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

Financial Statements
Years Ended June 30, 2023, 2022, and 2021

The report accompanying these financial statements was issued by BDO USA, P.A., a Delaware professional service corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Independent Auditor's Report

The 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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for each of the three years ended June 30, 2023, 2022, and 2021, 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, 2023 and 2022, and the changes in its net assets and its cash flows for each of the three years ended June 30, 2023, 2022, and 2021, 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, P.A.

August 23, 2023

Financial Statements

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

Statements of Financial Position

June 30,	2023	2022
Assets		
Cash and cash equivalents	**$ 7,481,890**	$ 9,263,219
Accrued interest receivable	**82,336**	62,848
Loans receivable – net of allowance for loan losses of $200,073 and $400,073 as of June 30, 2023 and 2022, respectively (Note 4)	**9,931,041**	10,743,656
Total Assets	**$ 17,495,267**	$ 20,069,723
Liabilities and Net Assets		
Liabilities		
Certificates payable (Note 5)	**$ 11,499,071**	$ 14,354,836
Accrued interest payable	**45,729**	36,792
Total Liabilities	**11,544,800**	14,391,628
Net Assets		
Without donor restrictions:		
Undesignated	**5,616,303**	5,343,931
Designated by board (Note 2)	**334,164**	334,164
Total Net Assets	**5,950,467**	5,678,095
Total Liabilities and Net Assets	**$ 17,495,267**	$ 20,069,723

See accompanying notes to financial statements.

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

Statements of Activities

Year ended June 30,	**2023**	2022	2021
Revenues			
Interest income	**$ 550,153**	$ 714,768	$ 768,422
Other income	**788**	2,919	804
Total Revenues	**550,941**	717,687	769,226
Expenses			
Program services:			
Interest on certificates payable	**261,343**	320,757	367,283
Supporting services:			
Management and general	**(53,020)**	382,639	374,065
Fundraising	**70,246**	24,143	17,211
Total Supporting Services	**17,226**	406,782	391,276
Total Expenses	**278,569**	727,539	758,559
Change in Net Assets	**272,372**	(9,852)	10,667
Net Assets, beginning of year	**5,678,095**	5,687,947	5,677,280
Net Assets, end of year	**$ 5,950,467**	$ 5,678,095	$ 5,687,947

See accompanying notes to financial statements.

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

Statements of Functional Expenses

Year ended June 30, 2023

	Program Services	Supporting Services			
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	Total
Marketing and public relations	$ -	$ -	$ 70,246	$ 70,246	$ 70,246
Financial services	-	31,653	-	31,653	31,653
Interest	261,343	-	-	-	261,343
Professional and registration fees	-	65,832	-	65,832	65,832
Maintenance and building services	-	2,404	-	2,404	2,404
Personnel	-	8,040	-	8,040	8,040
Business insurance	-	37,857	-	37,857	37,857
Bad debt recovery	-	(200,000)	-	(200,000)	(200,000)
Other	-	1,194	-	1,194	1,194
Total	$ 261,343	$ (53,020)	$ 70,246	$ 17,226	$ 278,569

See accompanying notes to financial statements.

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

Statements of Functional Expenses

Year ended June 30, 2022

	Program Services	Supporting Services			
	Interest on Certificates Payable	Management and General	Fundraising	Total Supporting Services	Total
Marketing and public relations	$ -	$ -	$ 24,143	$ 24,143	$ 24,143
Financial services	-	234,623	-	234,623	234,623
Depreciation	-	1,659	-	1,659	1,659
Interest	320,757	-	-	-	320,757
Professional and registration fees	-	16,656	-	16,656	16,656
Maintenance and building services	-	23,583	-	23,583	23,583
Personnel	-	47,466	-	47,466	47,466
Business insurance	-	23,038	-	23,038	23,038
Informational services	-	14,959	-	14,959	14,959
Other	-	20,655	-	20,655	20,655
Total	$ 320,757	$ 382,639	$ 24,143	$ 406,782	$ 727,539

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	-	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 Cash Flows

Year ended June 30,		**2023**		2022		2021
Cash Flows from Operating Activities						
Change in net assets	$	**272,372**	$	(9,852)	$	10,667
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation expense		**-**		1,659		4,561
Loss on sale of equipment		**-**		-		415
Change in loans receivable allowance		**(200,000)**		-		-
Changes in operating assets and liabilities:						
Accrued interest receivable		**(19,488)**		18,753		3,557
Accrued interest payable		**8,937**		(7,752)		(4,551)
Net Cash Provided by Operating Activities		**61,821**		2,808		14,649
Cash Flows from Investing Activities						
Advances on loans receivable		**(1,379,979)**		(257,718)		(2,984,350)
Collections on loans receivable		**2,392,594**		5,573,398		2,733,134
Net Cash Provided by (Used in) Investing Activities		**1,012,615**		5,315,680		(251,216)
Cash Flows from Financing Activities						
Issuances of certificates payable		**299,394**		532,508		1,219,783
Redemptions of certificates payable		**(3,155,159)**		(1,786,822)		(2,131,094)
Net Cash Used in Financing Activities		**(2,855,765)**		(1,254,314)		(911,311)
Net Increase (Decrease) in Cash and Cash Equivalents		**(1,781,329)**		4,064,174		(1,147,878)
Cash and Cash Equivalents, beginning of year		**9,263,219**		5,199,045		6,346,923
Cash and Cash Equivalents, end of year	**$**	**7,481,890**	$	9,263,219	$	5,199,045
Supplemental Disclosure of Cash Flow Information						
Cash paid for interest	**$**	**5,886**	$	5,001	$	10,287
Interest expense reinvested in certificates payable		**270,280**		328,509		341,892

See accompanying 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 North America (CRCNA) 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 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, 2023 and 2022, 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.

Subsequent Events

Management has evaluated subsequent events through August 23, 2023, 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 12 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 as of June 30, 2023 or 2022.

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 of 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. During the year ended June 30, 2023, the Fund decreased the allowance by $200,000 and there were no charge-offs or recoveries in the years ended June 30, 2022, or 2021.

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:

June 30,	**2023**	2022
Cash and cash equivalents	**$ 7,481,890**	$ 9,263,219
Accrued interest receivable	**82,336**	62,848
Current portion of loans receivable	**-**	115,600
Total	**$ 7,564,226**	$ 9,441,667

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:

June 30,	**2023**	2022
Commercial real estate loans:		
Secured loans	**$ 10,010,082**	$ 11,101,610
Unsecured loans	**121,032**	42,119
Allowance for loan losses	**(200,073)**	(400,073)
Loans Receivable, Net	**$ 9,931,041**	$ 10,743,656

The allowance for loan losses relates solely to standard loans, and these loans have been evaluated for impairment.

Loans receivable at June 30, 2023 bear interest at predominantly adjustable interest rates ranging from 4.90% to 7.53% and mature in various amounts through 2043. Substantially all loans receivable are secured by first or second real estate mortgages.

Maturities on loans receivable at June 30, 2023 are summarized as follows:

Year ending June 30,	
2024	$ -
2025	62,500
2026	-
2027	73,100
2028	1,793,700
Thereafter	8,201,814
Total	$ 10,131,114

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

June 30, 2023

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	$ 10,117,889	$ -	$ -	$ 13,225	$ 10,131,114

June 30, 2022

	Current	30-59 Days	60-89 Days	90+ Days	Total
Standard	$ 11,143,200	$ -	$ -	$ 529	$ 11,143,729

There were no restructured loans at June 30, 2023 and one at June 30, 2022 with a balance of $431,637. This restructured loan had a specific allowance of $0 recorded as of June 30, 2023 and 2022. At June 30, 2022, this restructured loan was considered a Troubled Debt Restructuring, as defined, based on the fact that the Fund had granted a concession to the borrower, who was considered to be experiencing financial difficulties. The subject loan was not included in non-performing loans, as it was considered probable that all contractual principal and interest due under the restructured terms would 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, 2023 (weighted average at June 30, 2023, 2022, and 2021 of 2.31%, 2.25%, and 2.43%, respectively). Principal amounts are due at maturity or upon demand, depending on the type of certificate.

Maturities on outstanding certificates at June 30, 2023 are summarized as follows:

Year ending June 30,		
Flex certificates, payable on demand	$	1,693,671
2024		4,953,000
2025		3,153,200
2026		937,300
2027		273,700
2028		488,200
Total	$	11,499,071

In 2023 and 2022, the Fund had certificates payable renewed at maturity in the amount of approximately $2,719,000 and $3,660,000, respectively.

6. Commitments

At June 30, 2023 and 2022, the Fund had outstanding commitments and approved loans aggregating $1,500,000 and $150,000, 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, 2023, 2022, and 2021, the Fund incurred charges of approximately $32,000, $235,000, and $218,000, respectively, from CRCNA for support charges related to the consolidated financial services function.

Certificates payable include approximately $131,000 at June 30, 2022, due to certain directors, officers, and employees of the Fund.