
The Reformed Church in America Church Growth
Fund, Inc.

Financial Report
September 30, 2023

The Reformed Church in America Church Growth Fund, Inc.

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Independent Auditor's Report

To the Audit and Risk Management
Committee of the General Synod Council
The Reformed Church in America Church
Growth Fund, Inc.

Opinion

We have audited the financial statements of The Reformed Church in America Church Growth Fund, Inc. (RCACGF), which comprise the statement of financial position as of September 30, 2023 and 2022 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RCACGF as of September 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Audits of the Financial Statements* section of our report. We are required to be independent of RCACGF and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Prior Year Financial Statements

The financial statements of RCACGF as of September 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on December 17, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RCACGF's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 audits 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 financial statements.

To the Audit and Risk Management
Committee of the General Synod Council
The Reformed Church in America Church
Growth Fund, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 RCACGF'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RCACGF'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

December 18, 2023

The Reformed Church in America Church Growth Fund, Inc.

Statement of Financial Position

September 30, 2023, 2022, and 2021

	2023	2022	2021
Assets			
Cash and cash equivalents	\$ 6,180,589	\$ 9,728,124	\$ 9,273,465
Investments (Note 3)	25,081,866	20,618,651	19,495,709
Beneficial interest in known pool of assets - RCA			
Endowment Fund (Note 3)	675,105	635,273	757,124
Interest receivable on mortgages and loans receivable	123,700	112,171	124,966
Prepaid expenses and other assets	3,922	7,845	-
Mortgages and loans receivable - Net (Note 4)	47,327,439	49,485,285	55,516,216
	<u>\$ 79,392,621</u>	<u>\$ 80,587,349</u>	<u>\$ 85,167,480</u>
Total assets			
Liabilities and Net Assets			
Liabilities			
Interest payable	\$ 90,406	\$ 52,829	\$ 81,950
Accounts payable and accrued expenses	54,710	279,043	44,137
Debt securities payable (Note 5)	28,369,966	31,672,760	34,878,929
	<u>28,515,082</u>	<u>32,004,632</u>	<u>35,005,016</u>
Total liabilities			
Net Assets			
Without donor restrictions	50,202,434	47,947,444	49,405,340
With donor restrictions (Note 6)	675,105	635,273	757,124
	<u>50,877,539</u>	<u>48,582,717</u>	<u>50,162,464</u>
Total net assets			
	<u>\$ 79,392,621</u>	<u>\$ 80,587,349</u>	<u>\$ 85,167,480</u>
Total liabilities and net assets			

The Reformed Church in America Church Growth Fund, Inc.

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2023, 2022, and 2021

	2023	2022	2021
Changes in Net Assets without Donor Restrictions:			
Operating activities:			
Interest earned on mortgages and loans	\$ 2,294,140	\$ 2,254,657	\$ 2,574,298
Interest and dividends on investments	<u>716,586</u>	<u>425,876</u>	<u>370,832</u>
Total interest and dividends income	3,010,726	2,680,533	2,945,130
Interest expense on debt securities payable	<u>(708,529)</u>	<u>(480,014)</u>	<u>(706,734)</u>
Net interest and dividend income	2,302,197	2,200,519	2,238,396
Other operating income and expenses:			
Fee income	400	1,000	8,771
Contributions and bequests	450,000	500	334,700
Investment realized (losses) gains	(47,074)	47,284	20,016
RCA Endowment Fund distributions	<u>36,376</u>	<u>34,704</u>	<u>29,508</u>
	439,702	83,488	392,995
Operating expenses	<u>(688,506)</u>	<u>(581,364)</u>	<u>(521,666)</u>
Change in net assets from operations	2,053,393	1,702,643	2,109,725
Non-operating activities:			
Net unrealized gain (loss) on investments	832,753	(2,356,726)	362,474
Gain (Loss) on Canadian exchange	2,344	(3,813)	33,997
Grants to General Synod Council	<u>(633,500)</u>	<u>(800,000)</u>	<u>(780,000)</u>
Change in net assets from non-operating activities	201,597	(3,160,539)	(383,529)
Change in Net Assets without Donor Restrictions	2,254,990	(1,457,896)	1,726,196
Changes in Net Assets with Donor Restrictions -			
Change in value of funds held in RCA Endowment Fund	<u>39,832</u>	<u>(121,851)</u>	<u>78,564</u>
Total Change in Net Assets	2,294,822	(1,579,747)	1,804,760
Net Assets - Beginning of year	<u>48,582,717</u>	<u>50,162,464</u>	<u>48,357,704</u>
Net Assets - End of year	<u>\$ 50,877,539</u>	<u>\$ 48,582,717</u>	<u>\$ 50,162,464</u>

The Reformed Church in America Church Growth Fund, Inc.

Statement of Cash Flows

Years Ended September 30, 2023, 2022, and 2021

	2023	2022	2021
Cash Flows from Operating Activities			
Change in net assets	\$ 2,294,822	\$ (1,579,747)	\$ 1,804,760
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:			
(Gain) loss on Canadian exchange	(2,344)	3,813	(33,997)
Net unrealized and realized (gain) loss on investments	(785,679)	2,309,442	(382,490)
Net unrealized (gain) loss on the RCA Endowment Fund	(39,832)	121,851	(78,564)
Reinvestment of interest in debt securities payable	541,322	383,110	530,454
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:			
Prepaid expenses and other assets	3,923	(7,845)	-
Interest receivable on mortgages and loans receivable	(11,529)	12,795	18,180
Interest payable	37,577	(29,122)	(20,142)
Accounts payable and accrued expenses	(224,333)	234,907	(48,618)
Net cash and cash equivalents provided by operating activities	1,813,927	1,449,204	1,789,583
Cash Flows from Investing Activities			
Purchases of investments	(12,970,525)	(11,000,007)	(8,915,908)
Proceeds from sales and maturities of investments	9,292,990	7,567,623	6,109,094
Mortgages and loans issued	(3,025,856)	(1,091,112)	(6,913,058)
Collections on mortgages and loans	5,186,045	7,118,230	9,058,489
Net cash and cash equivalents (used in) provided by investing activities	(1,517,346)	2,594,734	(661,383)
Cash Flows from Financing Activities			
Debt securities issued	3,760,022	3,993,823	6,222,150
Debt securities redeemed	(7,604,138)	(7,583,102)	(6,302,521)
Net cash and cash equivalents used in financing activities	(3,844,116)	(3,589,279)	(80,371)
Net (Decrease) Increase in Cash and Cash Equivalents	(3,547,535)	454,659	1,047,829
Cash and Cash Equivalents - Beginning of year	9,728,124	9,273,465	8,225,636
Cash and Cash Equivalents - End of year	\$ 6,180,589	\$ 9,728,124	\$ 9,273,465
Supplemental Cash Flow Information - Cash paid for interest on debt securities payable	\$ 137,615	\$ 129,521	\$ 197,193
Significant Noncash Transactions - Debt securities payable reinvested at maturity	\$ 7,737,040	\$ 11,755,759	\$ 10,032,038

September 30, 2023, 2022, and 2021

Note 1 - Nature of Organization

The Reformed Church in America Church Growth Fund, Inc. (RCACGF) is an agency of the General Synod of the Reformed Church in America (RCA). The term "agency" is defined in the RCA's Book of Church Order. The General Synod Council (GSC) serves as the executive committee, as the Committee of Reference at meetings of the General Synod, and as the Board of Trustees of the General Synod of the RCA. RCACGF loans money to current or former churches, classes, and other agencies and affiliates of the Reformed Church in America to assist them in the purchase, construction, or improvement of church buildings, parsonages, and other property used in their ministry. RCACGF's main source of revenue is the interest income generated from these loans. A substantial portion of RCACGF's funds available for making loans is derived from the sales of debt securities, referred to as "savings certificates" by RCACGF, issued to investors.

As an agency of the General Synod of the Reformed Church in America, RCACGF is included under the group exemption ruling issued to the General Synod of the Reformed Church in America in January of 1988 by the Department of Treasury, Internal Revenue Service. This ruling establishes that RCACGF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, except for taxes pertaining to unrelated business income. Accordingly, no provision for income taxes has been made in the financial statements.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of investment securities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on deposit, money market funds, and interest-bearing deposits with other financial institutions with original maturities of 90 days or less. The cash and cash equivalents, at times, exceed federally insured limits. At September 30, 2023, 2022, and 2021, RCACGF has funds of \$6,147,550, \$9,413,893, and \$9,184,726, respectively, in excess of federally insured limits. RCACGF has not experienced any loss on these accounts.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unitized equities, which are not readily marketable, are measured at fair value, valued at net asset value per share as the practical expedient. Investments in certificates, with an original maturity greater than three months, are held at cost. Realized and unrealized gains and losses, interest, and dividends are included in the statement of activities and changes in net assets. The various investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of RCACGF.

September 30, 2023, 2022, and 2021

Note 2 - Significant Accounting Policies (Continued)

Beneficial Interest in Known Pool of Assets - RCA Endowment Fund

Beneficial interest in known pool of assets are reported at fair value, with gains and losses reported in the statement of activities and changes in net assets. The Reformed Church in America Endowment Fund (the "RCA Endowment Fund") was established to manage the endowment funds of the Reformed Church in America. The RCA Endowment Fund is administered by the GSC.

Interest Receivable

Interest is accrued on mortgages and loans receivable when earned. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Any interest payments received on nonaccrual loans are accounted for as a reduction to the unpaid principal balance of the nonaccrual loan for financial reporting purposes. If a loan is returned to accrual, the interest payments previously received continue to be reported as a reduction of unpaid principal balance until the loan is paid off, at which time the interest payments are recognized as interest income. There were no loans on nonaccrual status at September 30, 2023, 2022, or 2021.

Mortgages and Loans Receivable

Loans are reported at the principal balance outstanding net of charge-offs and an allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses (the "allowance") is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that RCACGF will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for mortgages and loans receivable by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. There were no loans considered impaired as of September, 30, 2023, 2022, or 2021.

Classification of Net Assets

Net assets of RCACGF are classified based on the presence or absence of donor-imposed restrictions.

September 30, 2023, 2022, and 2021

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of RCACGF. The RCACGF board has designated, from net assets without donor restrictions, net assets to assist churches located in the state of New York that incur additional loan closing costs in order to obtain court approvals for mortgaging their properties. The amount of board-designated net assets at September 30, 2023 totaled \$450,000. There were no board-designated net assets as of September 30, 2022 and 2021.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Net assets with donor restrictions consist of endowment fund investments to be held in perpetuity, and the unappropriated income from which is to be paid to RCACGF.

Operating Measures

RCACGF classifies its statement of activities and changes in net assets into operating and nonoperating activities. Operating activities include all income and expenses related to carrying out RCACGF's mission, including interest earned on mortgage and loans, interest and dividends, and investment realized gains and losses. Nonoperating activities include grants to related organizations (GSC) and net unrealized gains and losses on investments and Canadian exchange.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions are considered without donor restrictions unless specifically restricted by the donor. For the years ended September 30, 2023, 2022, and 2021, RCACGF did not have any contributions with donor-imposed restrictions.

Contributions made, referred to as grants in Note 9, are recognized as expense at the time of formal approval.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 9. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as certain professional services, insurance, and supplies, are considered to be management and general expenses. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including RCACGF's loans. Each financial asset presented on the balance sheet would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and, instead, reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for RCACGF's year ending September 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective.

September 30, 2023, 2022, and 2021

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 18, 2023, which is the date the financial statements were available to be issued.

Note 3 - Investments and 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 inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that RCACGF 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 and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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 in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RCACGF's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 3 - Investments and Fair Value Measurements (Continued)

The following tables present information about RCACGF's assets measured at fair value on a recurring basis at September 30, 2023, 2022, and 2021 and the valuation techniques used by RCACGF to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2023
Assets				
Investments:				
Fixed income - Corporate bonds	\$ -	\$ 9,867,800	\$ -	\$ 9,867,800
Fixed income - Government and municipal bonds	-	9,531,720	-	9,531,720
Corporate stocks	3,707,828	-	-	3,707,828
Exchange-traded funds	49,583	-	-	49,583
Investments measured at net asset value - Unitized equities				1,924,935
Total investments	3,757,411	19,399,520	-	25,081,866
Beneficial interest in known pool of assets - RCA Endowment Fund	-	675,105	-	675,105
Total assets	\$ 3,757,411	\$ 20,074,625	\$ -	\$ 25,756,971

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 3 - Investments and Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
Assets				
Investments:				
Fixed income - Asset- backed securities	\$ -	\$ 36,931	\$ -	\$ 36,931
Fixed income - Corporate bonds	-	8,995,132	-	8,995,132
Fixed income - Government and municipal bonds	-	6,018,060	-	6,018,060
Corporate stocks	3,205,202	-	-	3,205,202
Exchange-traded funds	171,661	-	-	171,661
Investments measured at net asset value - Unitized equities				1,684,738
Investments measured at cost - Investment certificates				506,927
Total investments	3,376,863	15,050,123	-	20,618,651
Beneficial interest in known pool of assets - RCA Endowment Fund	-	635,273	-	635,273
Total assets	\$ 3,376,863	\$ 15,685,396	\$ -	\$ 21,253,924

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 3 - Investments and Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2021
Assets				
Investments:				
Fixed income - Asset-backed securities	\$ -	\$ 41,641	\$ -	\$ 41,641
Fixed income - Corporate bonds	-	7,087,079	-	7,087,079
Fixed income - Government and municipal bonds	-	6,326,361	-	6,326,361
Corporate stocks	3,562,428	-	-	3,562,428
Exchange-traded funds	246,248	-	-	246,248
Investments measured at net asset value - Unitized equities				1,217,443
Investments measured at cost - Investment certificates				1,014,509
Total investments	3,808,676	13,455,081	-	19,495,709
Beneficial interest in known pool of assets - RCA Endowment Fund	-	757,124	-	757,124
Total assets	\$ 3,808,676	\$ 14,212,205	\$ -	\$ 20,252,833

RCACGF owns units in the RCA Endowment Fund, and the holding entity (GSC) owns the underlying assets consisting of publicly traded investments, certificates of deposit, money market funds, U.S. government bonds, international bonds, federal tax-exempt securities, corporate bonds, asset-backed securities, and equities. The beneficial interests have no redemption limitations and, therefore, are recorded as Level 2 in the fair value table. The fair value of fixed-income securities was determined using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices.

Investments held at net asset value consist of funds held at a financial institution, whereas RCACGF owns units in a fund and the underlying assets are invested in various securities. These fund investments consist of several underlying international and domestic equity funds. These equity funds may include common stocks, securities convertible into common stocks, American depositary receipts, global depositary receipts, preferred stocks, options, warrants, futures contracts, and interest in private equity or hedge funds. The main purpose of these funds is to hold varying levels of investment types to provide diversification to RCACGF's investment portfolio. As of September 30, 2023, 2022, and 2021, there were no unfunded commitments or redemption restrictions for these investments held at net asset value.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 4 - Mortgages and Loans Receivable

Mortgages and loans receivable were composed of secured loans receivable and unsecured loans receivable. A summary of the balances of loans is as follows:

	2023	2022	2021
Secured loans receivable	\$ 48,621,454	\$ 50,687,716	\$ 56,593,836
Unsecured loans receivable	405,985	497,569	622,380
Total loans	49,027,439	51,185,285	57,216,216
Less allowance for loan losses	1,700,000	1,700,000	1,700,000
Mortgage and loans receivable - Net	<u>\$ 47,327,439</u>	<u>\$ 49,485,285</u>	<u>\$ 55,516,216</u>

RCACGF's allowance for loan losses for the years ended September 30, 2023, 2022, and 2021 had an ending balance of \$1,700,000. There were no charge-offs, recoveries, or provision expenses for the years ended September 30, 2023, 2022, and 2021.

Credit Risk Grading

The credit quality of the loan portfolio is monitored using an internal rating system that reflects management's risk assessment based on an analysis of the borrower's current financial information, debt service coverage, collateral coverage, historical payment experience, and other objective factors related to the ministry of the borrower. The internal system assigns a numeric credit risk rating to each borrower, which is categorized by the following definitions:

Pass

Loans not covered by the below definitions are pass loans, which are considered to be in good standing.

Special Mention

Loans classified as special mention, or watch credits, have a potential weakness or weaknesses to which management is paying close attention. If left uncorrected, these potential weaknesses may result in deterioration of the full repayment prospects for the loan or of the institution's credit position at some future date. Loans are also classified as special mention if recent financial information has not been received from a borrower.

Substandard

Loans are classified as substandard if management determines the borrower exhibits well-defined deficiencies in its paying capacity, and, therefore, the institution may sustain some loss if one or more of the well-defined deficiencies are not corrected. No loans were classified as substandard as of September 30, 2023, 2022, or 2021.

RCACGF's mortgages and loans receivable by credit risk grades at September 30, 2023, 2022, and 2021 are summarized below:

	Pass	Special Mention	Substandard	Ending Balance
September 30, 2023	\$ 47,665,603	\$ 1,361,836	-	\$ 49,027,439
September 30, 2022	47,790,033	3,395,252	-	51,185,285
September 30, 2021	55,643,134	1,573,082	-	57,216,216

RCACGF classifies loans as past due if the loan is more than 30 days past due. There were no past-due loans as of September 30, 2023, 2022, and 2021.

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 4 - Mortgages and Loans Receivable (Continued)

Loans outstanding at September 30, 2023, 2022, and 2021, summarized by current interest rate, are as follows:

Interest Rate	2023	2022	2021
3.0% - 3.5%	\$ 128,971	\$ 312,442	\$ 337,834
3.6% - 4.0%	21,745,193	29,321,400	30,857,749
4.1% - 4.5%	4,066,770	12,974,795	17,260,098
4.6% - 5.0%	6,988,452	8,035,293	8,730,816
5.1% - 5.5%	1,339,499	230,560	-
5.6% - 6.0%	7,890,439	310,795	29,719
6.1% - 6.5%	5,651,957	-	-
6.6% - 7.0%	703,957	-	-
7.1% - 7.5%	512,201	-	-
Total	<u>\$ 49,027,439</u>	<u>\$ 51,185,285</u>	<u>\$ 57,216,216</u>

At September 30, 2023, RCACGF had 103 loans with balances as follows:

Loan Balance	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
Less than \$50,001	11	\$ 322,383	1%
\$50,001 - \$100,000	22	1,592,724	3%
\$100,001 - \$250,000	29	4,748,511	10%
\$250,001 - \$500,000	16	5,695,444	12%
\$500,001 - \$1,000,000	11	7,599,374	15%
\$1,000,001 - \$2,000,000	9	13,590,346	28%
\$2,000,001 - \$5,000,000	5	15,478,657	31%
Total	<u>103</u>	<u>\$ 49,027,439</u>	<u>100%</u>

Although RCACGF has no geographical restrictions within the United States on where loans are made, aggregate loans equal to or in excess of 5 percent of total balances at September 30, 2023 were located in the following states:

State	Principal Outstanding	Percent of Loan Portfolio
Michigan	\$ 13,617,564	28%
California	8,359,861	17%
Illinois	5,434,119	11%
New Jersey	3,694,534	8%
Pennsylvania	3,463,780	7%
Iowa	2,938,441	6%
New York	2,911,822	6%
Total	<u>\$ 40,420,121</u>	<u>83%</u>

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 5 - Debt Securities Payable

RCACGF's primary means of financing its activities is by selling savings certificates. These debt securities are unsecured general debt obligations, and each investor will have a claim against the assets of RCACGF equal with other debt securities holders and unsecured creditors. Debt securities are not savings or deposit accounts or other obligations of a bank and are not insured by the federal deposit insurance corporation, any state bank insurance fund, or any other governmental agency.

The average weighted interest rate on savings certificates was 3.01 percent, 1.36 percent, and 1.72 percent at September 30, 2023, 2022, and 2021, respectively. RCACGF was indebted as summarized below:

Original Term (Months)	2023		2022		2021	
	Number	Aggregate Principal Balance	Number	Aggregate Principal Balance	Number	Aggregate Principal Balance
Demand	110	\$ 8,624,575	121	\$ 10,532,482	129	\$ 9,181,500
12	86	3,763,222	86	5,836,552	99	6,129,465
18	71	5,449,003	-	-	36	1,860,581
24	43	917,412	55	1,774,311	66	2,420,589
30	136	5,385,046	161	7,204,459	150	8,058,552
36	40	1,141,516	90	2,368,200	92	2,359,463
48	19	537,334	19	497,124	22	790,110
60	91	1,747,324	125	2,784,871	125	3,452,626
120	28	804,534	32	674,761	35	626,043
	624	\$ 28,369,966	689	\$ 31,672,760	754	\$ 34,878,929

Investors have no right to the early redemption of their debt securities prior to their maturity. If an investor requests an early redemption, RCACGF may impose an early redemption fee.

The debt securities mature at various dates through 2033. At September 30, 2023, the scheduled maturities of debt securities are as follows:

Years Ending September 30	Amount
On demand	\$ 8,624,575
2024	13,834,860
2025	3,122,894
2026	1,218,889
2027	446,148
2028	468,521
Thereafter	654,079
Total	\$ 28,369,966

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 5 - Debt Securities Payable (Continued)

RCACGF had 87 investors with aggregate balances of \$100,000 or more as of September 30, 2023. The balances \$100,000 or more were distributed as follows:

Aggregate Debt Securities Balances by Investor	Number of Investors	Aggregate Balance	Percentage of Outstanding Debt Securities
\$100,000 - \$200,000	49	\$ 6,441,204	23%
\$200,001 - \$300,000	21	5,173,483	18%
\$300,001 - \$500,000	12	4,665,592	16%
Greater than \$500,000	5	5,893,523	21%
Total	87	\$ 22,173,802	78%

At September 30, 2023, RCACGF's investors were concentrated in five states as follows:

State	Aggregate Balance	Percent of Outstanding Debt Securities
Michigan	\$ 8,223,803	29%
New York	7,120,185	25%
Iowa	4,074,397	14%
New Jersey	3,546,634	13%
Illinois	1,715,284	6%
Total	\$ 24,680,303	87%

The officers, directors, and executive staff of RCACGF may be investors in RCACGF on the same terms and conditions as other investors. As of September 30, 2023, 2022, and 2021, as a group, they held debt securities aggregating \$69,365, \$57,933, and \$16,503, respectively.

Note 6 - Net Assets with Donor Restrictions

The net assets with donor restrictions represent three endowments that are invested within the RCA Endowment Fund. Per the terms of the endowment agreements, the income earned from these investments is to be used for general purposes. The income is released to net assets without donor restrictions when appropriated for expenditure. The following classifications reflect the nature of restrictions to net assets with donor restrictions for the years ended September 30, 2023, 2022, and 2021:

	2023	2022	2021
Restricted by purpose - Accumulated endowment earnings	\$ 513,634	\$ 473,802	\$ 595,653
Restricted in perpetuity	161,471	161,471	161,471
Total	\$ 675,105	\$ 635,273	\$ 757,124

Note 7 - Line of Credit

Under a line of credit agreement with PNC bank, which was renewed during the year, RCACGF has available borrowings of \$5,000,000. Interest is payable monthly at a rate per annum equal to the daily BSBY rate plus 2.00 percent. The line of credit is unsecured. The outstanding principal balance and any accrued interest is due and payable on the expiration date. The line of credit expires on March 31, 2024. RCACGF had no outstanding balance on this line of credit for the years ended September 30, 2023, 2022, and 2021. Prior to the renewal during the year ended September 30, 2022, interest was payable monthly at a rate per annum equal to the daily LIBOR plus 1.75 percent and required RCACGF to reduce the outstanding principal balance thereof to zero for a period of at least 60 consecutive days prior to the expiration date.

Note 8 - Employee Benefits

Retirement Plan

All current and full-time employees are eligible for participation in a 403(b) defined contribution retirement plan, which is administered by The Board of Benefits Services of the Reformed Church in America, Inc. (BOBS). RCACGF contributes 11 percent of all eligible employees' salaries to the 403(b) plan. RCACGF's contribution to this plan, included in expenses, were approximately \$30,000, \$25,000, and \$21,000 for the years ended September 30, 2023, 2022, and 2021, respectively.

Medical Benefits

All current and full-time employees are eligible for participation in a health insurance program, which is administered by The Reformed Benefits Association. The employer does not incur any liability for claims made by the employees. The costs incurred for the plan premiums were approximately \$53,000, \$39,000, and \$34,000 for the years ended September 30, 2023, 2022, and 2021, respectively.

Note 9 - Functional Expenses

The following tables present the functional allocation of expenses:

	Year Ended September 30, 2023		
	Program Services	Management and General	Total
Grants to the GSC	\$ 633,500	\$ -	\$ 633,500
Interest on certificates	708,529	-	708,529
Salaries and benefits	200,210	307,844	508,054
Professional fees	5,934	80,647	86,581
Office expenses and other	39,038	26,396	65,434
Travel and staff development	16,704	-	16,704
Meetings and events	-	11,733	11,733
Total	\$ 1,603,915	\$ 426,620	\$ 2,030,535

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 9 - Functional Expenses (Continued)

	Year Ended September 30, 2022		
	Program Services	Management and General	Total
Grants to the GSC	\$ 800,000	\$ -	\$ 800,000
Interest on certificates	480,014	-	480,014
Salaries and benefits	209,279	205,185	414,464
Professional fees	12,486	68,977	81,463
Office expenses and other	33,356	26,035	59,391
Travel and staff development	14,807	-	14,807
Meetings and events	-	11,239	11,239
Total	\$ 1,549,942	\$ 311,436	\$ 1,861,378

	Year Ended September 30, 2021		
	Program Services	Management and General	Total
Grants to the GSC	\$ 780,000	\$ -	\$ 780,000
Interest on certificates	706,734	-	706,734
Salaries and benefits	143,231	213,615	356,846
Professional fees	16,736	60,151	76,887
Office expenses and other	54,743	22,851	77,594
Travel and staff development	4,513	-	4,513
Meetings and events	-	5,826	5,826
Total	\$ 1,705,957	\$ 302,443	\$ 2,008,400

Note 10 - Related Party Transactions

Although a separate not-for-profit corporation, RCACGF functions as a part of the RCA under the ultimate ecclesiastical supervision of the General Synod through the GSC. There is a close working relationship with the GSC based on RCACGF's primary purpose of making loans to RCA churches and other assemblies, the making of grants to the GSC, and the General Synod's election of RCACGF's board of directors.

As a result, RCACGF's mission and purpose are unavoidably intertwined with those of the RCA and its agencies, assemblies, and institutions, and there are numerous relationships with these parties. Those relationships include the sharing of certain employees included in shared service fees; combined funds in GSC investments and the RCA Endowment Fund, the RCA's management of those assets, and the potential for the GSC to invest in RCACGF's debt securities; the making of grants to the GSC; the sharing of office space, office supplies, computers, and other office resources; and the payment of retirement benefits to BOBS. RCACGF also has debt securities outstanding to agencies, assemblies, and institutions of the RCA and may have debt securities outstanding to GSC employees, officers, and directors or their family members, each on the same terms as debt securities available generally at the time of purchase.

The schedule below summarizes related party assets, liabilities, revenue, and expenses and the amounts attributable to them:

	2023	2022	2021
Assets:			
Beneficial interest in known pool of assets - RCA Endowment Fund	\$ 675,105	\$ 635,273	\$ 757,124

The Reformed Church in America Church Growth Fund, Inc.

Notes to Financial Statements

September 30, 2023, 2022, and 2021

Note 10 - Related Party Transactions (Continued)

Liabilities:			
GSC investment in debt securities payable	\$ 311,911	\$ 861,573	\$ 847,521
BOBS investment in debt securities payable	207,556	204,544	495,213
Accounts payable to the GSC	15,921	249,691	27,652
Total	<u>\$ 535,388</u>	<u>\$ 1,315,808</u>	<u>\$ 1,370,386</u>
Revenue:			
RCA Endowment Fund distributions	\$ 36,376	\$ 34,704	\$ 29,508
Change in value of funds held in RCA Endowment Fund	39,832	(121,851)	78,564
Total	<u>\$ 76,208</u>	<u>\$ (87,147)</u>	<u>\$ 108,072</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Expenses:			
Grants to the GSC	\$ 633,500	\$ 800,000	\$ 780,000
Fees paid to the GSC for shared services	105,731	88,368	84,665
Retirement contributions paid to BOBS	30,494	25,333	20,999
Interest on the GSC's investment in debt securities	11,807	14,052	20,349
Interest on BOBS' investment in debt securities	3,012	9,645	11,266
Total	<u>\$ 784,544</u>	<u>\$ 937,398</u>	<u>\$ 917,279</u>

Note 11 - Liquidity and Availability of Resources

The following reflects RCACGF's financial assets as of September 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,180,589	\$ 9,728,124	\$ 9,273,465
Investments	25,081,866	20,618,651	19,495,709
Beneficial interest in known pool of assets - RCA Endowment Fund	675,105	635,273	757,124
Interest receivable on mortgage and loans receivable	123,700	112,171	124,966
Mortgage and loans receivable	49,027,439	51,185,285	57,216,216
Financial assets - At year end	81,088,699	82,279,504	86,867,480
Less those unavailable for general expenditures within one year due to:			
Loans receivable collectible beyond one year	48,124,899	49,568,083	55,756,303
Beneficial interest in known pool of assets - RCA Endowment Fund	675,105	635,273	757,124
Board designated funds	450,000	-	-
RCACGF required liquidity reserves*	3,268,224	3,693,900	3,946,968
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,570,471</u>	<u>\$ 28,382,248</u>	<u>\$ 26,407,085</u>

September 30, 2023, 2022, and 2021

Note 11 - Liquidity and Availability of Resources (Continued)

RCACGF is substantially supported by interest earned on mortgages and loans and investment income for which a substantial portion does not carry restrictions. As part of RCACGF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For the years ended September 30, 2023, 2022, and 2021, RCACGF has available an unsecured line of credit in the amount of \$5 million that could be drawn upon in the event of an unanticipated liquidity need. Additionally, RCACGF does not intend to spend its board-designated funds other than its designated purpose; however, amounts could be made available if necessary. RCACGF also realizes there could be unanticipated liquidity needs.

*RCACGF's liquidity policy is to maintain, at all times, cash, cash equivalents, and investments that are not loaned to churches in the aggregate amount and that are no less than 10 percent of the aggregate principal balance of the outstanding term savings certificates of RCACGF and no less than 15 percent of the aggregate principal balance of the outstanding demand savings certificates.

Note 12 - Commitments

RCACGF supports the ministry of the denomination and its churches by distributing up to 50 percent of its net operating income to the GSC for use as ministry grants, as designated by RCACGF. Net operating income is defined as income less expenses exclusive of loan loss reserve and all unrealized gains and losses. The 50 percent distribution amount will be subject to review annually by RCACGF board of directors. Designated ministry grants and amounts will include: (a) up to 25 percent of net operating income to support church multiplication, (b) up to \$50,000 annually to support the Next Generation Missional Engagement Fund, and (c) other ministry programs as may be designated by RCACGF board of directors allowed under the bylaws of RCACGF. The amounts contributed for these designated ministries are subject to change by the board of directors.

At September 30, 2023, 2022, and 2021, RCACGF had outstanding loan commitments estimated at approximately \$2,770,000, \$5,720,000, and \$4,905,000, respectively.

Note 13 - Concentrations of Credit Risk

The financial instrument that potentially subjects RCACGF to concentration of credit risk consists primarily of mortgages and loans receivable. Concentrations of credit risk with respect to mortgages and loans receivable are limited to a certain extent by the secured position of RCACGF in most instruments, the number of organizations comprising RCACGF's mortgages receivable base and their dispersion across geographic areas, and RCACGF's policy of limiting the maximum loan amount to any one borrower.

The creditworthiness of each loan applicant is assessed on a case-by-case basis. Currently, 99.17 percent of loans are secured by a first mortgage on the existing facility or real property, but some of them may be secured by a pledge of personal property or by a junior lien. The remaining 0.83 percent are unsecured and are collectible in installments and mature at various dates through 2028. Other credit consideration is represented by the terms of the loan, loan to value ratios, and other credit factors. RCACGF maintains a policy to review all loans monthly to determine past-due or delinquent status based on contractual terms and how recently payments have been received. Typically, RCACGF will not consider a loan for the purpose of constructing a new building until the congregation or other organization has met an equity interest in the property to the satisfaction of RCACGF.

As disclosed in Note 1, RCACGF loans money to current or former churches, classes, and other agencies and affiliates of the Reformed Church in America to assist them in the purchase, construction, or improvement of church buildings, parsonages, and other property used in their ministry or the purchase of land. As of September 30, 2023, 2022, and 2021, RCACGF's mortgages and loans receivable from those organizations are disclosed in Note 4.

September 30, 2023, 2022, and 2021

Note 14 - Risks and Uncertainties - RCA Restructuring Team

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 General Synod 2021. General Synod 2021 also affirmed that the RCA should continue to live in the tension, and that 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. Since General Synod 2021, some churches, including RCACGF borrowers and investors, have pursued those avenues to leave the RCA. In anticipation of some churches leaving the denomination, General Synod 2021 approved bylaws changes for RCACGF, allowing loans to be outstanding and disbursed to churches formerly organized as an RCA local church or collegiate church. Similar bylaws changes were made to allow churches and members formerly in the RCA to continue to invest in RCACGF. There remains the possibility that some churches borrowing from RCACGF and some RCACGF investors may leave the RCA and pay off loans or redeem their debt securities. The restructuring team will bring its proposals to General Synod 2024; an update on their progress was presented at General Synod 2023.