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General Synod Council of the Reformed Church in  
America

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**Consolidated Financial Report**  
**September 30, 2023**

<b>Independent Auditor's Report</b>	1-2
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-20

## Independent Auditor's Report

To the Audit and Risk Management  
Committee of the General Synod Council  
General Synod Council of the  
Reformed Church in America

### **Opinion**

We have audited the consolidated financial statements of General Synod Council of the Reformed Church in America and its subsidiary (the "GSC"), which comprise the consolidated statement of financial position as of September 30, 2023 and 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the GSC as of September 30, 2023 and 2022 and the changes in its net assets, functional expenses, and 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 Consolidated Financial Statements* section of our report. We are required to be independent of the GSC 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.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audits of the Consolidated Financial Statements**

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

To the Audit and Risk Management  
Committee of the General Synod Council  
General Synod Council of the  
Reformed Church in America

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 consolidated 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 consolidated 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 the GSC'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GSC'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*

January 25, 2024

## General Synod Council of the Reformed Church in America

### Consolidated Statement of Financial Position

**September 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 2,026,610	\$ 3,279,235
Investments (Note 4)	14,523,782	13,775,656
Related party receivables (Note 9)	19,880	308,904
Prepaid expenses and other assets	967,785	670,549
Investments held under split-interest agreements (Note 4)	971,126	1,023,800
Investments held for long-term purposes (Note 4)	24,730,898	23,012,538
Beneficial interest in third-party perpetual trusts (Note 4)	1,734,433	1,613,697
Property, plant, and equipment - Net (Note 5)	3,046,244	3,272,276
	<b>\$ 48,020,758</b>	<b>\$ 46,956,655</b>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 204,461	\$ 207,880
Other liabilities	1,315,366	1,551,016
Capital lease obligation	-	3,589
Liabilities held under split-interest agreements	746,126	798,800
Amounts held for others in investments held for long-term purposes	3,979,432	3,727,629
	6,245,385	6,288,914
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	10,701,131	10,424,418
Noncontrolling interest of the Michigan Condo Association	319,940	335,844
Board designated (Note 6)	8,818,014	8,396,973
	19,839,085	19,157,235
Total without donor restrictions		
With donor restrictions (Note 6)	21,936,288	21,510,506
	41,775,373	40,667,741
Total net assets		
	<b>\$ 48,020,758</b>	<b>\$ 46,956,655</b>
Total liabilities and net assets		

## General Synod Council of the Reformed Church in America

### Consolidated Statement of Activities and Changes in Net Assets

Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains (Loss), and Public Support</b>						
Contributions and grants	\$ 5,233,484	\$ 2,671,351	\$ 7,904,835	\$ 5,122,496	\$ 3,345,220	\$ 8,467,716
Assessments	3,712,317	-	3,712,317	5,542,829	-	5,542,829
Investment income (loss) - Net	1,026,256	1,871,459	2,897,715	(1,235,218)	(1,776,500)	(3,011,718)
Other income	555,776	54,843	610,619	289,112	36,192	325,304
Services provided to related entities	294,072	-	294,072	268,761	-	268,761
Gain (loss) on third-party perpetual trust	-	120,736	120,736	-	(543,957)	(543,957)
Total revenue, gains, and public support	10,821,905	4,718,389	15,540,294	9,987,980	1,060,955	11,048,935
Net assets released from restrictions	4,292,607	(4,292,607)	-	4,716,259	(4,716,259)	-
Total revenue, gains, public support, and net assets released from restrictions	15,114,512	425,782	15,540,294	14,704,239	(3,655,304)	11,048,935
<b>Expenses</b>						
Program services	12,264,937	-	12,264,937	13,135,244	-	13,135,244
Support services	2,167,725	-	2,167,725	2,149,773	-	2,149,773
Total expenses	14,432,662	-	14,432,662	15,285,017	-	15,285,017
<b>Change in Net Assets</b>	681,850	425,782	1,107,632	(580,778)	(3,655,304)	(4,236,082)
<b>Net Assets - Beginning of year</b>	19,157,235	21,510,506	40,667,741	19,738,013	25,165,810	44,903,823
<b>Net Assets - End of year</b>	<b>\$ 19,839,085</b>	<b>\$ 21,936,288</b>	<b>\$ 41,775,373</b>	<b>\$ 19,157,235</b>	<b>\$ 21,510,506</b>	<b>\$ 40,667,741</b>

**General Synod Council of the Reformed Church in America**

**Consolidated Statement of Functional Expenses**

**Year Ended September 30, 2023**

	Program Services				Support Services		
	Center for Church Multiplication and Ministry	Global Mission	Work of the General Synod	Total	Management and General	Advancement and Fundraising	Total
Payroll and related expenses	\$ 1,430,493	\$ 3,705,547	\$ 1,084,803	\$ 6,220,843	\$ 1,330,748	\$ 223,661	\$ 7,775,252
Grants	968,330	2,393,599	2,500	3,364,429	-	-	3,364,429
Office and occupancy	145,371	222,359	256,300	624,030	278,661	47,848	950,539
Meetings and events	242,537	341,872	541,460	1,125,869	34,642	2,175	1,162,686
Professional services	117,179	10,241	58,780	186,200	130,428	15,094	331,722
Travel and staff development	147,926	358,725	87,046	593,697	11,676	16,629	622,002
Depreciation	40,352	49,463	60,054	149,869	68,718	7,445	226,032
Total functional expenses	<b>\$ 3,092,188</b>	<b>\$ 7,081,806</b>	<b>\$ 2,090,943</b>	<b>\$ 12,264,937</b>	<b>\$ 1,854,873</b>	<b>\$ 312,852</b>	<b>\$ 14,432,662</b>

## General Synod Council of the Reformed Church in America

### Consolidated Statement of Functional Expenses

Year Ended September 30, 2022

	Program Services				Support Services		
	Center for Church Multiplication and Ministry	Global Mission	Work of the General Synod	Total	Management and General	Advancement and Fundraising	Total
Payroll and related expenses	\$ 1,582,550	\$ 3,723,111	\$ 1,100,338	\$ 6,405,999	\$ 1,342,604	\$ 222,451	\$ 7,971,054
Grants	1,131,365	2,641,297	-	3,772,662	-	-	3,772,662
Office and occupancy	230,246	316,911	260,427	807,584	268,652	35,661	1,111,897
Meetings and events	172,550	97,359	891,684	1,161,593	15,114	555	1,177,262
Professional services	101,582	3,499	187,191	292,272	146,372	126	438,770
Travel and staff development	120,918	285,512	67,889	474,319	15,845	22,236	512,400
Depreciation	97,349	57,962	65,504	220,815	73,578	6,579	300,972
Total functional expenses	<b>\$ 3,436,560</b>	<b>\$ 7,125,651</b>	<b>\$ 2,573,033</b>	<b>\$ 13,135,244</b>	<b>\$ 1,862,165</b>	<b>\$ 287,608</b>	<b>\$ 15,285,017</b>



## General Synod Council of the Reformed Church in America

### Consolidated Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 1,107,632	\$ (4,236,082)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	226,032	300,972
Net realized and unrealized (gain) loss on investments	(1,854,390)	3,915,179
Contributions restricted for long-term purposes	(1,900)	(2,800)
Change in value of beneficial interest in third-party perpetual trusts	(120,736)	543,957
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Related party receivables	289,024	(267,949)
Prepaid expenses and other assets	(297,236)	(233,218)
Accounts payable	(3,419)	94,094
Other liabilities	(235,650)	629,594
Amounts held for others	(195,281)	(242,974)
Net cash and cash equivalents (used in) provided by operating activities	(1,085,924)	500,773
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(11,606,624)	(13,499,295)
Proceeds from sales of investments	11,514,038	12,874,077
Purchase of property, plant, and equipment	-	(23,418)
Net cash and cash equivalents used in investing activities	(92,586)	(648,636)
<b>Cash Flows from Financing Activities</b>		
Principal payments on capital lease	(3,589)	(24,434)
Payments to annuitants	(72,426)	(111,388)
Proceeds from contributions restricted for long-term purposes	1,900	2,800
Net cash and cash equivalents used in financing activities	(74,115)	(133,022)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,252,625)	(280,885)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,279,235	3,560,120
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,026,610</b>	<b>\$ 3,279,235</b>
<b>Significant Noncash Transactions</b>		
Investment (gain) loss allocated to amounts held for others	\$ (447,084)	\$ 506,545
Change in value of split-interest assets and liabilities	(97,752)	199,632
Transfer of split-interest assets and liabilities to a third party	(78,000)	-

## Notes to Consolidated Financial Statements

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September 30, 2023 and 2022

### Note 1 - Nature of Business

General Synod Council of the Reformed Church in America (the "GSC") serves as the executive committee of the General Synod of the Reformed Church in America (the "RCA"), as the committee of reference at meetings of the General Synod, and as the board of trustees of the General Synod. The GSC acts as the agent of the General Synod of the Reformed Church in America to enable its participation in God's work in the world and to equip congregations and assemblies for mission and ministry.

The accompanying consolidated financial statements include all administrative offices and program offices of the RCA. These consolidated financial statements do not include the accounts of all organizations of the RCA, such as The Board of Benefits Services of the Reformed Church in America, Inc. (BOBS); the Reformed Church in America Church Growth Fund, Inc. (RCACGF); congregations; schools; cemeteries; homes; seminaries; or any other RCA-affiliated associations, except insofar as financial transactions have taken place between them and the GSC (e.g., staff service charges, payments of benefits, and investments held for related organizations). Each is an operating entity distinct from the GSC, maintains separate accounts, carries on its own services and programs, and reports annually to its respective constituency.

The GSC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### Note 2 - Significant Accounting Policies

#### ***Basis of Accounting***

The consolidated financial statements of the GSC have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

#### ***Principles of Consolidation***

The GSC owns 89 percent of the net assets of the Michigan Condo Association at September 30, 2023 and 2022. As a majority owner, all assets and liabilities are recognized on the consolidated statement of financial position, and income is recognized on the consolidated statement of activities and changes in net assets. The amount owned by others is shown on the consolidated statement of financial position as part of net assets without donor restrictions as of September 30, 2023 and 2022. Net assets without donor restrictions related to the noncontrolling interest decreased by \$15,904 and \$17,762 for the years ended September 30, 2023 and 2022, respectively. All intercompany accounts and transactions have been eliminated in consolidation.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### ***Cash Equivalents***

The GSC considers cash on deposit, cash on hand, and certificates of deposit with original maturities of three months or less when purchased, as well as money market funds, to be cash equivalents. These cash and cash equivalent accounts at times exceed federally insured limits. The GSC has not experienced any loss on these accounts. At September 30, 2023 and 2022, the GSC exceeded federally insured limits by \$2,111,498 and \$3,029,235, respectively.

**Notes to Consolidated Financial Statements**

**September 30, 2023 and 2022**

**Note 2 - Significant Accounting Policies (Continued)**

***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unitized equities and unitized fixed income, 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 investment income without donor restrictions in the consolidated statement of activities and changes in net assets unless a donor or law restricts their use. 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 the GSC.

Investments held for long-term purposes benefit the GSC programs and RCA-related organizations, including churches, colleges, and the GSC. Long-term investments held for the benefit of other organizations are recognized as a liability, amounts held for others, on the consolidated statement of financial position. Investment return allocated to amounts held for others is not recognized in the consolidated statement of activities and changes in net assets but rather increases or decreases the amount owed.

***Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives. Plant and equipment purchases over \$5,000 are capitalized. Plant and equipment purchases less than \$5,000 are expensed as incurred.

	Depreciable Life - Years
Buildings	5 - 40
Building improvements	5 - 30
Leasehold improvements	5 - 10
Furniture and equipment	3 - 15

***Beneficial Interest in Third-party Perpetual Trusts***

The GSC is named as a beneficiary in trusts. The GSC has recognized its interest in the trusts on the consolidated statement of financial position using its interest in the overall trusts and the underlying assets. The trusts are held by third parties that manage the assets and distribute the earnings as defined in the trust agreements. The GSC has the irrevocable right to receive income earned on the trust assets as long as the GSC continues to carry out and fulfill the purposes of its incorporation; however, under the trust agreements, the GSC will never receive the assets held in the trusts.

***Liabilities Held Under Split-interest Agreements***

The GSC has established gift annuity plans and charitable remainder trusts where donors may contribute assets to the GSC in exchange for the right to receive distributions during their lifetimes. These agreements are irrevocable and designate the GSC or other organizations to receive the residuum of the assets at the grantor's death. The majority of agreements do not list the GSC as the beneficiary but rather a reformed church in New York. Upon maturity of the agreement, the GSC remits the fair value of the funds to the church. During the life of the agreement, the GSC monitors the present value of future annuity payments compared to the market value of the funds to other beneficiaries and records a liability for the greater of the present value or market value.

**Notes to Consolidated Financial Statements**

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**September 30, 2023 and 2022**

**Note 2 - Significant Accounting Policies (Continued)**

***Classification of Net Assets***

Net assets without donor restrictions are 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 the GSC.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the GSC or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

***Contributions and Grants***

Unconditional promises to give cash and other assets to the GSC are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions made, referred to as grants on the consolidated statement of functional expenses, are recognized as expense at the time of formal approval. As of September 30, 2023 and 2022, grants payable of approximately \$680,000 and \$450,000, respectively, were included within other liabilities on the consolidated statement of financial position and are expected to be paid within the next fiscal year.

***Assessments***

Assessment revenue is received from RCA classes based on the number of confessing members in the classes. Assessment revenue is reported at the amount that reflects the consideration to which the GSC has received for providing membership to its classes. The assessment was calculated at \$55.58 and \$54.51 per confessing member for calendar years 2023 and 2022, respectively. Generally, the GSC bills the classes quarterly. Approximately \$460,000 and \$700,000 of these assessments were collected and passed on to the RCA theological institutions and BOBS during the years ended September 30, 2023 and 2022, respectively. As agent to the RCA theological institutions and BOBS, the GSC does not recognize revenue or expense related to these passed-through amounts.

***Functional Allocation of Expenses***

The costs of providing the various program and support services of the GSC have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Salaries and related expenses are allocated on an actual basis, where available, and on the basis of time and effort when not available. Certain office and occupancy and depreciation costs not directly attributable to specific program services or functions have been allocated to program and support services. Management allocates costs based on square footage and full-time equivalents attributed to the function. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

***Reclassification***

Certain 2022 amounts on the consolidated statement of functional expenses have been reclassified to conform to the 2023 presentation to combine the Church Multiplication and the Transformed and Transforming programs in to one combined program, the Center for Church Multiplication and Ministry. There was no change to total program expenses as a result of the reclassification.

# General Synod Council of the Reformed Church in America

## Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### Note 2 - Significant Accounting Policies (Continued)

#### *Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including January 25, 2024, which is the date the financial statements were available to be issued.

### Note 3 - Liquidity and Availability of Resources

The GSC's financial assets available within one year of September 30, 2023 and 2022 for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	\$ 2,026,610	\$ 3,279,235
Accounts and related party receivables	188,466	519,431
Contributions receivable	546,682	180,434
Short-term investments	9,301,623	8,039,059
Total	<u>\$ 12,063,381</u>	<u>\$ 12,018,159</u>

The GSC's endowment funds consist of donor-restricted endowments and quasi-endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, the quasi endowment has a spending rate of 5.5 percent. Appropriations of approximately \$146,000 and \$1,129,000 from the quasi endowments and donor-restricted endowments, respectively, will be available within the next 12 months.

As part of the GSC'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. In addition, the GSC invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the GSC has quasi-endowment funds of approximately \$5,800,000 and \$5,100,000 as of September 30, 2023 and 2022, respectively. Although the GSC does not intend to spend from its quasi-endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from these funds could be made available if necessary.

### Note 4 - 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 the GSC 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. The GSC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

## General Synod Council of the Reformed Church in America

# Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### Note 4 - Fair Value Measurements (Continued)

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient or cost are not classified within a specific level in the fair value hierarchy below.

The following tables present information about the GSC's assets measured at fair value on a recurring basis at September 30, 2023 and 2022 and the valuation techniques used by the GSC 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
<b>Assets</b>				
Investments:				
Investments measured at cost -				
Investment certificates	\$ -	\$ -	\$ -	\$ 311,911
Fixed income	-	14,211,871	-	14,211,871
Total investments	-	14,211,871	-	14,523,782
Investments held for long-term purposes:				
Investments measured at cost -				
Money market funds	-	-	-	506,240
Fixed income	-	6,683,112	-	6,683,112
Equity securities	17,541,546	-	-	17,541,546
Total investments held for long-term purposes	17,541,546	6,683,112	-	24,730,898
Investments held under split-interest agreements:				
Investments held at cost - Money market funds	-	-	-	1,597
Investments held at net asset value:				
Unitized fixed income	-	-	-	180,392
Unitized equities	-	-	-	789,137
Total investments held under split-interest agreements	-	-	-	971,126
Beneficial interest in third-party perpetual trusts	-	-	1,734,433	1,734,433
Total assets	\$ 17,541,546	\$ 20,894,983	\$ 1,734,433	\$ 41,960,239

## General Synod Council of the Reformed Church in America

# Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### Note 4 - 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
<b>Assets</b>				
Investments:				
Investments measured at cost -				
Investment certificates	\$ -	\$ -	\$ -	\$ 861,573
Fixed income	-	12,914,083	-	12,914,083
Total investments	-	12,914,083	-	13,775,656
Investments held for long-term purposes:				
Investments measured at cost -				
Money market funds	-	-	-	129,796
Fixed income	-	6,869,382	-	6,869,382
Equity securities	16,013,360	-	-	16,013,360
Total investments held for long-term purposes	16,013,360	6,869,382	-	23,012,538
Investments held under split-interest agreements:				
Investments held at cost - Money market funds	-	-	-	3,112
Investments held at net asset value:				
Unitized fixed income	-	-	-	193,405
Unitized equities	-	-	-	827,283
Total investments held under split-interest agreements	-	-	-	1,023,800
Beneficial interest in third-party perpetual trusts	-	-	1,613,697	1,613,697
Total assets	\$ 16,013,360	\$ 19,783,465	\$ 1,613,697	\$ 39,425,691

The fair value of fixed income at September 30, 2023 and 2022 was determined primarily based on Level 2 inputs. The GSC estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

## General Synod Council of the Reformed Church in America

# Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### Note 4 - Fair Value Measurements (Continued)

Investments held at net asset value consist of funds held at a financial institution, where the GSC owns units in a fund and the underlying assets are invested in various securities. Unitized equities consist of several underlying international and domestic equity funds. These equity funds may include common stocks, securities convertible into common stocks, American depository receipts, global depository receipts, preferred stocks, options, warrants, futures contracts, and interest in private equity or hedge funds. Unitized fixed-income investments consist of investment-grade corporate debt; governmental; government agency; and mortgage-backed fixed-income securities of issuers located in the United States and global fixed-income assets, such as U.S. Treasuries, non-U.S. sovereign credit instruments, senior secured loans, distressed debt, or derivatives. The main purpose of these funds is to hold assets under split-interest agreements. As of September 30, 2023 and 2022, there were no unfunded commitments or redemption restrictions for these investments held at net asset value.

The fair value of the beneficial interest was determined based on the underlying investments, held by independent trustees, and the GSC's interest in those assets. The GSC receives periodic distributions of income from the beneficial interest, in accordance with the trust documents, but it does not expect to receive any of the underlying assets.

The beneficial interest had realized and unrealized gains (losses) of \$120,736 and \$(543,957) for the years ended September 30, 2023 and 2022, respectively. These amounts are reported on the consolidated statement of activities and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains (losses) for the beneficial interest in third-party perpetual trusts presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

### Note 5 - Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows as of September 30:

	2023	2022
Land	\$ 471,780	\$ 471,780
Buildings	7,761,256	7,761,256
Building improvements	510,667	510,667
Furniture and equipment	841,794	841,794
Leasehold improvements	508,105	508,105
Total cost	10,093,602	10,093,602
Accumulated depreciation	7,047,358	6,821,326
Net property, plant, and equipment	<u>\$ 3,046,244</u>	<u>\$ 3,272,276</u>

Depreciation expense for 2023 and 2022 was \$226,032 and \$300,972, respectively.

### Note 6 - Net Assets

Board-designated net assets consist of the following as of September 30:

	2023	2022
Board-designated net assets:		
Investment in property, plant, and equipment	\$ 3,046,244	\$ 3,272,276
Investments held for long-term purposes	5,771,770	5,124,697
Total board-designated net assets	<u>\$ 8,818,014</u>	<u>\$ 8,396,973</u>



## General Synod Council of the Reformed Church in America

### Notes to Consolidated Financial Statements

September 30, 2023 and 2022

#### Note 6 - Net Assets (Continued)

Net assets with donor restrictions as of September 30 are available for the following purposes:

	2023	2022
Subject to expenditures for a specified purpose:		
GSC ministry programs	\$ 5,169,910	\$ 5,690,423
LEAN	7,348	7,348
Work of the General Synod	44,901	38,826
Total subject to expenditures for a specified purpose	5,222,159	5,736,597
Subject to the GSC's spending policy and appropriation:		
GSC ministry programs	6,094,568	5,288,405
Advancement	553,735	548,885
Work of the General Synod	111,378	104,807
Total subject to the GSC's spending policy and appropriation	6,759,681	5,942,097
Not subject to appropriation or expenditure:		
GSC ministry programs	7,570,015	7,568,115
Advancement	650,000	650,000
Third-party perpetual trusts	1,734,433	1,613,697
Total not subject to appropriation or expenditure	9,954,448	9,831,812
Total	<u>\$ 21,936,288</u>	<u>\$ 21,510,506</u>

The GSC ministry programs represent restrictions that coincide with the GSC's vision for ministry, church planting, and mission. Included within the GSC ministry programs are donor-restricted endowment funds, in which the corpus is held as net assets with donor restrictions - restricted in perpetuity, and accumulated earnings that have not yet been appropriated are held as net assets with donor restrictions - restricted by purpose or time. Interest on the donor-restricted funds is to be used for a variety of purposes, including missionary support, various RCA programs, and general and administrative support of the GSC.

#### Note 7 - Donor-restricted and Board-designated Endowments

The GSC's endowment consists of approximately 140 individual funds for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the GSC to function as endowments. Net assets associated with endowment funds, including funds designated by the GSC to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Notes to Consolidated Financial Statements**

**September 30, 2023 and 2022**

**Note 7 - Donor-restricted and Board-designated Endowments (Continued)**

***Interpretation of Relevant Law***

The GSC is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the GSC had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the GSC considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The GSC has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the GSC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the GSC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the GSC
- The investment policies of the GSC

	Endowment Net Asset Composition by Type of Fund as of September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,771,770	\$ -	\$ 5,771,770
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	8,220,015	8,220,015
Accumulated investment gains	-	6,759,681	6,759,681
Total donor-restricted endowment funds	-	14,979,696	14,979,696
Total	\$ 5,771,770	\$ 14,979,696	\$ 20,751,466

## General Synod Council of the Reformed Church in America

# Notes to Consolidated Financial Statements

September 30, 2023 and 2022

### Note 7 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 5,124,697	\$ 14,160,212	\$ 19,284,909
Investment income - Net	623,193	1,696,252	2,319,445
Contributions	100,000	1,900	101,900
Appropriation of endowment assets for expenditure	(76,120)	(878,668)	(954,788)
Endowment net assets - End of year	<u>\$ 5,771,770</u>	<u>\$ 14,979,696</u>	<u>\$ 20,751,466</u>
	Endowment Net Asset Composition by Type of Fund as of September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,124,697	\$ -	\$ 5,124,697
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	8,218,115	8,218,115
Accumulated investment gains	-	5,942,097	5,942,097
Total donor-restricted endowment funds	-	14,160,212	14,160,212
Total	<u>\$ 5,124,697</u>	<u>\$ 14,160,212</u>	<u>\$ 19,284,909</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 1,364,422	\$ 16,948,042	\$ 18,312,464
Investment loss - Net	(389,268)	(1,943,656)	(2,332,924)
Contributions	-	2,800	2,800
Appropriation of endowment assets for expenditure	(130,207)	(846,974)	(977,181)
Transfers to create board-designated endowment funds	4,279,750	-	4,279,750
Endowment net assets - End of year	<u>\$ 5,124,697</u>	<u>\$ 14,160,212</u>	<u>\$ 19,284,909</u>

#### **Underwater Endowment Funds**

As of September 30, 2023 and 2022, there were no funds with deficiencies.

#### **Return Objectives and Risk Parameters**

The GSC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the GSC must hold in perpetuity or for a donor-specified period, as well as board-designated funds. This policy includes performance guidelines, which are intended to provide quantifiable benchmarks to measure and evaluate portfolio risk and return. The methodology for determining portfolio performance is a time-weighted, total return basis. A blended measurement of 70 percent of the S&P 500 Stock Composite Index with dividends and 30 percent Bank of America MLC/G 1-10 Year Index is used as the benchmark index.

**Notes to Consolidated Financial Statements**

**September 30, 2023 and 2022**

**Note 7 - Donor-restricted and Board-designated Endowments (Continued)**

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the GSC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The GSC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The GSC appropriates for distribution a percentage of the 20 quarter rolling average of the endowment fund's fair value. The rate established for distribution was 5.5 percent for fiscal years 2023 and 2022. In establishing this policy, the GSC considered the long-term expected return on its endowment. This is consistent with the GSC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**Note 8 - Retirement Plan**

The GSC has adopted participation in a 403(b) defined contribution plan covering all eligible employees of the GSC. The plan is offered and administrated by BOBS. The GSC contributes 11 percent of all eligible employees' salaries to the plan. For the years ended September 30, 2023 and 2022, the GSC contributed approximately \$634,000 and \$639,000, respectively, to employee accounts.

**Note 9 - Related Party Transactions**

The GSC is related to certain organizations within the RCA under the ecclesiastical supervision of the General Synod through the GSC. There is a close working relationship among the GSC and these related organizations.

As a result, the GSC's mission and purpose are unavoidably intertwined with those of the related agencies, and there are numerous relationships with these parties. Those relationships include the sharing of certain employees included in shared service fees; combined funds in the GSC investments, the GSC's management of those assets, and the potential for the GSC to invest in RCACGF's debt securities; RCACGF grants made to the GSC; the sharing of office space, office supplies, computers, and other office resources; and the payment of retirement benefits to BOBS. The GSC also collects and remits BOBS' share of assessment fees. For the years ended September 30, 2023 and 2022, assessment fees remitted to BOBS were \$151,098 and \$232,123, respectively.

The following is a description of transactions between the GSC and the assets, liabilities, revenue, and expenses of related parties:

	2023	2022
<b>Assets:</b>		
Investment in RCACGF certificates	\$ 311,911	\$ 861,573
Accounts receivable from BOBS	3,959	59,213
Accounts receivable from RCACGF	15,921	249,691
Total	\$ 331,791	\$ 1,170,477
<b>Liabilities - Amounts held for others in investments held for long-term purposes:</b>		
RCACGF	\$ 675,105	\$ 635,273
Other RCA-affiliated organizations	3,304,327	3,092,356
Total	\$ 3,979,432	\$ 3,727,629

## General Synod Council of the Reformed Church in America

### Notes to Consolidated Financial Statements

September 30, 2023 and 2022

#### Note 9 - Related Party Transactions (Continued)

Revenue:		
RCACGF for shared services	\$ 105,731	\$ 88,368
BOBS for shared services	185,527	180,393
BOBS for endowment administration	46,201	55,838
Interest earned on RCACGF certificates	11,807	14,052
Grants from RCACGF	633,500	800,000
	<u>982,766</u>	<u>1,138,651</u>
Total	\$ <u>982,766</u>	\$ <u>1,138,651</u>
Expenses:		
Retirement benefits paid to BOBS	\$ 634,332	\$ 638,593
Health care benefits paid to BOBS	5,379	7,461
Sublease payments received from BOBS and offsetting rent expense	-	(70,293)
Distributions from investments held for long-term purposes:		
RCACGF	36,376	34,704
Other RCA-affiliated organizations	158,905	242,973
Investment earnings (loss) on investments held for long-term purposes:		
RCACGF	39,832	(121,851)
Other RCA-affiliated organizations	407,252	(384,694)
	<u>1,282,076</u>	<u>346,893</u>
Total	\$ <u>1,282,076</u>	\$ <u>346,893</u>

#### Note 10 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on meeting the threshold for gross receipts decline in the fourth quarter of calendar year 2020 compared to the same quarter in 2019 and incurring eligible payroll expenses. For the year ended September 30, 2023, the GSC determined these conditions have been met and recognized \$454,846 of ERC revenue within contributions and grants on the consolidated statement of activities and changes in net assets and recognized as a corresponding receivable within prepaid expenses and other assets on the consolidated statement of financial position.

The GSC's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the GSC would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

**Note 11 - 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 have pursued those avenues to leave the RCA. This has resulted in decreased assessment revenue to the GSC and may result in a decrease in contribution revenue. The restructuring team will bring its proposals to General Synod 2024; an update on their progress was presented at General Synod 2023. As the restructuring team concludes their work and potential proposals are implemented, the GSC may experience decreases in future assessment and contribution revenue.