Report of the Church Growth Fund

The Reformed Church in America Church Growth Fund, Inc. (CGF) is a nonprofit corporation that functions under the supervision of the RCA General Synod. The CGF supports the work of the denomination by making affordable-rate loans to RCA churches and related agencies for the purchase, construction, and improvement of buildings and other properties used in their ministries. The CGF loan programs offer unsecured loans of up to $100,000 and secured borrowing of up to $5 million.

As a primary source of funding for loans, the CGF sells interest-bearing investments called savings certificates. The CGF offers two types of savings certificates:

1. Term savings certificates, which are available in maturities from one to ten years.
2. Demand savings certificates, which allow the investment of additional funds and the redemption of amounts in the certificate (subject to the limits described in the CGF offering circular).

To further support the denomination, the CGF contributes a portion of its earnings annually to the General Synod Council (GSC), which awards the funds as grants to support RCA church planting. In 2014, as a way to support Transformed & Transforming, the CGF began making additional contributions to the GSC for the Next Generation Missional Engagement Scholarship Fund. This fund provides scholarships to youth and young adults age 25 and under to cover the cost of mission trips and mission internships, disaster response work, vision and study tours, and missional training experiences.

More specific information on CGF loans and how to invest in savings certificates is available on the CGF website at www.rca.org/cgf.

Assets

In the fiscal year ending September 30, 2016 (FY16), assets grew by $6.8 million (9 percent) to $79.3 million. CGF assets at the end of FY16 consisted primarily of $53 million in loans and cash and investments of $27.3 million. Loans during FY16 increased by $4 million (8 percent) as the CGF funded $10 million in new loans to 16 churches and received principal payments of $6 million from existing borrowers.

The U.S. economy continued its steady growth in FY16, and the overall financial health of CGF church borrowers is strong. As a result, there have been few delinquent loans in the CGF portfolio, and the CGF has maintained its record of never experiencing a loan principal loss. We continue to have a few church borrowers who find repaying their loans challenging; the CGF works in partnership with these congregations by restructuring debt repayment terms to ensure viable continuance of their ministries.

Savings Certificates

At the end of FY16, savings certificate investment was at $35.8 million, representing an increase of $5.3 million (17 percent) over the previous year. Savings certificate investors continue to recognize both that they receive a favorable return on their funds and that their investment supports the mission of the CGF. The CGF primarily uses funds received from investment in savings certificates to make loans to RCA congregations throughout the United States, its territories, and Canada.

CGF savings certificates are state-regulated securities. Currently, the CGF is authorized to sell savings certificates in 30 states, which are listed on its website (www.rca.org/cgf).
Rates of interest paid on savings certificates, along with other information on the CGF and how to invest in savings certificates, can also be found on the website.

Earnings

In FY16, the CGF had net earnings of $1,954,840 before making its annual contribution to the GSC for church multiplication grants and mission scholarships. Net earnings in FY16 increased by $960,025 (96 percent) from the previous year as a result of loan growth and gains in its investment portfolio through fixed income and equity markets, which strengthened during the year.

Ministry Grants

In 1999, the CGF began contributing a portion of its earnings to the GSC to be used for grants to new church plants in support of the RCA's ten-year goal, Our Call. Though Our Call is now complete, the CGF has maintained its support of RCA church planting initiatives that are continuing through Transformed & Transforming. Since 1999, the CGF has contributed $4.8 million to support RCA Church Multiplication; those funds have provided grants for 255 church plants. In FY16, the CGF contributed $352,000 for church plant grants.

In FY16, the CGF also contributed $50,000 to the GSC to be used for the Next Generation Missional Engagement Scholarship Fund. The CGF has given a total of $150,000 in support of this program and has committed an additional $150,000 of financial support over the next three years.

Financial Strength

One measure of the financial strength of an entity is its level of net assets, also known as capital or equity. As of September 30, 2016, the CGF had capital of $43.3 million, which represents its accumulation of earnings and contributions received over its years of operations.

The funds received from savings certificates are used by the CGF primarily to make loans to RCA churches. The ability of the CGF to repay savings certificate investors is related to its level of capital, its net earnings, as well as repayment of the loans funded from certificate investment dollars. CGF loans are typically secured by first mortgages on church facilities. The CGF follows strict guidelines to make sure congregations can sustain such loan payments. While past performance is no guarantee of future events, the CGF has never experienced a loss of principal on any loan. No CGF savings certificate investor has ever experienced a loss of investment or missed receiving an interest payment.

Financial Highlights

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<th>FY 2015</th>
<th>FY 2016</th>
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<tbody>
<tr>
<td>Total assets</td>
<td>$72,466,423</td>
<td>$79,300,978</td>
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<tr>
<td>Net assets (capital)</td>
<td>$41,792,681</td>
<td>$43,345,520</td>
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<td>Savings certificates outstanding</td>
<td>$30,571,483</td>
<td>$35,851,661</td>
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<td>Number of churches with loans</td>
<td>99</td>
<td>96</td>
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<tr>
<td>Dollar amount of loans outstanding</td>
<td>$49,028,419</td>
<td>$53,091,170</td>
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<td>Number of loans funded in year</td>
<td>18</td>
<td>16</td>
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<tr>
<td>Dollar amount of loans funded in year</td>
<td>$7,685,435</td>
<td>$10,080,846</td>
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<tr>
<td>Net earnings before church multiplication grants</td>
<td>$994,815</td>
<td>$1,954,840</td>
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<td>Contributions to GSC for ministry grants</td>
<td>$400,000</td>
<td>$402,000</td>
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Future CGF Activity

The CGF will continue to follow its primary mission of providing affordable-rate loans to RCA churches for the purchase, construction, and improvement of buildings used in ministry. The CGF has also set as a goal the ability to contribute increasing amounts to the GSC for ministry grants to support the growing church planting initiative and the anticipated popularity and requests for next generation missional scholarships. Other ministry grant programs consistent with the CGF’s mission are also under consideration.

To meet the goal of larger contributions to the GSC, the CGF needs to increase earnings, which can be done primarily through growing its loan portfolio. A larger loan portfolio needs to be funded primarily from the sale of savings certificates.

The CGF will continue to implement marketing programs as a way to create a greater awareness within the denomination of the organization, its products, and how borrowing churches and investors can benefit through them.