



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

Financial Statements
Years Ended June 30, 2021, 2020, and 2019

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Christian Reformed Church Loan Fund, Inc. - U.S. (the Fund), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for each of the three years ended June 30, 2021, 2020, and 2019, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for each of the three years ended June 30, 2021, 2020, and 2019, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

August 16, 2021

Financial Statements

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

Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 5,199,045	\$ 6,346,923
Accrued interest receivable	81,601	85,158
Loans receivable - net of allowance for loan losses of \$400,073 in at June 30, 2021 and 2020 (Note 4)	16,059,336	15,808,120
Equipment, net	1,659	6,635
Total Assets	\$ 21,341,641	\$ 22,246,836
Liabilities		
Certificates payable (Note 5)	\$ 15,609,150	\$ 16,520,461
Accrued interest payable	44,544	49,095
Total Liabilities	15,653,694	16,569,556
Net Assets		
Without donor restrictions:		
Undesignated	5,353,783	5,343,116
Designated by board	334,164	334,164
Total Net Assets	5,687,947	5,677,280
Total Liabilities and Net Assets	\$ 21,341,641	\$ 22,246,836

See accompanying notes to financial statements.

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

Statements of Activities

<i>Year ended June 30,</i>	2021	2020	2019
Revenues			
Interest income	\$ 768,422	\$ 795,198	\$ 790,578
Interest income from concentrated cash management	-	32,263	63,766
Other income	804	3,293	1,450
Total Revenues	769,226	830,754	855,794
Expenses			
Program services:			
Interest on certificates payable	367,283	385,135	305,709
Supporting services:			
Management and general	374,065	845,823	296,937
Fundraising	17,211	14,872	25,213
Total Supporting Services	391,276	860,695	322,150
Total Expenses	758,559	1,245,830	627,859
Change in Net Assets	10,667	(415,076)	227,935
Net Assets, beginning of year	5,677,280	6,092,356	5,864,421
Net Assets, end of year	\$ 5,687,947	\$ 5,677,280	\$ 6,092,356

See accompanying notes to financial statements.

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

Statements of Functional Expenses

Year ended June 30, 2021

	Program Services		Supporting Services		
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	Total
Marketing and public relations	\$ -	\$ -	\$ 17,211	\$ 17,211	\$ 17,211
Financial services	-	217,916	-	217,916	217,916
Depreciation and amortization	-	4,561	-	4,561	4,561
Interest	367,283	-	-	-	367,283
Professional and registration fees	-	41,674	-	41,674	41,674
Maintenance and building services	-	22,821	-	22,821	22,821
Personnel	-	24,516	-	24,516	24,516
Business insurance	-	25,336	-	25,336	25,336
Informational services	-	17,293	-	17,293	17,293
Other	-	19,948	-	19,948	19,948
Total	\$ 367,283	\$ 374,065	\$ 17,211	\$ 391,276	\$ 758,559

See accompanying notes to financial statements.

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

Statements of Functional Expenses

Year ended June 30, 2020

	Program Services		Supporting Services		
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	Total
Grant expense	\$ -	\$ 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
Total	\$ 385,135	\$ 845,823	\$ 14,872	\$ 860,695	\$ 1,245,830

See accompanying notes to financial statements.

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Statements of Functional Expenses

Year ended June 30, 2019

	Program Services		Supporting Services		
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	Total
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
Total	\$ 305,709	\$ 296,937	\$ 25,213	\$ 322,150	\$ 627,859

See accompanying notes to financial statements.

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

Statements of Cash Flows

<i>Year ended June 30,</i>	2021	2020	2019
Cash Flows from Operating Activities			
Change in net assets	\$ 10,667	\$ (415,076)	\$ 227,935
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation expense	4,561	4,976	4,976
Loss on sale of equipment	415	-	-
Changes in operating assets and liabilities:			
Accrued interest receivable	3,557	(13,424)	17,373
Prepaid support charges	-	-	26,000
Accrued interest payable	(4,551)	10,715	(15,987)
Refundable commitment fees	-	-	4,461
Net Cash Provided by (Used in) Operating Activities	14,649	(412,809)	264,758
Cash Flows from Investing Activities			
Advances on loans receivable	(2,984,350)	(2,155,121)	(1,775,672)
Collections on loans receivable	2,733,134	2,219,029	3,111,772
Net Cash Provided by (Used in) Investing Activities	(251,216)	63,908	1,336,100
Cash Flows from Financing Activities			
Issuances of certificates payable	1,219,783	2,315,257	2,730,408
Redemptions of certificates payable	(2,131,094)	(1,026,814)	(2,542,818)
Net Cash Provided by (Used in) Financing Activities	(911,311)	1,288,443	187,590
Net Increase (Decrease) in Cash and Cash Equivalents	(1,147,878)	939,542	1,788,448
Cash and Cash Equivalents, beginning of year	6,346,923	5,407,381	3,618,933
Cash and Cash Equivalents, end of year	\$ 5,199,045	\$ 6,346,923	\$ 5,407,381
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	\$ 10,287	\$ 38,052	\$ 28,466
Interest expense reinvested in certificates payable	341,892	336,368	272,782

See accompanying notes to financial statements.

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

Notes to Financial Statements

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* - These 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* - These 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 restriction 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, 2021 and 2020, 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

Subsequent Events

Management has evaluated subsequent events through August 16, 2021, 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 years ended June 30, 2021 or 2020.

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.

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Notes to Financial Statements

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 years ended June 30, 2021, 2020 or 2019.

Fair Value Measurements

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

Accounting Pronouncements Adopted

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which standardizes how grants and other contracts are classified across the sector resource recipients and resource providers. The standard will assist these types of entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions (reciprocal transactions) subject to other guidance, and (2) determining whether a contribution is conditional. The amendment in this update is effective for nonpublic entities that are resource providers for annual reporting periods beginning after December 15, 2019. The adoption of various provisions of this standard resulted in no significant changes in the way the Fund recognizes contribution revenue.

Recent Accounting Pronouncements

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This update addresses presentation and disclosure of contributed nonfinancial assets. This update will require a nonprofit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from

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contributions of cash and other financial assets, disclose contributed nonfinancial assets recognized within the statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets, and for each category of contributed nonfinancial assets recognized, include the following: qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period (if utilized, to disclose a description of the programs or other activities in which those assets were used), the Fund's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets, a descriptions of any donor-imposed restrictions associated with the contributed nonfinancial assets, a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition, and the principal market used to arrive at a fair value measure if it is a market in which the recipient Fund is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The ASU is to be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Earlier adoption is permitted. The Fund is currently evaluating the impact of this ASU on its financial statements.

3. Liquidity

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

<i>June 30,</i>	2021	2020
Cash and cash equivalents	\$ 5,199,045	\$ 6,346,923
Accrued interest receivable	81,601	85,158
Current portion of loans receivable	5,900	2,400
Total	\$ 5,286,546	\$ 6,434,481

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>	2021	2020
Commercial real estate loans:		
Secured loans	\$ 16,349,326	\$ 16,019,558
Unsecured loans	110,083	188,635
Allowance for loan losses	(400,073)	(400,073)
Loans Receivable, Net	\$ 16,059,336	\$ 15,808,120

The allowance for loan losses relates solely to standard loans, and these loans have been evaluated for impairment. During the years ended June 30, 2021 and 2020, the allowance account remained at \$400,073.

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Notes to Financial Statements

Loans receivable at June 30, 2021 bear interest at predominantly adjustable interest rates ranging from 4.50% to 5.50%, and mature in various amounts through 2041. Substantially all loans receivable are secured by first or second real estate mortgages.

Maturities on loans receivable at June 30, 2021 are summarized as follows:

Year ending June 30,

2022	\$	5,900
2023		150,500
2024		32,300
2025		260,200
2026		242,800
Thereafter		15,767,709
Total	\$	16,459,409

A summary of current and past-due loans is as follows:

June 30, 2021

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	\$ 16,429,784	\$ -	\$ -	\$ 29,625	\$ 16,459,409

June 30, 2020

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

There was one restructured loan at June 30, 2021 and 2020 with a balance of \$450,608 and \$468,157, respectively. This restructured loan had a specific allowance of \$0 recorded as of June 30, 2021 and 2020. 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 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 1.00% to 2.00% at June 30, 2021 (weighted average at June 30, 2021, 2020, and 2019 of 2.43%, 2.66%, and 2.46%, respectively). Principal amounts are due at maturity or upon demand, depending on the type of certificate.

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Notes to Financial Statements

Maturities on outstanding certificates at June 30, 2021 are summarized as follows:

Year ending June 30,

Flex certificates, payable on demand	\$	2,009,923
2022		4,496,300
2023		3,576,400
2024		3,024,900
2025		1,815,700
2026		685,927
Total	\$	15,609,150

In 2021 and 2020, the Fund had certificates payable renewed at maturity in the amount of approximately \$4,503,000 and \$5,426,000, respectively.

6. Commitments

At June 30, 2021 and 2020, the Fund had outstanding commitments and approved loans aggregating \$365,000 and \$3,135,000, 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, 2021, 2020, and 2019, the Fund incurred charges of approximately \$218,000, \$230,000, and \$193,000, respectively, from CRCNA for support charges related to the consolidated financial services function.

Certificates payable include approximately \$175,000 and \$171,000 at June 30, 2021 and 2020, 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 statements of functional expenses.