

Report of The Reformed Church in America Church Growth Fund, Inc.

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

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

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

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

1. Church Multiplication, which provides grant funding to church plants. In the fiscal year ending September 30, 2023 (FY23), the CGF contributed \$400,000 for church plant grants.
2. Next Generation Missional Engagement Fund (Next Gen), which provides scholarships to middle school-age children through post-college young adults to cover part of the cost of mission trips and internships, disaster response work, vision and study tours, and missional training experiences. In FY23, the CGF contributed \$30,000 to benefit youth missional engagement.
3. Flourishing Churches grant program, which provides grants for facility improvements to economically challenged RCA congregations whose ministries are thriving. In FY23, the CGF contributed \$203,500 for this program.

More specific information on CGF loans and how to invest in savings certificates is available on the CGF webpage at www.rca.org/cgf.

Assets

In FY23, total assets decreased by \$1.2 million to \$79.4 million, driven primarily from a reduction in the loan portfolio of nearly \$2.2 million. CGF assets at the end of FY23 consisted primarily of loans of over \$49 million and cash and investments of \$31.3 million. The CGF funded \$3 million in new loans to 11 churches in FY23 while receiving nearly \$5.2 million in loan principal payments from existing borrowers.

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

Savings Certificates

At the end of FY23, CGF investors held savings certificates of nearly \$28.4 million, representing a decrease of \$3.3 million from the previous fiscal year end. In FY23, the CGF received \$3.8 million in new savings certificate investments and reinvested interest of \$541,000, which was offset by redemptions of \$7.6 million. Savings certificate investors continue to recognize the favorable return received on their funds as well as how their investment supports the mission of the CGF. Funds received from investment in savings certificates are used by the CGF to make loans to current and former RCA churches throughout the United States and Canada.

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

Earnings

In FY23, the CGF achieved net earnings from operations of \$2.1 million compared to \$1.7 million the previous year (FY22). Included in FY23 results was a one-time, non-recurring gift from the Ralph Guarno Living Trust in the amount of \$450,000. Excluding this amount, net earnings from operations would be down 6 percent compared to the previous year but still 11 percent above budget. The decrease in earnings from operations was the result of several factors. Even though there was a decrease in average loans outstanding as described above, loan interest income increased from the previous year due to an increase in the average portfolio yield from the previous year. The revenue from interest and dividends received on the CGF's investment portfolio also increased significantly (68 percent) from the prior year. The average savings certificate portfolio balance was down from the previous year, but interest expense increased by 48 percent due to a higher average cost of funds in FY23. Finally, operating expenses increased by 18 percent, driven by higher travel expenses, software costs, and personnel expenses due to filled vacant positions for eight months of the year.

Total earnings for the year were \$2.3 million, compared to a loss of \$1.6 million in the previous year. The loss in FY22 was due to net unrealized losses on the CGF's investments as all major stock and bond market indexes were down significantly for the year. In FY23, the market conditions improved, leaving us with unrealized net gains on investments of \$833,000. The total earnings figure for FY23 is after contributing \$633,500 to the GSC for ministry grants.

Ministry Grants

In 1999, the CGF began contributing a portion of its earnings to the GSC to be used for grants to new church plants. From 1999 through FY23, the CGF has contributed nearly \$8 million to support RCA church multiplication. In that time, 459 New Congregation Plans have been approved, and the majority of them have received grant funds to help start their ministry. In FY23, the CGF contributed \$400,000 to support church multiplication efforts.

In FY14, the CGF began contributing annually for support of Next Gen by providing financial assistance to RCA youth for mission trip experiences. Since the inception of the Next Generation Missional Engagement Fund, the CGF has been its primary financial supporter, making contributions totaling \$480,000. Since the program has been in place, 2,908 young people have benefitted from scholarships awarded. In FY23, the CGF contributed \$30,000 to benefit youth missional engagement via an RCA Global Mission event in Europe.

In FY18, the CGF launched the Flourishing Churches grant program, which provides grants of up to \$50,000 to economically challenged churches for facility improvements necessary to continue and grow already successful ministries. To date, 49 RCA congregations have been Flourishing Churches grant recipients, and the CGF has contributed a total of \$1.65 million to this program.

As stated earlier, the CGF contributed \$633,500 in FY23 to fund RCA ministry grants.

Financial Strength

A measure of financial strength of an entity is its level of net assets, also known as capital or equity. As of September 30, 2023, the CGF had net assets or capital of \$50.9 million. This represents the accumulation of earnings and contributions received over its years of operations.

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

| Financial Highlights | FY 2023 | FY 2022 | FY 2021 |
|----------------------------------|----------------|----------------|----------------|
| Total Assets | \$79,392,621 | \$80,587,349 | \$85,167,480 |
| Net Assets (Capital) | \$50,877,539 | \$48,582,717 | \$50,162,464 |
| Savings Certificates Outstanding | \$28,369,966 | \$31,672,760 | \$34,878,929 |

| | | | |
|--|--------------|--------------|--------------|
| Number of Borrowers | 90 | 98 | 105 |
| Dollar Amount of Loans Outstanding | \$49,027,439 | \$51,185,285 | \$57,216,216 |
| Number of Loans Funded in Year | 11 | 7 | 9 |
| Dollar Amount of Loans Funded in Year | \$3,025,856 | \$1,091,112 | \$6,913,058 |
| Net Earnings from Operations before Ministry Grants | \$2,053,393 | \$1,702,643 | \$2,109,725 |
| Contributions to GSC for Ministry Grants | \$633,500 | \$800,000 | \$780,000 |

Future CGF Activity

The CGF will continue to follow its mission of providing affordable rate loans to current and former RCA churches and affiliated agencies for the purchase, construction, and improvement of buildings used in ministry. The CGF will look for opportunities to promote its savings certificate and loan programs both within the denomination and with former RCA churches, raising a greater awareness of the benefits of borrowing from the CGF and investing in its savings certificates. This will in turn allow the CGF to contribute funds to the GSC for RCA ministry grants to support church planting initiatives, Next Generation Missional Engagement Fund scholarships, and grants to flourishing but financially challenged churches in need of building renovation for ministry.

The CGF is grateful for the support of its investors and borrowers as we continue in ministry together. Your partnership is essential for the CGF to accomplish its mission, and we are blessed to have your involvement in our ministry.