

REPORT OF THE OFFICE OF FINANCE

The Office of Finance provides centralized finance and accounting services to the denominational corporations, including the General Synod Council (GSC), the Board of Benefits Services (BOBS), and the Church Growth Fund (CGF). The Office of Finance strives to ensure that financial systems, procedures, and controls are in place to support the mission and ministry of these entities and to assist the officers and directors of the corporations in fulfilling their fiduciary responsibilities. The finance staff is available to respond to financial questions from local congregations, classes, and regional synods as together we carefully manage the financial resources with which we have been blessed.

2023 Annual Audits

The 2023 financial statements of the GSC, BOBS, RCA 403(b) Retirement Program, and CGF were audited by Plante Moran, PLLC, certified public accountants. All corporations and the RCA 403(b) Retirement Program received unmodified (or “clean”) audit opinions. The GSC’s Audit and Risk Management Committee reviewed the audited financial statements of each entity, reviewed the post-audit letters from the auditors, and reported the audit results to the boards of the respective corporations. The American Institute of CPA’s Statement on Auditing Standards no. 137, The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports, prevents the provision of any link to the audited financials within the General Synod workbook. Including a link would require having the entire General Synod workbook audited; both the timeline and cost of this are prohibitive. Financial highlights of each corporation are presented below. For more information, please contact the Office of Finance.

Financial Summaries—Fiscal Year Ended September 30, 2023

General Synod Council (GSC)

The GSC’s total income was \$15.5 million and expenses totaled \$14.4 million, resulting in net income of \$1.1 million. This income was primarily due to an increase in the value of investments of nearly \$3.0 million (an increase of approximately \$6.6 million from last year). Total net assets were \$41.8 million, of which \$19.9 million is without donor restrictions and \$21.9 million is with donor restrictions.

The generosity of donors—churches, individuals, and foundations—covered 55 percent of the GSC’s costs. Assessments provided 26 percent of GSC’s costs and continue to be consistently paid to GSC by classes. Funding for the work of the General Synod, including the operating budget and all other designated and restricted funds, is presented in the following chart:

REVENUE BY FISCAL YEARS ENDING SEPTEMBER 30

	2023	2022
Contributions and Grants	\$7,904,835	\$8,467,716
Assessments	\$3,712,317	\$5,542,829
Other Income*	\$3,923,142	\$(2,961,610)
TOTAL INCOME	\$15,540,294	\$11,048,935

**Includes investment gains/(losses) and fees for services provided to related entities*

Contributions and grants decreased by \$560,000 from 2022. New grant income from the Employee Retention Credit of \$455,000 was offset by decreases in other grant income of \$176,000. Donations to Global Mission also decreased by approximately \$600,000. Decreased giving for U.S. and international disasters accounted for approximately half of this reduction.

Assessments decreased by approximately \$1.8 million due to the large number of churches leaving the denomination.

Other income increased by approximately \$6.9 million due primarily to the appreciation in market values of investments. The endowment fund increased 9.8 percent (net of fees) for fiscal year 2023, and the fixed income portfolio began to realize increased returns due to the raising interest rate environment.

The chart below shows expenses by functional category and is followed with a summary of each functional expense category.

EXPENSES BY FISCAL YEARS ENDING SEPTEMBER 30

	2023	2022
Center for Church Multiplication and Ministry	\$3,092,188	\$3,436,560
Global Mission	\$7,081,806	\$7,125,651
Work of the General Synod*	\$2,090,943	\$2,573,033
Ministry Support Services	\$2,167,725	\$2,149,773
TOTAL EXPENSES	\$14,432,662	\$15,285,017

**Includes GSC, General Synod, and the Office of the General Secretary*

The GSC's total expenses decreased from the prior year by \$850,000.

- The Center for Church Multiplication and Ministry expenses decreased by approximately 10 percent due to unfilled vacancies and eliminated positions. Global Mission expenses did not change significantly from 2022 to 2023.
- Work of the General Synod expenses decreased because two General Synods were held in fiscal year 2022, and only one in fiscal year 2023.
- Ministry Support Services expenses did not change significantly from 2022 to 2023.

Board of Benefits Services (BOBS)—403(b) Retirement Program

As mentioned above, audits for the 2023 fiscal year were performed by Plante Moran, PLLC, certified public accountants. The RCA 403(b) Retirement Program and Support and Investment funds were audited separately from the BOBS General Fund and non-qualified RCA Retirement Plan. The RCA 403(b) Retirement Program statements are presented on a modified-cash basis, as this presentation is a more accurate reflection of the financial status of the plan. As of September 30, 2023, the date of BOBS' most recent audit, \$282 million is held in participant accounts in the RCA 403(b) Retirement Program. In fiscal year 2023, participant and employer contributions to the plan were \$9.3 million, and \$6.7 million was reallocated from the non-qualified RCA Retirement Plan. Distributions to participants totaled \$13.8 million for the same time period.

Together as a denomination, we, through decisions of General Synod, have agreed to contribute at least 11 percent of the eligible salaries of RCA-ordained ministers to their retirement accounts each year. An estimated \$552,000 has been identified as funds that have not been paid into participant accounts from local congregations for benefits owed between January 1, 2009, and September 30, 2023. BOBS staff continues to work with ministers, congregations, and classes to obtain necessary information to monitor compliance with *Book of Church Order* Formulary No. 5 requirements.

For additional information about the retirement plans, see the report of the Board of Benefits Services in this workbook.

Board of Benefits Services—General Fund

The BOBS' General Fund administers the retirement programs, life and long-term disability insurances, assistance and retiree chaplains programs, and financial education and well-being programs for active and retired RCA-ordained ministers, their dependents, and surviving spouses. The General Fund is financially healthy, with \$28 million in net assets as of September 30, 2023. The General Fund ended fiscal year 2023 with a net surplus of \$2.5 million. Investment earnings on reserves and endowments amounted to \$2.8 million, and other revenue generated \$1.8 million. Administration costs for the retirement plans, which are covered primarily by a fee on employer contributions to the RCA 403(b) Retirement Program and the RCA Retirement Plan accounts, totaled \$308,000 in 2023, and is included in the other revenue noted above.

Effective January 1, 2022, BOBS implemented a fee reduction for participants from 19 basis points (bps) to 10 bps. Since 2012, the administrative fee has dropped by 30 bps. Earnings from the ERISA Insurance Endowment Fund, a decrease in operational expenses, plus investment earnings from other sources and increased values in the retirement plans allowed for BOBS to administer its programs at a reduced fee. Participants were not charged administrative fees for July, August, or September 2023.

Support for the assistance and retiree chaplains programs came from the final quarter of a General Synod assessment, designated contributions, and annual investment income from endowment funds. Assistance grants and retiree chaplains' ministry expenses were \$506,000 in 2023. The premiums received for life and long-term disability insurances cover the costs of administering those insurances. Financial education and well-being initiatives were funded by annual endowment income and grants from the Lilly Endowment, Inc.

For additional information about the BOBS' General Fund, see the report of the Board of Benefits Services in this workbook.

Church Growth Fund (CGF)

The CGF makes affordable-rate loans to current and former RCA churches and related agencies for building projects used in ministry. Loans are funded by current and former RCA churches, agencies, and individuals that purchase CGF savings certificates, which are interest-bearing investments offering a favorable rate of return.

As of fiscal year end, September 30, 2023, the CGF ended fiscal year 2023 with \$79 million in total assets, including over \$31 million in cash and short-term investments and \$47 million in loans to churches. The loans were funded by \$28 million in savings certificates and \$51 million in net assets (capital). The CGF had a net surplus of \$2.3 million. Interest on loans amounted to \$2.3 million, and the CGF earned \$1.6 million in net investment income. The CGF contributed \$633,500 to the GSC to be used for grants related to church plants, church revitalization, and next generation mission scholarships. Since 2018, the CGF has operated under a goal of being able to contribute up to 50 percent of net operating income annually back to the denomination.

The CGF has very strong liquidity, capital, and cash flow when compared to standards established by the North American Securities Administrators Association. For additional information about the CGF, see the report of the Church Growth Fund in this workbook.

Investments

The corporate investments of the GSC, BOBS, and CGF are managed by professional investment managers. Performance and compliance with defined investment policy statements are reviewed twice a year by the GSC Investment Advisory Committee, which is made up of representatives from the boards of each corporation and at-large members with investment expertise. The GSC Investment Advisory Committee makes recommendations for changes to investment policy or management to each RCA board for consideration.

Excess Operating Reserves

Since December 2017, the operating reserves of the GSC, BOBS, and CGF are being managed by Telemus Capital, LLC, an investment firm based out of Ann Arbor, Michigan, in an actively managed portfolio of fixed-income securities. Telemus Capital, LLC, allows for the segregation of funds for each RCA corporation. The corporate investments for each RCA entity may then be further segregated and managed under two separate investment policies. The first policy, invested only in fixed income, is the secondary liquidity source after cash and savings for the RCA entity and uses the benchmark for investment returns of the Barclays 1-5 Year Government/Credit A+ Index. The second policy, allocating assets to longer duration fixed income and equities, is the third source of liquidity for the RCA entities and uses the benchmark for fixed income investment returns of the Barclays Intermediate Government Corporate Bond Index. The total amount invested in fixed income at Telemus Capital, LLC, was \$32.6 million at September 30, 2023.

Endowment Funds

The GSC manages \$24.7 million in funds provided by donors or set aside by management to be invested long term. Some of the endowed gifts entrusted to the GSC date back to the mid-1800s. The investment proceeds from endowed gifts are used for donor-designated purposes while preserving and growing the dollar value of the original gift. LVM Capital Management, Ltd., actively manages 100 percent of the fixed income investments and 80 percent of the equity investments. The remaining 20 percent of equities are invested in passive index funds at the recommendation of the GSC Investment Advisory Committee. The benchmark for investment returns is 70 percent S&P 500 and 30 percent Bank of America Merrill Lynch 1-10 Year Government/Corporate Bond Index.

In addition to the GSC and CGF, the endowment pool includes amounts designated for local congregations and RCA seminaries and colleges. In fiscal year 2023, the RCA Endowment Fund distributed \$955,000 to the GSC; \$36,000 to the CGF; and \$159,000 to organizations associated with the RCA. If you are interested in setting up an endowment for the benefit of the GSC or your local congregation, please contact the RCA's Office of Advancement (advancement@rca.org).

BOBS also manages an endowment fund valued at \$23.9 million. LVM Capital Management, Ltd., actively manages 100 percent of the fixed income investments and 80 percent of the equity investments. The remaining 20 percent of equities are invested in passive index funds at the recommendation of the GSC Investment Advisory Committee. The benchmark for investment returns is 70 percent S&P 500 and 30 percent Bank of America Merrill Lynch 1-10 Year Government/Corporate Bond Index. In 2023, approximately \$768,000 was distributed from the endowment fund to the BOBS' General Fund.

RCA Retirement Plan Investment Options for Participants

Fidelity Investments provides recordkeeping and investment management services for the BOBS' retirement plans. In collaboration with the GSC Investment Advisory Committee, in its fiduciary role, BOBS monitors the performance of the investment options (funds) available under the two retirement plans. BOBS and the Investment Advisory Committee are assisted in this task by outside retirement investment consultants from Creative Planning Retirement Services.

Mutual fund options available to retirement plan participants include target-date retirement funds based on a participant's retirement age as well as 18 diversified mutual funds, including three environment, social, and governance (ESG) investing options. As of April 1, 2024, a self-directed brokerage account was added to allow participants to invest in funds not currently offered in the investment lineup. As of December 31, 2023, 73 percent of the participant funds are invested in target-date retirement funds; an additional 6 percent are enrolled in the Fidelity Personalized Planning and Advice (FFPA) program. The total market value of the mutual funds held in the RCA 403(b) Retirement Program was \$304 million, with an additional \$184 million in the non-qualified RCA Retirement Plan at September 30, 2023.

For additional information about the retirement plans, see the report of the Board of Benefits Services in this workbook.

Planned Giving Programs

The GSC manages various planned giving programs, including charitable gift annuities, totaling \$1 million. The Barnabas Foundation provides investment management and recordkeeping services for these programs. The investments include equities and fixed income to provide cash flow to cover the required payouts. This fund is in a wind-down phase. Those wishing to establish a charitable gift annuity benefiting the RCA or a local RCA church may contact the Barnabas Foundation or the RCA's Office of Advancement to do so.

Church Growth Fund Investments

The CGF invests a portion of excess operating cash in four fixed-income accounts and two equity accounts. As of September 30, 2023, Telemus Capital, LLC, the Barnabas Foundation, and LVM Capital Management, Ltd., manage these funds. The RCA Investment Advisory Committee reviews the investment policy and investment performance semi-annually.

Socially Responsible and Environment, Social, and Governance (ESG) Investing

The investment policy statements for each pool of corporate investments require the investment manager to avoid investments in the securities of companies whose principal business involves gambling, for-profit prisons, the production or distribution of tobacco or alcohol, adult entertainment and pornography, or firearms. These

policy statements do not apply to the RCA Retirement Plan and RCA 403(b) Retirement Program assets.

BOBS currently offers three ESG funds to its participants in the Retirement Program. In addition, the newly offered brokerage account offers a greater variety of ESG funds for participants who are interested in investing in funds that align with their personal values. Participants who wish to learn more about ESG investing, the ESG funds available, and the brokerage link may visit www.rca.org/benefits/investment-options-in-the-retirement-plans.

Two General Synod actions (CA 21-6, *MGS 2021*, p. 206; ONB 21-9a, *MGS 2021*, p. 119) taken in October 2021 were related to ESG investments. Both actions were tasked to the GSC Investment Advisory Committee for follow up. The GSC Investment Advisory Committee created an ESG subcommittee to specifically review these actions. The subcommittee membership includes the moderator of the Commission on Christian Action and continues to meet annually.

The subcommittee recognizes that the industry standards for ESG ratings and definitions are a work in progress. The criteria and scoring methods are constantly evolving. There is also a significant amount of pushback, both political and regulatory, regarding ESG standards. The subcommittee does not believe that the RCA is behind the industry standard on incorporating ESG criteria into our corporate investment policies. In this frequently changing environment, the GSC Investment Advisory Committee is being cautious and prudent and continues to believe it is not a good time to integrate ESG criteria into our investment policies. We are committed to balancing investment growth, fiduciary responsibility, and our ESG impact.

2024 Budget Process

Alignment of Resources with Transformed & Transforming and GSC Ends Policies

The general secretary has identified ministry priorities that are in line with the GSC's ends policies. These include church ministry initiatives related to Transformed & Transforming, global mission, church multiplication, and a multicultural, multiracial, and multigenerational future for the RCA that is freed from the sins of racism, sexism, and ageism. The Center for Church Multiplication and Ministry encapsulates the work to further these ministry initiatives. GSC staff focus on equipping churches and church leaders in these areas so that they are better able to follow the unique call that God has given their church. Budget managers developed 2024 budgets with the aim of making sure that we are utilizing resources wisely in light of decreased assessment revenue.

The covenant shares and contributions provided by RCA churches and members enable the GSC staff to come alongside RCA congregations in many ways, start new churches, and reach people with the love of Christ through RCA mission efforts. For more on how the RCA's financial resources were used in ministry during the past year, please see the reports in this workbook on the Center for Church Multiplication and Ministry and on Global Mission.

General Synod Council Operating Budget Process

The GSC operating budget is primarily funded by covenant shares, contributions, and operating reserves. Operating expenses for BOBS and CGF are covered under separate budgets. The 2024 budget was finalized by determining revenue available from covenant shares, contributions, investments, and other income. On January 1, 2024, covenant shares was implemented to replace per-member assessments. In June 2023, the General Synod approved a covenant share percentage of 2.7 percent of contribution revenue noted on line 21 of the 2022 Consistorial Report Form (CRF) for the 2024 calendar year. \$415,000 of covenant shares was earmarked for Theological Education, and \$30,000 was reserved for future General Synod initiatives. The fiscal year 2024 budgeted assessment revenue to the GSC (excluding the Ministerial Formation Certification Agency [MFCA]) is \$2.8 million, representing a decrease of \$600,000 from the 2023 budget.

Contributions to the On Mission Fund are unrestricted contributions to the RCA. For 2024, contributions to the On Mission Fund are budgeted at the same amount as 2023. Based on Partnership-in-Mission (PIM) shares pledged to support missionaries, and a reduced number of missionaries in the field, Global Mission expects to see an overall decrease in contributions of about \$400,000 compared to prior year giving.

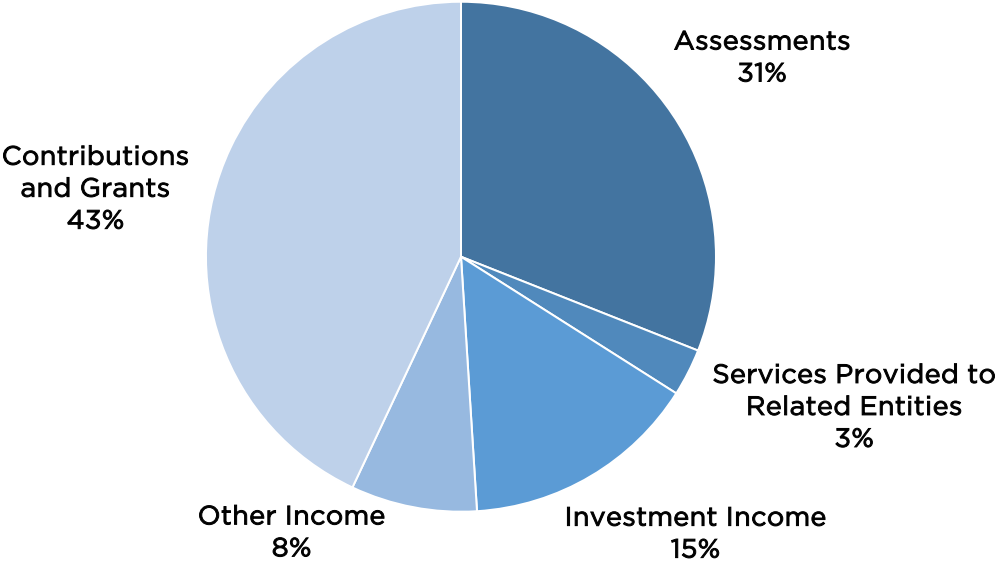
Personnel costs, including salaries and benefits, make up 71 percent of the total budget. The remaining 29 percent of the budget is used for meeting and travel costs for the GSC, commissions, and General Synod; office costs, including rent and utilities; and other costs necessary to carry out the work of the GSC.

The 2024 budget was prepared assuming a draw on reserves of about \$1.1 million. This deficit included a planned draw on reserves of \$105,000 for the MFCA.

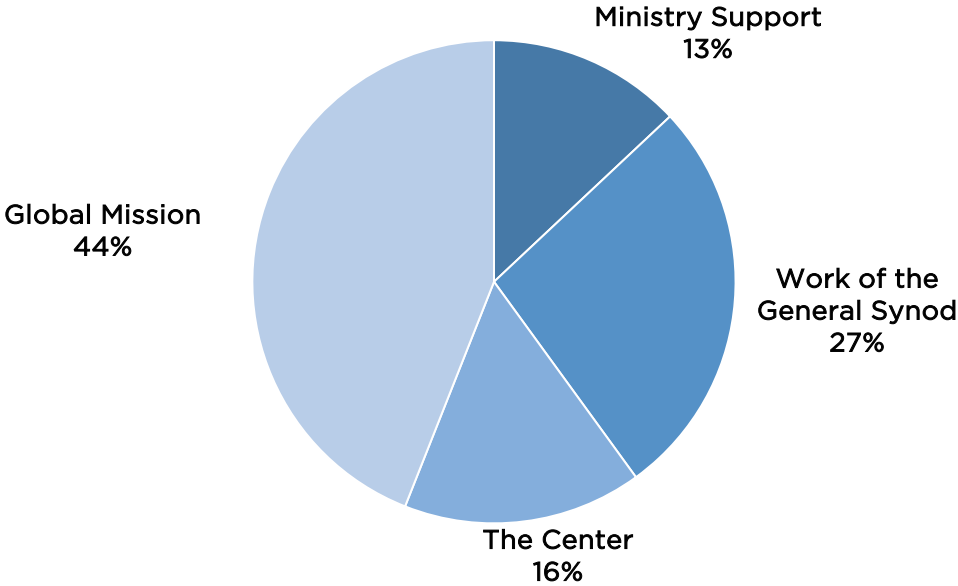
General Synod Council 2024 Fiscal Year Budget

The charts below show the budgeted operating income and expenses for 2024. This budget includes the work of the strategic ministry priorities identified by GSC through its ends policies, the work of the General Synod, and ministry support services. The budgets do not include donor-restricted activity.

2024 GSC BUDGETED INCOME
Total \$9.4 Million



2024 GSC BUDGETED EXPENSES
Total of \$10.5 Million



In addition to the operating budget, gifts and grants designated for specific purposes typically provide about \$4 to \$5 million annually. These specific purposes include funds for disaster relief, Global Mission projects, grants from foundations, and other projects beyond the scope of operational work.

In January 2024, the general secretary, in consultation with the Strategic Leadership Team, began the process of developing a three-year plan to balance the budget. In the summer of 2024, staff will finalize the 2025 budget, which will be based on the approved covenant shares percentage rate and other estimated revenue for 2025. We are expecting a drop in revenue based on a planned reduction in the covenant shares percentage, as proposed by the restructuring team. The budget will remain focused on fulfilling the priorities of Transformed & Transforming, including the GSC's ends policies of equipping leaders, global mission, church multiplication, and multicultural, multiracial, and multigenerational future in impactful and measurable ways.

2025 Covenant Shares

As noted earlier, 2024 was the first year that classes were assessed utilizing the covenant share method. The June 2023 General Synod approved a covenant share percentage of 2.7 percent (of Line 21 of the CRF; including the 10 percent increase/decrease limits per church explained below) to provide funding for GSC, theological education, and the establishment of a fund for future General Synod initiatives. Classes and regional synods also assess churches, but those assessments are not covered in this report because they are not proposed by the GSC or approved by the General Synod.

In an effort to move toward the covenant share cap that is coming as a recommendation from the restructuring team to the 2024 General Synod, the GSC is recommending a reduced covenant shares rate of 2.5 percent for the calendar year 2025. The GSC will calculate the amount due from each classis based on the total contributions received by each church within its bounds, as reported on Line 21 of the Consistorial Report Form (CRF), multiplied by the General Synod-approved percentage rate. As stated in the original motion adopted by the General Synod defining the covenant shares method (see EC 19-9, *MGS 2019*, pp. 51-52), the change in the total dollar amount of a church's covenant shares will be limited to no more than 10 percent, either up or down, over the previous year's covenant shares amount.

Clerks were able to make adjustments and corrections to CRF information submitted by their congregations until April 15. Preliminary calculations indicated a covenant shares rate of 2.5 percent will generate approximately \$3 million of assessment revenue. This represents a decrease of approximately \$100,000, or 3.2 percent compared to the 2024 assessment.

To find out more about covenant shares and how they provide funding to the denomination, please review the following resources on the RCA website:

www.rca.org/assessments-and-financials and www.rca.org/assessments-and-financials/why-pay-covenant-shares.

Proposed Utilization of Covenant Share Revenue

The GSC has an operating budget deficit (excluding Global Mission and the MFCA) of \$931,000 for fiscal year 2024. The general secretary has developed a plan to balance the budget by fiscal year 2027, while also reducing the covenant shares rate to the 2.0 percent that is being recommended by the restructuring team. (While that recommendation from the restructuring team has not yet been adopted by this General Synod, the general secretary's plan proactively assumes that it will be, as this produces a more conservative budget plan.)

The Pastoral Formation Oversight Board (PFOB) recommended to the GSC a General Synod assessment for theological education of \$415,000, allocated in the following manner:

- \$15,000 to cover the cost of the meeting of the PFOB, the General Synod professors, and collaborative efforts among the respective agents.
- The remainder will be split evenly among the three theological agents.

PFOB's original recommendation to the GSC was to keep the theological education assessment for 2025 at the same dollar amount as the previous year; however, due to the anticipated decrease in the overall covenant shares amount as well as the need to work toward balancing the GSC budget rather than continuing to use reserves, the GSC's recommendation to the General Synod includes a lower amount for theological education, in alignment with the general secretary's three-year plan to balance the budget.

The general secretary's plan assumes that the assessment for theological education is reduced 50 percent (\$207,500) for 2025. The plan also reduces operating expenses and the budget deficit by approximately \$650,000 in 2025. The three-year budget plan includes no further reductions to the theological education assessment beyond the 50% reduction in 2025, but it does include further reductions to expenses in future years. As of December 31, 2023, PFOB had a balance of unspent funds of approximately \$39,000 at its disposal, and according to the formula it originally proposed to GSC, it would receive an additional \$15,000 in 2024. Given the existing balance in its account, PFOB may choose to split the entire reduced theological education budget among the three agents this year.

If the general secretary's plan is implemented, the \$3 million in covenant share revenue for 2025 would be allocated in the following manner:

- \$30,000 of the assessments collected will be reserved for General Synod initiatives. This fund was initiated in 2024 and will continue to be set aside and carried forward year to year unless the General Synod takes action to use a portion of the funds for a specific purpose. If a General Synod action requires funding that exceeds the amount available in this fund, an additional assessment would need to be voted upon.
- \$207,500 for theological education

- \$2,762,500 for GSC

The assessment of \$2.8 million will provide an estimated 57 percent of the 2025 budgeted operating revenue to the GSC (excluding Global Mission and MFCA). This is down from 60 percent in 2024. Contributions and grants, investment income, endowment distributions, and fees for services provide the remainder of the budgeted operating revenue to the GSC. The GSC budget includes funding the ministry priorities that are in line with the GSC's ends policies. The GSC budget also includes funding the work of the General Synod—the annual General Synod meeting, GSC meetings, commissions, and racial and ethnic councils—as well as general and administrative support services.

Assessment revenue has declined significantly in the past five years due to churches leaving the denomination. In calendar year 2020, the GSC received \$6 million in assessment revenue. The GSC staff have made several budget reductions in anticipation of this significant decline in assessment revenue and plan additional cuts to obtain a balanced budget. These cuts will take the form of both personnel and non-personnel reductions. Variance from the general secretary's plan—including if the General Synod decides against reducing the theological education assessment to the proposed \$207,500—will result in additional personnel reductions. In the summer of 2024, staff will finalize the 2025 budget, which will be based on the approved covenant shares percentage rate and other estimated revenue as well as using a significantly smaller portion of our unrestricted operating reserves.

The GSC, general secretary, and the GSC staff realize the tremendous blessing and responsibility we have been given to manage the past and present funds entrusted to us by donors and congregations. We commit to careful stewardship of the funds with which God has blessed us.

Covenant Shares Recommendation

The GSC recommends that the General Synod approve a 2025 covenant shares rate of 2.5 percent of Line 21 of the CRF, with 10 percent increase/decrease limits per church. Of the assessments collected, \$207,500 would be provided to theological education, and \$30,000 would be reserved for future General Synod special initiatives.

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To approve a General Synod 2025 covenant shares rate of 2.5 percent, of which \$207,500 would be provided to theological education, and \$30,000 would be reserved for future General Synod special initiatives.