



# CRCNA Funds, LLC

Financial Statements  
Years Ended June 30, 2018 and 2017

# **CRCNA Funds, LLC**

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Financial Statements  
Years Ended June 30, 2018 and 2017

# CRCNA Funds, LLC

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## Independent Auditor's Report

Board of Directors  
CRCNA Funds, LLC  
Grand Rapids, Michigan

We have audited the accompanying financial statements of CRCNA Funds, LLC, which comprise the balance sheets as of June 30, 2018 and 2017, the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRCNA Funds, LLC as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

September 17, 2018

## Financial Statements

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# CRCNA Funds, LLC

## Balance Sheets

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 544,681	\$ 4,632,059
Investments	20,801,887	19,508,895
Interest and dividends receivable	41,948	35,030
<b>Total Assets</b>	<b>\$ 21,388,516</b>	<b>\$ 24,175,984</b>
<b>Liabilities and Member's Equity</b>		
<b>Liabilities</b>		
Due to World Renew	\$ 8,460,730	\$ 9,931,662
Due to the Christian Reformed Church Loan Fund	-	2,061,179
Due to the Christian Reformed World Missions of the United States of America	-	4,628,180
Due to Back to God Ministries International	3,125,293	2,941,649
Due to the Christian Reformed Board of Home Missions	-	4,537,002
Due to the Christian Reformed Church in North America Foundation	-	56,905
Due to the Christian Reformed Church of North America	9,801,493	18,407
<b>Total Liabilities</b>	<b>21,387,516</b>	<b>24,174,984</b>
<b>Member's Equity</b>		
Member's capital	1,000	1,000
<b>Total Liabilities and Member's Equity</b>	<b>\$ 21,388,516</b>	<b>\$ 24,175,984</b>

*See accompanying notes to financial statements.*

# CRCNA Funds, LLC

## Statements of Income

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<i>Year ended June 30,</i>	2018	2017
<b>Revenue and Other Income</b>		
Investment income, net	\$ 595,709	\$ 1,074,330
Allocation of investment income, net	(595,709)	(1,074,330)
Net investment income	-	-
Net Income	\$ -	\$ -

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*See accompanying notes to financial statements.*



## CRCNA Funds, LLC

### Statements of Changes in Member's Equity

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	Member's Capital	Retained Earnings	Total Member's Equity
Balance, July 1, 2016	\$ 1,000	\$ -	\$ 1,000
Net income for the year	-	-	-
Balance, June 30, 2017	1,000	-	1,000
Net income for the year	-	-	-
Balance, June 30, 2018	\$ 1,000	\$ -	\$ 1,000

*See accompanying notes to financial statements.*

**CRCNA Funds, LLC**  
**Statements of Cash Flows**

<i>Year ended June 30,</i>	2018	2017
<b>Cash Flows From (for) Operating Activities</b>		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash for operating activities:		
Unrealized gain on investments, net	(330,385)	(988,632)
Realized loss on investments, net	64,194	170,608
Changes in assets and liabilities:		
Interest receivable	(6,918)	(6,531)
Due to World Renew	(1,470,932)	752,420
Due to the Christian Reformed Church Loan Fund	(2,061,179)	(3,985,500)
Due to the Christian Reformed World Missions of the United States of America	324,592	438,873
Due to Back to God Ministries International	183,644	248,208
Due to the Christian Reformed Board of Home Missions	232,355	2,288,356
Due to the Christian Reformed Church in North America Foundation	(56,905)	5,396
Due to the Christian Reformed Church of North America	60,957	1,433
<b>Net Cash for Operating Activities</b>	<b>(3,060,577)</b>	<b>(1,075,369)</b>
<b>Cash Flows From (for) Investing Activities</b>		
Proceeds from sale of investments	1,222,632	2,133,598
Purchases of investments	(2,249,433)	(4,492,498)
<b>Net Cash for Investing Activities</b>	<b>(1,026,801)</b>	<b>(2,358,900)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(4,087,378)</b>	<b>(3,434,269)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>4,632,059</b>	<b>8,066,328</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 544,681</b>	<b>\$ 4,632,059</b>

*See accompanying notes to financial statements.*

# CRCNA Funds, LLC

## Notes to Financial Statements

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### 1. Organization

CRCNA Funds, LLC (CRCNA Funds) was formed by the Christian Reformed Church in North America (CRCNA) as of May 26, 2011 as a limited liability company under Delaware law. CRCNA is the sole member of CRCNA Funds. CRCNA Funds is a wholly owned subsidiary of CRCNA, formed to help fulfill the mission and charitable purposes of CRCNA and related agencies.

CRCNA Funds holds investments for participating agencies of the Christian Reformed Church which include Back to God, Loan Fund, Resonate Global Missions, World Renew, and CRCNA. These investments were administered and managed by US Trust Manager (Blackrock) and Merrill Lynch. Participating agencies may direct their investments into one or more of the following: a money market account, a balanced portfolio, a fixed income portfolio or bank certificates of deposit. Agencies receive allocations of their share of investment income. All participating agencies are considered related parties.

### 2. Summary of Significant Accounting Policies

#### *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from those estimates.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and estimated highly liquid financial instruments with original maturities of less than three months when purchased.

#### *Investments*

CRCNA Funds values its investments at estimated fair value (see Note 4 for additional information). CRCNA Funds invests in various securities, including U.S. government securities, corporate debt instruments and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the estimated fair values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the balance sheets.

#### *Due to CRCNA Agencies*

CRCNA Funds hold investments for the CRCNA agencies and the investments and investment income are allocated to the various CRCNA agencies based on the agencies share of investment at the time of sale, purchase or distribution.

#### *Income Taxes*

CRCNA Funds is a limited liability company and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The income or loss of CRCNA Funds is passed through to the sole member, which is a nonprofit religious entity and, therefore, exempt from

# CRCNA Funds, LLC

## Notes to Financial Statements

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federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Gifts to CRCNA Funds qualify for charitable contribution deductions according to the Internal Revenue Service regulations. CRCNA Funds does not have any material uncertain tax positions.

### *Investment Income*

Investment income consists of interest and dividends, realized and unrealized gains and losses, and other investment charges and fees.

### *Subsequent Events*

Management has evaluated subsequent events through September 17, 2018, the date the financial statements were available to be issued. Based on this evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

### *Reclassifications*

Certain reclassifications have been made in the June 30, 2017 financial statements to conform to the classifications in the June 30, 2018 financial statements. Such reclassifications had no impact on previously reported net income.

## 3. Investments

The amortized cost and estimated fair value of available-for-sale securities are as follows:

<i>June 30, 2018</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Fixed income portfolio</b>				
Government bonds	\$ 480,003	\$ 40	\$ (6,033)	\$ 474,010
Corporate bonds	763,028	16	(12,939)	750,105
Asset-backed securities	307,859	-	(7,206)	300,653
<b>Total fixed income portfolio</b>	<b>1,550,890</b>	<b>56</b>	<b>(26,178)</b>	<b>1,524,768</b>
<b>Balanced income portfolio</b>				
Government bonds	4,710,376	1,819	(154,402)	4,557,793
Corporate bonds	2,397,445	8	(74,617)	2,322,836
Asset-backed securities	1,754,663	-	(48,928)	1,705,735
Equity securities	8,344,505	2,497,177	(150,927)	10,690,755
<b>Total balanced income portfolio</b>	<b>17,206,989</b>	<b>2,499,004</b>	<b>(428,874)</b>	<b>19,277,119</b>
<b>Total</b>	<b>\$ 18,757,879</b>	<b>\$ 2,499,060</b>	<b>\$ (455,052)</b>	<b>\$ 20,801,887</b>

# CRCNA Funds, LLC

## Notes to Financial Statements

<i>June 30, 2017</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Fixed income portfolio</b>				
Government bonds	\$ 480,453	\$ 5	\$ (3,522)	\$ 476,936
Corporate bonds	737,296	359	(5,717)	731,938
Asset-backed securities	307,863	1,511	(2,522)	306,852
<b>Total fixed income portfolio</b>	<b>1,525,612</b>	<b>1,875</b>	<b>(11,761)</b>	<b>1,515,726</b>
<b>Balanced income portfolio</b>				
Government bonds	4,242,179	1,614	(66,318)	4,177,475
Corporate bonds	2,182,864	3,783	(26,659)	2,159,988
Asset-backed securities	1,667,103	8,200	(13,812)	1,661,491
Equity securities	8,435,006	1,655,606	(96,397)	9,994,215
<b>Total balanced income portfolio</b>	<b>16,527,152</b>	<b>1,669,203</b>	<b>(203,186)</b>	<b>17,993,169</b>
<b>Total</b>	<b>\$ 18,052,764</b>	<b>\$ 1,671,078</b>	<b>\$ (214,947)</b>	<b>\$ 19,508,895</b>

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# CRCNA Funds, LLC

## Notes to Financial Statements

A summary of the aggregated estimated fair values of available-for-sale securities with unrealized losses segregated by time period in an unrealized loss position is as follows:

<i>June 30, 2018</i>	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
<b>Fixed income portfolio</b>						
Government bonds	\$ -	\$ -	\$ 442,214	\$ (6,033)	\$ 442,214	\$ (6,033)
Corporate bonds	23,949	(450)	709,449	(12,489)	733,398	(12,939)
Asset-backed securities	-	-	300,653	(7,206)	300,653	(7,206)
<b>Total fixed income portfolio</b>	<b>23,949</b>	<b>(450)</b>	<b>1,452,316</b>	<b>(25,728)</b>	<b>1,476,265</b>	<b>(26,178)</b>
<b>Balanced income portfolio</b>						
Government bonds	129,665	(257)	4,387,708	(154,145)	4,517,373	(154,402)
Corporate bonds	177,184	(2,446)	2,155,786	(72,171)	2,332,970	(74,617)
Asset-backed securities	-	-	1,705,735	(48,928)	1,705,735	(48,928)
Equity securities	878,317	(150,927)	-	-	878,317	(150,927)
<b>Total balanced income portfolio</b>	<b>1,185,166</b>	<b>(153,630)</b>	<b>8,249,229</b>	<b>(275,244)</b>	<b>9,434,395</b>	<b>(428,874)</b>
<b>Total</b>	<b>\$ 1,209,115</b>	<b>\$ (154,080)</b>	<b>\$ 9,701,545</b>	<b>\$ (300,972)</b>	<b>\$ 10,910,660</b>	<b>\$ (455,052)</b>

# CRCNA Funds, LLC

## Notes to Financial Statements

<i>June 30, 2017</i>	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
<b>Fixed income portfolio</b>						
Government bonds	\$ -	\$ -	\$ 413,179	\$ (3,522)	\$ 413,179	\$ (3,522)
Corporate bonds	181,030	(1,834)	352,271	(3,883)	533,301	(5,717)
Asset-backed securities	-	-	151,361	(2,522)	151,361	(2,522)
<b>Total fixed income portfolio</b>	<b>181,030</b>	<b>(1,834)</b>	<b>916,811</b>	<b>(9,927)</b>	<b>1,097,841</b>	<b>(11,761)</b>
<b>Balanced income portfolio</b>						
Government bonds	273,484	(1,328)	3,580,478	(64,990)	3,853,962	(66,318)
Corporate bonds	280,513	(3,632)	1,303,730	(23,027)	1,584,243	(26,659)
Asset-backed securities	-	-	817,921	(13,812)	817,921	(13,812)
Equity securities	1,085,726	(96,397)	-	-	1,085,726	(96,397)
<b>Total balanced income portfolio</b>	<b>1,639,723</b>	<b>(101,357)</b>	<b>5,702,129</b>	<b>(101,829)</b>	<b>7,341,852</b>	<b>(203,186)</b>
<b>Total</b>	<b>\$ 1,820,753</b>	<b>\$ (103,191)</b>	<b>\$ 6,618,940</b>	<b>\$ (111,756)</b>	<b>\$ 8,439,693</b>	<b>\$ (214,947)</b>

Investments with unrealized losses are considered impaired. Determining which investment securities are impaired is the first step in CRCNA Fund's policies and procedures in assessing for other-than-temporary impairment (OTTI). However, the principal considerations that CRCNA Funds bases its OTTI analysis on are if CRCNA Funds intends to sell the impaired security or the amortized cost of the impaired security is not expected to be recovered. Recovery of the amortized cost requires estimating the present value of the expected cash flows associated with the impaired security and estimating the expected recovery period. Both of these estimates require the application of significant judgment and the consideration of a variety of factors. Such factors may be common to the market as a whole or specific to the impaired security issuer or its industry. If an OTTI is indicated it must be separated into the amount of the total OTTI related to credit issues and the amount of the total OTTI related to all other factors, such as interest rates. The amount of the total OTTI related to credit issues is recognized in earnings. The amount of the total OTTI related to all other factors is recognized in other comprehensive income. Based on this approach, CRCNA Funds did not find any securities that it considered to be other-than-temporarily impaired during the years ended June 30, 2018 and 2017.

# CRCNA Funds, LLC

## Notes to Financial Statements

A summary of the amortized cost and estimated fair value of available-for-sale fixed-maturity securities at June 30, 2018, by contractual maturity, is provided below. The expected maturities may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayments penalties.

<i>June 30, 2018</i>	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 776,038	\$ 767,824
Due after one year through five years	1,280,353	1,235,034
Due after five years through ten years	4,317,176	4,198,696
Due after ten years	1,977,285	1,903,190
Asset-backed securities	2,062,522	2,006,388
<b>Total</b>	<b>\$ 10,413,374</b>	<b>\$ 10,111,132</b>

Major categories of CRCNA Fund's net investment income are summarized as follows:

<i>Year ended June 30,</i>	2018	2017
Investment income:		
Interest and dividends	\$ 470,438	\$ 381,433
Net unrealized gains	330,385	988,632
Net realized losses	(64,194)	(170,608)
<b>Total investment income</b>	<b>736,629</b>	<b>1,199,457</b>
<b>Investment expense</b>	<b>(140,920)</b>	<b>(125,127)</b>
<b>Investment Income, net</b>	<b>\$ 595,709</b>	<b>\$ 1,074,330</b>

#### 4. Fair Value Measurements

In accordance with the Financial Accounting Standards Board standard relating to fair value measurements, CRCNA Funds classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. The valuation technique utilized by CRCNA Funds for its Level 2 investments is the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.



# CRCNA Funds, LLC

## Notes to Financial Statements

The following tables set forth by level within the fair value hierarchy a summary of CRCNA Funds' investments measured at estimated fair value on a recurring basis:

<i>June 30, 2018</i>	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Government, corporate and foreign bonds	\$ 8,021,195	\$ 2,089,937	\$ -	\$ 10,111,132
Equities:				
Common stock	10,690,755	-	-	10,690,755
<b>Total Investments</b>	<b>\$ 18,711,950</b>	<b>\$ 2,089,937</b>	<b>\$ -</b>	<b>\$ 20,801,887</b>

<i>June 30, 2017</i>	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Government, corporate and foreign bonds	\$ 7,673,437	\$ 1,841,243	\$ -	\$ 9,514,680
Equities:				
Common stock	9,994,215	-	-	9,994,215
<b>Total Investments</b>	<b>\$ 17,667,652</b>	<b>\$ 1,841,243</b>	<b>\$ -</b>	<b>\$ 19,508,895</b>

### 5. Supplemental Disclosure of Cash Flow Information

During the year ended June 30, 2018, Christian Reformed World Missions and Christian Reformed Home Missions merged with the Christian Reformed Church in North America. As a result of this merger, \$4,769,357 due to Home Missions and \$4,952,772 due to World Missions are now included in the amount due to the Christian Reformed Church in North America.