



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

**Financial Statements**  
Years Ended June 30, 2020, 2019 and 2018

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Financial Statements  
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# 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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of the three years ended June 30, 2020, 2019 and 2018, 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, 2020 and 2019, and the changes in its net assets and its cash flows for each of the three years ended June 30, 2020, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

August 10, 2020

## Financial Statements

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

## Statements of Financial Position

<i>June 30,</i>	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 6,346,923	\$ 5,407,381
Accrued interest receivable	85,158	71,734
Loans receivable - net of allowance for loan losses of \$400,073 in 2020 and 2019 (Note 4)	15,808,120	15,872,028
Equipment, net	6,635	11,611
<b>Total Assets</b>	<b>\$ 22,246,836</b>	<b>\$ 21,362,754</b>
<b>Liabilities</b>		
Certificates payable (Note 5)	\$ 16,520,461	\$ 15,232,018
Accrued interest payable	49,095	38,380
<b>Total Liabilities</b>	<b>16,569,556</b>	<b>15,270,398</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	5,343,116	5,758,192
Designated by Board	334,164	334,164
<b>Total Net Assets</b>	<b>5,677,280</b>	<b>6,092,356</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,246,836</b>	<b>\$ 21,362,754</b>

*See accompanying notes to financial statements.*

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

## Statements of Activities

<i>Year ended June 30,</i>	2020	2019	2018
<b>Revenues</b>			
Investment income, net	\$ 827,461	\$ 854,344	\$ 849,674
Other income	3,293	1,450	13,438
<b>Total Revenues</b>	<b>830,754</b>	<b>855,794</b>	<b>863,112</b>
<b>Expenses</b>			
Program services:			
Interest on certificates payable	385,135	305,709	313,350
Supporting services:			
Management and general	845,823	296,937	354,594
Fundraising	14,872	25,213	22,570
Total supporting services	860,695	322,150	377,164
<b>Total Expenses</b>	<b>1,245,830</b>	<b>627,859</b>	<b>690,514</b>
<b>Change in Net Assets</b>	<b>(415,076)</b>	<b>227,935</b>	<b>172,598</b>
<b>Net Assets, beginning of year</b>	<b>6,092,356</b>	<b>5,864,421</b>	<b>5,691,823</b>
<b>Net Assets, end of year</b>	<b>\$ 5,677,280</b>	<b>\$ 6,092,356</b>	<b>\$ 5,864,421</b>

*See accompanying notes to financial statements.*

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

### Statements of Functional Expenses

<i>Year ended June 30, 2020</i>	Program Services	Supporting Services			Total
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	
Grant expense (Note 7)	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Marketing and public relations	-	-	14,872	14,872	14,872
Financial services	-	229,775	-	229,775	229,775
Depreciation and amortization	-	4,976	-	4,976	4,976
Interest	385,135	-	-	-	385,135
Professional and registration fees	-	46,557	-	46,557	46,557
Maintenance and building services	-	32,614	-	32,614	32,614
Personnel	-	5,698	-	5,698	5,698
Business insurance	-	8,978	-	8,978	8,978
Informational services	-	12,921	-	12,921	12,921
Other	-	4,304	-	4,304	4,304
<b>Totals</b>	<b>\$ 385,135</b>	<b>\$ 845,823</b>	<b>\$ 14,872</b>	<b>\$ 860,695</b>	<b>\$ 1,245,830</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	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 and amortization	-	4,976	-	4,976	4,976
Interest	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>\$ 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	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 and amortization	-	4,920	-	4,920	4,920
Interest	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>\$ 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 Cash Flows

<i>Year ended June 30,</i>	2020	2019	2018
<b>Cash Flows From (For) Operating Activities</b>			
Change in net assets	\$ (415,076)	\$ 227,935	\$ 172,598
Adjustments to reconcile change in net assets to net cash from (for) operating activities:			
Depreciation expense	4,976	4,976	4,920
Provision for loan losses	-	-	(5,764)
Changes in operating assets and liabilities:			
Accrued interest receivable	(13,424)	17,373	(10,780)
Prepaid support charges	-	26,000	26,000
Refundable commitment fees	-	(15,987)	1,987
Accrued interest payable	10,715	4,461	(5,986)
<b>Net Cash From (For) Operating Activities</b>	<b>(412,809)</b>	<b>264,758</b>	<b>182,975</b>
<b>Cash Flows From (For) Investing Activities</b>			
Purchases of equipment	-	-	(2,900)
Advances on loans receivable	(2,155,121)	(1,775,672)	(2,810,359)
Collections on loans receivable	2,219,029	3,111,772	3,093,208
<b>Net Cash From Investing Activities</b>	<b>63,908</b>	<b>1,336,100</b>	<b>279,949</b>
<b>Cash Flows From (For) Financing Activities</b>			
Issuances of certificates payable	2,315,257	2,730,408	653,839
Redemptions of certificates payable	(1,026,814)	(2,542,818)	(3,599,901)
<b>Net Cash From (For) Financing Activities</b>	<b>1,288,443</b>	<b>187,590</b>	<b>(2,946,062)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>939,542</b>	<b>1,788,448</b>	<b>(2,483,138)</b>
Cash and Cash Equivalents, beginning of year	5,407,381	3,618,933	6,102,071
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 6,346,923</b>	<b>\$ 5,407,381</b>	<b>\$ 3,618,933</b>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid for interest	\$ 38,052	\$ 28,466	\$ 39,015
Interest expense reinvested in certificates payable	336,368	272,782	280,321

*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, 2020 and 2019, 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.

#### *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.

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

## Notes to Financial Statements

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### ***Subsequent Events***

Management has evaluated subsequent events through August 10, 2020, 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.

### ***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, 2020 or 2019.

### ***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.

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

## Notes to Financial Statements

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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, 2020, 2019 or 2017.

### *Fair Value Measurements*

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

## **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>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 6,346,923	\$ 5,407,381
Accrued interest receivable	85,158	71,734
Current portion of loans receivable	2,400	292,400
<b>Total</b>	<b>\$ 6,434,481</b>	<b>\$ 5,771,515</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.

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

## Notes to Financial Statements

### 4. Loans Receivable

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

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Commercial real estate loans:		
Secured loans	\$ 16,019,558	\$ 16,037,348
Unsecured loans	188,635	234,753
Allowance for loan losses	(400,073)	(400,073)
<b>Loans Receivable, net</b>	<b>\$ 15,808,120</b>	<b>\$ 15,872,028</b>

The allowance for loan losses relates solely to standard loans, and these loans have been evaluated for impairment. During the years ended June 30, 2020 and 2019, the allowance account remained at \$400,073.

Loans receivable at June 30, 2020 bear interest at predominantly adjustable interest rates ranging from 4.25% to 5.75%, and mature in various amounts through 2040. Substantially all loans receivable are secured by first or second real estate mortgages.

Maturities on loans receivable at June 30, 2020 are summarized as follows:

<i>Year ending June 30,</i>	
2021	\$ 2,400
2022	63,500
2023	214,400
2024	129,900
2025	360,900
Thereafter	15,437,093
<b>Total</b>	<b>\$ 16,208,193</b>

A summary of current and past due loans at June 30, 2020 is as follows:

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	\$ 16,179,810	\$ -	\$ -	\$ 28,383	\$ 16,208,193

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

There was one restructured loan at June 30, 2020 and 2019 with a balance of \$468,157 and \$497,112, respectively. This restructured loan had a specific allowance of \$0 recorded as of June 30, 2020 and 2019. This restructured loan is considered a Troubled Debt Restructuring based on the fact that the

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

## Notes to Financial Statements

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Fund has granted a concession to the borrower, who was considered to be experiencing financial difficulties. The subject loan is not included in non-performing 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 1.50% to 2.50% at June 30, 2020 (weighted average at June 30, 2020, 2019 and 2018 of 2.66%, 2.46%, and 2.21%, respectively). Principal amounts are due at maturity or upon demand, depending on the type of certificate.

Maturities on outstanding certificates at June 30, 2020 are summarized as follows:

*Year ending June 30,*

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Flex certificates, payable on demand	\$ 2,851,188
2021	4,618,000
2022	3,243,800
2023	2,156,500
2024	2,018,200
2025	1,632,773
<b>Total</b>	<b>\$ 16,520,461</b>

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In 2020 and 2019, the Fund had certificates payable renewed at maturity in the amount of approximately \$5,426,000 and \$4,909,000, respectively.

### 6. Commitments

As of June 30, 2020 and 2019, the Fund had outstanding commitments and approved loans aggregating \$3,135,000 and \$461,087, respectively, 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, 2020, 2019 and 2018, the Fund incurred charges of approximately \$230,000, \$193,000 and \$254,000, respectively, from CRCNA for support charges related to the consolidated financial services function.

Certificates payable include approximately \$171,000 and \$167,000 at June 30, 2020 and 2019, respectively, due to certain directors, officers and employees of the Fund.

During the year ended June 30, 2020, the Fund contributed \$500,000 to the COVID-19 Church Engagement Fund which is being administrated by CRCNA. The COVID-19 Church Engagement Fund was established to help churches in need so they are able to continue their programs for their congregations during the COVID-19 pandemic. This is shown as grant expense under management and general in the statement of functional expense.

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

## Notes to Financial Statements

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### 8. Risks and Uncertainties

#### *COVID-19*

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Management is actively monitoring the impact of the global situation on the not-for-profit industry, financial condition, liquidity and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Fund is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Although the Fund cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on results of future operations, financial position, and liquidity in fiscal year 2021 if new loans are depressed. The Fund's operations are heavily dependent upon interest income from loans receivable. Also, nine churches have requested and been granted interest-only payments on loans receivable through September 2020.

#### *CARES Act*

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The Fund continues to examine the impact that the CARES Act may have on its operations. Currently, the Fund is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.