income Fund	1,549,366
Putnam Large Cap Value Fund	3,758,062
Pioneer Balanced ESG Fund	101,017
Parnassus Core Equity Fund	5,691,580
MFS Massachusetts Investors Trust	637,566
Janus Henderson Triton Fund	1,459,631
MFS International Diversification Fund	1,368,567
Fidelity Government Money Market Fund	6,678,584
Fidelity Small Cap Value Fund	2,115,330
Fidelity Strategic Real Return Fund	1,147,759
Fidelity Balanced Fund	4,187,347
Fidelity Growth Company Fund	9,670,859
Fidelity Bond U.S. Bond Index Fund	4,323,768
Fidelity 500 Index Fund	11,101,684
Fidelity International Index Fund	2,195,357
Fidelity Extended Market Index Fund	2,819,614
Fidelity International Sustainability Index Fund	185,873
Fidelity Freedom Income fund	3,089,654
Fidelity Freedom 2005 Fund	2,110,861
Fidelity Freedom 2010 Fund	8,638,046
Fidelity Freedom 2015 Fund	20,508,136
Fidelity Freedom 2020 Fund	31,888,714
Fidelity Freedom 2025 Fund	32,135,409
Fidelity Freedom 2030 Fund	24,204,744
Fidelity Freedom 2035 Fund	20,058,565
Fidelity Freedom 2040 Fund	18,994,205
Fidelity Freedom 2045 Fund	9,804,665
Fidelity Freedom 2050 Fund	5,915,483
Fidelity Freedom 2055 Fund	2,593,237
Fidelity Freedom 2060 Fund	746,667
Fidelity Freedom 2065 Fund	22,606
Support and Investment Funds - Fidelity Balanced Fund	64,892
Total	<u>\$ 245,879,330</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable for the asset.

Notes to Modified Cash Basis Financial Statements

September 30, 2022

Note 5 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Plan measures mutual funds at fair value on a recurring basis. The fair value of mutual funds is based primarily on Level 1 inputs, as described above.

Note 6 - Related Parties

Trustee services are provided to the Plan by Fidelity Management Trust Company (the “Trustee”) pursuant to the terms outlined in the amended Trustee Agreement. The following are transactions with BOBS, the plan administrator, for the year ended September 30, 2022:

Assistance retirement benefits received from BOBS	\$ 54,127
Revenue sharing paid to BOBS	405,219
Administrative fee paid to BOBS	<u>166,830</u>
Total	<u>\$ 626,176</u>