



# Christian Reformed Church Loan Fund, Inc. - U.S.

## Financial Statements Years Ended June 30, 2019, 2018 and 2017

**Christian Reformed Church Loan Fund, Inc. - U.S.**

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Financial Statements  
Years Ended June 30, 2019, 2018 and 2017

# Christian Reformed Church Loan Fund, Inc. - U.S.

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## Independent Auditor's Report

Board of Directors  
Christian Reformed Church Loan Fund, Inc. - U.S.  
Grand Rapids, Michigan

We have audited the accompanying financial statements of Christian Reformed Church Loan Fund, Inc. - U.S. (the Fund), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for each of the three years in the period ended June 30, 2019, 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 Fund'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 Fund'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 Christian Reformed Church Loan Fund, Inc. - U.S. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for each of the three years in the period ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

August 12, 2019

## Financial Statements

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# Christian Reformed Church Loan Fund, Inc. - U.S.

## Statements of Financial Position

<i>June 30,</i>	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 5,407,381	\$ 3,618,933
Accrued interest receivable	71,734	89,107
Loans receivable - net of allowance for loan losses of \$400,073 in 2019 and 2018 (Note 4)	15,872,028	17,208,128
Prepaid support charges (Note 7)	-	26,000
Equipment, net	11,611	16,587
<b>Total Assets</b>	<b>\$ 21,362,754</b>	<b>\$ 20,958,755</b>
<b>Liabilities</b>		
Certificates payable (Note 5)	\$ 15,232,018	\$ 15,044,428
Accrued interest payable	38,380	33,919
Refundable commitment fees	-	15,987
<b>Total Liabilities</b>	<b>15,270,398</b>	<b>15,094,334</b>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	5,758,192	5,530,257
Board-designated	334,164	334,164
<b>Total Net Assets</b>	<b>6,092,356</b>	<b>5,864,421</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,362,754</b>	<b>\$ 20,958,755</b>

*See accompanying notes to financial statements.*

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Statements of Activities

<i>Year ended June 30,</i>	2019	2018	2017
<b>Revenues</b>			
Interest income	\$ 790,578	\$ 824,789	\$ 874,850
Interest income from concentrated cash management	63,766	24,885	45,717
Other income	1,450	13,438	1,606
<b>Total Revenues</b>	<b>855,794</b>	<b>863,112</b>	<b>922,173</b>
<b>Expenses</b>			
Program services:			
Interest on certificates payable	305,709	313,350	447,427
Provision for loan losses (Note 7)	-	-	1,948,000
<b>Total program services</b>	<b>305,709</b>	<b>313,350</b>	<b>2,395,427</b>
Supporting services:			
Management and general	296,937	354,594	322,964
Fundraising	25,213	22,570	18,995
<b>Total supporting services</b>	<b>322,150</b>	<b>377,164</b>	<b>341,959</b>
<b>Total Expenses</b>	<b>627,859</b>	<b>690,514</b>	<b>2,737,386</b>
Change in net assets	227,935	172,598	(1,815,213)
<b>Net Assets, beginning of year</b>	<b>5,864,421</b>	<b>5,691,823</b>	<b>7,507,036</b>
<b>Net Assets, end of year</b>	<b>\$ 6,092,356</b>	<b>\$ 5,864,421</b>	<b>\$ 5,691,823</b>

*See accompanying notes to financial statements.*



## Christian Reformed Church Loan Fund, Inc. - U.S.

### Statements of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program Services			Supporting Services			Total
	Interest on Certificates Payable	Provision for Loan Losses	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Marketing and public relations	\$ -	\$ -	\$ -	\$ -	\$ 25,213	\$ 25,213	\$ 25,213
Financial services	-	-	-	192,621	-	192,621	192,621
Depreciation	-	-	-	4,976	-	4,976	4,976
Interest	305,709	-	305,709	-	-	-	305,709
Professional and registration fees	-	-	-	46,172	-	46,172	46,172
Maintenance and building services	-	-	-	24,488	-	24,488	24,488
Personnel	-	-	-	4,712	-	4,712	4,712
Business insurance	-	-	-	5,256	-	5,256	5,256
Informational services	-	-	-	11,745	-	11,745	11,745
Other	-	-	-	6,967	-	6,967	6,967
<b>Totals</b>	<b>\$ 305,709</b>	<b>\$ -</b>	<b>\$ 305,709</b>	<b>\$ 296,937</b>	<b>\$ 25,213</b>	<b>\$ 322,150</b>	<b>\$ 627,859</b>

*See accompanying notes to financial statements.*

## Christian Reformed Church Loan Fund, Inc. - U.S.

### Statements of Functional Expenses

<i>Year Ended June 30, 2018</i>	Program Services			Supporting Services			Total
	Interest on Certificates Payable	Provision for Loan Losses	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Marketing and public relations	\$ -	\$ -	\$ -	\$ -	\$ 22,570	\$ 22,570	\$ 22,570
Financial services	-	-	-	253,552	-	253,552	253,552
Depreciation	-	-	-	4,920	-	4,920	4,920
Interest	313,350	-	313,350	-	-	-	313,350
Professional and registration fees	-	-	-	40,240	-	40,240	40,240
Maintenance and building services	-	-	-	24,847	-	24,847	24,847
Personnel	-	-	-	4,883	-	4,883	4,883
Business insurance	-	-	-	4,874	-	4,874	4,874
Informational services	-	-	-	14,894	-	14,894	14,894
Other	-	-	-	6,384	-	6,384	6,384
<b>Totals</b>	<b>\$ 313,350</b>	<b>\$ -</b>	<b>\$ 313,350</b>	<b>\$ 354,594</b>	<b>\$ 22,570</b>	<b>\$ 377,164</b>	<b>\$ 690,514</b>

*See accompanying notes to financial statements.*

## Christian Reformed Church Loan Fund, Inc. - U.S.

### Statements of Functional Expenses

<i>Year Ended June 30, 2017</i>	Program Services			Supporting Services			Total
	Interest on Certificates Payable	Provision for Loan Losses	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Provision for loan losses	\$ -	\$ 1,948,000	\$ 1,948,000	\$ -	\$ -	\$ -	\$ 1,948,000
Marketing and public relations	-	-	-	-	18,995	18,995	18,995
Financial services	-	-	-	215,336	-	215,336	215,336
Depreciation	-	-	-	2,634	-	2,634	2,634
Interest	447,427	-	447,427	-	-	-	447,427
Professional and registration fees	-	-	-	48,340	-	48,340	48,340
Maintenance and building services	-	-	-	24,610	-	24,610	24,610
Personnel	-	-	-	5,528	-	5,528	5,528
Business insurance	-	-	-	5,425	-	5,425	5,425
Informational services	-	-	-	12,750	-	12,750	12,750
Other	-	-	-	8,341	-	8,341	8,341
<b>Totals</b>	<b>\$ 447,427</b>	<b>\$ 1,948,000</b>	<b>\$ 2,395,427</b>	<b>\$ 322,964</b>	<b>\$ 18,995</b>	<b>\$ 341,959</b>	<b>\$ 2,737,386</b>

*See accompanying notes to financial statements.*

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Statements of Cash Flows

<i>Year ended June 30,</i>	2019	2018	2017
<b>Cash Flows From (for) Operating Activities</b>			
Change in net assets	\$ 227,935	\$ 172,598	\$ (1,815,213)
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation expense	4,976	4,920	2,634
Provision for loan losses - CRCNA	-	-	1,948,000
Provision for loan losses	-	(5,764)	(122,111)
Loss on sale of assets held for sale	-	-	87,230
Changes in operating assets and liabilities:			
Accrued interest receivable	17,373	(10,780)	(9,503)
Prepaid support charges	26,000	26,000	-
Accrued interest payable	4,461	(5,986)	(83,319)
Refundable commitment fees	(15,987)	1,987	11,500
<b>Net Cash From Operating Activities</b>	<b>264,758</b>	<b>182,975</b>	<b>19,218</b>
<b>Cash Flows From (for) Investing Activities</b>			
Purchases of equipment	-	(2,900)	(21,240)
Proceeds from sale of assets held for sale	-	-	210,908
Advances on loans receivable	(1,775,672)	(2,810,359)	(1,393,624)
Collections on loans receivable	3,111,772	3,093,208	2,522,263
<b>Net Cash From Investing Activities</b>	<b>1,336,100</b>	<b>279,949</b>	<b>1,318,307</b>
<b>Cash Flows From (for) Financing Activities</b>			
Issuances of certificates payable	2,730,408	653,839	100,000
Redemptions of certificates payable	(2,542,818)	(3,599,901)	(9,650,736)
<b>Net Cash From (for) Financing Activities</b>	<b>187,590</b>	<b>(2,946,062)</b>	<b>(9,550,736)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,788,448</b>	<b>(2,483,138)</b>	<b>(8,213,211)</b>
Cash and Cash Equivalents, beginning of year	3,618,933	6,102,071	14,315,282
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,407,381</b>	<b>\$ 3,618,933</b>	<b>\$ 6,102,071</b>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid for interest	\$ 28,466	\$ 39,015	\$ 122,544
Interest expense reinvested in certificates payable	272,782	280,321	408,202

*See accompanying notes to financial statements.*

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

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### 1. Organization

The purpose of the Christian Reformed Church Loan Fund, Inc. - U.S. (the Fund), a nonprofit corporation, is to assist congregations of the Christian Reformed Church in financing capital expansion projects. To accomplish this, the Fund grants loans, up to certain limits, for land and other capital expenditures to churches in the United States of America. Loan recipients are charged interest at rates sufficient to cover the Fund's cost of borrowing and operating expenses.

The Fund operates from office facilities provided by Christian Reformed Church in North America (CRCNA).

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

Net assets of the Fund and changes therein are classified and reported as follows:

- *Net Assets - without donor restrictions* - represent resources that are not restricted, either temporarily or permanently, by donor-imposed stipulations. They are available for the support of all organizational operations and services.
- *Net Assets - with donor restrictions* - represent resources with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restricted is accomplished, net assets - with donor restrictions are reclassified to net assets - without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of June 30, 2019 and 2018, the Fund has no net assets - with donor restrictions; however, the Board of Directors has designated \$334,164 of net assets - without donor restrictions for any future loan losses in excess of the allowance account.

Revenues and investment income are reported as follows:

Revenues are reported as increases in net assets - without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets - without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets - without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Net Assets - with donor restrictions contributions whose restrictions are satisfied in the same year in which the contribution revenue is recorded are reported as unrestricted contributions.

#### *Reclassifications*

Certain amounts previously reported in prior fiscal years have been reclassified to conform with the current year's presentation.

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

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### *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 reported in future periods may differ from those estimates.

### *Subsequent Events*

Management has evaluated subsequent events through August 12, 2019, the date the financial statements were available to be issued. Based on evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The Fund does not allocate management and general costs among program services. The statements of functional expenses present the natural classification detail of expenses by function.

### *Income Taxes*

The Fund is included in the CRCNA group exemptions as an organization described under Internal Revenue Code Section 501(c)(3), exempt from taxation under Section 501(a). Contributions to the Fund are deductible for federal tax purposes.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid investments purchased with an original maturity of three months or less at the date of purchase.

In response to the recent years' decline in loan demand, the Fund determined that its cash position should be reduced by approximately \$8.0 million in order to reduce excess interest expense. The Fund accomplished this objective during 2017 by not accepting new investment funds, as well as by redeeming all maturing investment certificates for an eight-month period during the year.

### *Concentrations of Credit Risk*

The Fund maintains its cash in various bank and brokerage accounts managed by CRCNA, and does not consider there to be a significant credit risk arising from deposits in excess of federally insured limits.

The risk associated with making many large loans is managed by limiting the size of each secured loan to \$1,500,000 or 6% of total assets. A loan may exceed \$1,500,000 only if members of the church invest in investment certificates with a minimum term of three years and in an amount at least equal to the amount by which the loan exceeds \$1,500,000. The total amount of all unsecured loans shall not exceed 10% of the total outstanding loans of the Fund (see Note 4). There were no loans with a balance over \$1,500,000 for the year ended June 30, 2019 or 2018.

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

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### *Loans*

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at the principal balance outstanding, net an allowance for loan losses.

The loan portfolio is segmented into standard loans and construction loans, both of which are secured by a mortgage on the property. The Fund also makes unsecured loans for capital improvements or repairs to existing church-owned buildings. Construction loans are loans in the construction stage and are not completed to the point where permanent occupancy is permitted.

The Fund considers a loan impaired when, based on current information and events, it is probable that the Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement.

### *Interest Income*

Interest income is recognized and accrued on loans receivable and cash and cash equivalents when earned. Interest income on impaired loans is recognized only when interest payments are received.

### *Allowance for Loan Losses*

The allowance for loan losses is increased by a provision for losses charged to expense and reduced by loans charged-off, net of recoveries. The allowance is maintained at a level considered adequate to provide for probable incurred loan losses based on management's evaluation of the anticipated impact on the loan portfolio of current economic conditions, past loan experience, probable future losses on loans to specific borrowers, the financial condition of the borrower, the value of underlying collateral, and other pertinent factors that management believes require current recognition in estimating probable loan losses. Specific reserves are established for any impaired loan for which the recorded investment in the loan exceeds the fair value of the loan, less estimated costs to sell. There were no charge-offs or recoveries in the year ended June 30, 2019, 2018 or 2017.

### *Fair Value Measurements*

Recorded book value approximates fair value for all financial instruments within the Fund.

### *Recent Accounting Pronouncement Adopted*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources,

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

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(f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The adoption of this new standard impacted the presentation of the net asset classes and expanded the footnote disclosures as required. The total net assets and change in net assets were not impacted.

### 3. Liquidity

The Fund's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

<i>June 30,</i>	2019	2018
Cash and cash equivalents	\$ 5,407,381	\$ 3,618,933
Accrued interest receivable	71,734	89,107
Current portion of loans receivable	292,400	17,300
<b>Total</b>	<b>\$ 5,771,515</b>	<b>\$ 3,725,340</b>

As part of the Fund'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.

### 4. Loans Receivable

The components of loans receivable by class, net, are as follows:

<i>June 30,</i>	2019	2018
Commercial real estate loans		
Secured loans	\$ 16,037,348	\$ 17,131,469
Unsecured loans	234,753	476,732
Allowance for loan losses	(400,073)	(400,073)
<b>Loans Receivable, net</b>	<b>\$ 15,872,028</b>	<b>\$ 17,208,128</b>

The allowance for loan losses relates solely to standard loans, and these loans have been evaluated for impairment. During the year ended June 30, 2019, the allowance account remained at \$400,073. During the year ended June 30, 2018, the allowance account decreased by \$5,763.

Loans receivable at June 30, 2019 bear interest at predominantly adjustable interest rates ranging from 4.75% to 5.75%, and mature in various amounts through 2039. Substantially all loans receivable are secured by first or second real estate mortgages.

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# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

Maturities on loans receivable at June 30, 2019 are summarized as follows:

*Year ending June 30,*

2020	\$	292,400
2021		38,700
2022		116,200
2023		812,100
2024		226,400
Thereafter		14,786,301
<b>Total</b>		<b>\$ 16,272,101</b>

A summary of current and past due loans at June 30, 2019 is as follows:

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	\$ 16,272,101	\$ -	\$ -	\$ -	\$ 16,272,101

A summary of current and past due loans at June 30, 2018 is as follows:

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	\$ 17,608,201	\$ -	\$ -	\$ -	\$ 17,608,201

There was one restructured loan at June 30, 2019 and 2018 with a balance of \$497,112 and \$511,622, respectively. This restructured loan had a specific allowance of \$0 recorded as of June 30, 2019 and 2018. This restructured loan is considered a Troubled Debt Restructuring based on the fact that the Fund has granted a concession to the borrower, who was considered to be experiencing financial difficulties. The subject loan is not included in nonperforming loans, as it is considered probable that all contractual principal and interest due under the restructured terms will be collected.

### 5. Certificates Payable

Certificates payable are issued under certificate offerings either registered or exempt from registration in the states where the certificates are offered. The certificates are initially offered in minimum denominations of \$1,000 or \$5,000, depending on the type of certificate, and may be issued by the Fund at any time. Interest is paid monthly or quarterly, depending on the amount invested, and may be reinvested by the certificate holder at an annual percentage yield (predominately fixed) ranging from 2.50% to 3.50% at June 30, 2019 (weighted average at June 30, 2019, 2018 and 2017 of 2.46%, 2.21% and 1.96%, respectively). Principal amounts are due at maturity or upon demand, depending on the type of certificate.

# Christian Reformed Church Loan Fund, Inc. - U.S.

## Notes to Financial Statements

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Maturities on outstanding certificates at June 30, 2019 are summarized as follows:

*Year ending June 30,*

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Flex certificates, payable on demand	\$	3,015,514
2020		4,130,800
2021		3,169,200
2022		1,663,800
2023		1,506,400
2024		1,746,304
<b>Total</b>	<b>\$</b>	<b>15,232,018</b>

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In 2019 and 2018, the Fund had certificates payable renewed at maturity in the amount of approximately \$4,909,000 and \$5,359,000, respectively.

### 6. Commitments

As of June 30, 2019, the Fund had outstanding commitments and approved loans aggregating \$461,087 which will be disbursed as they are requested by the churches.

### 7. Transactions With Other Christian Reformed Church Entities and Related Parties

During the years ended June 30, 2019, 2018 and 2017, the Fund incurred charges of approximately \$193,000, \$254,000 and \$215,000, respectively, from CRCNA for support charges related to the consolidated financial services function.

The Fund manages its cash in conjunction with the CRCNA consolidated cash management system. As part of this process, CRCNA may borrow funds from participating entities. At June 30, 2016, the Fund held a note receivable from CRCNA in the amount of \$2,000,000. CRCNA had been making quarterly interest payments to the Fund, based on an interest rate of 1.3%. The net affect due to the write-off of this note for the Fund was a \$1,948,000 loan loss provision expense for the year ended June 30, 2017, which included a \$52,000 credit by CRCNA for the Fund's lost interest income for two years. This credit is being used to partially offset the Fund's CRCNA support charges, and has been recorded as prepaid support charges on the accompanying statements of financial position. This action will greatly benefit the CRCNA's overall ministry objectives.

Certificates payable include approximately \$167,000 and \$163,000 at June 30, 2019 and 2018, respectively, due to certain directors, officers and employees of the Fund.