REPORT OF THE OFFICE OF FINANCE

The Office of Finance provides centralized finance and accounting services to the denominational corporations, including the General Synod, the General Synod Council, the Board of Benefits Services, and the Church Growth Fund. The Office of Finance strives to ensure financial systems, procedures, and controls are in place to support the mission and ministry of these entities and to assist the officers and directors of the corporations in fulfilling their fiduciary responsibilities. The finance staff is available to respond to financial questions from local congregations, classes, and regional synods as together we strive to manage the financial resources with which we have been blessed.

2016 Annual Audits

The 2016 financial statements of the General Synod Council, Board of Benefits Services Retirement Program and General Fund, and Church Growth Fund were audited by CapinCrouse LLP, certified public accountants. All corporations received unmodified (or “clean”) audit opinions. The audited statements are available at www.rca.org/finance. The General Synod Council’s Audit and Risk Management Committee reviewed the audited financial statements of each entity and the management comment letters from the auditors and reported the audit results to the boards of the respective corporations. Financial highlights of each organization are presented below.

Financial Summaries—Fiscal Year Ended September 30, 2016

General Synod Council (GSC)

The GSC ended the year with an overall net surplus of $1.7 million. The GSC used over $100,000 of unrestricted reserves for Transformed & Transforming. Restricted and endowed funds increased by $1.8 million. This was due primarily to an increase in the value of investments. Funding for the work of the General Synod, including the operating budget and all other designated funds, is presented in the following chart:

![2016 Income Sources Chart]

The generosity of donors—churches, individuals, and foundations—provided more than 50 percent of the costs of carrying out the work of General Synod.

Assessments provided 34 percent of income and continue to be consistently paid to GSC by classes. In 2016, $22,000 was granted in assessment relief by the General Synod Council for specific relief needs. In 2016, each dollar of the General Synod Council assessment was used in the following ways:
The funds provided to GSC are spent in three areas: Transformed & Transforming priorities, work of the General Synod, and ministry support services, as represented in this chart:

**Transformed & Transforming** includes the following ministry priorities and initiatives:

- Discipleship and Transformational Experiences
- Leadership
  - Emerging Leaders
  - Thriving Leaders, Thriving Churches
  - Women’s Transformation and Leadership
- Engaging in Christ’s Kingdom Mission
  - Global Missional Engagement (expenses relating to Global Mission made up 57 percent of Transformed & Transforming expenses and 27 percent of total expenses in 2016)
  - Church Multiplication
  - Local Missional Engagement
  - Missional Mosaic
  - Volunteer Engagement
  - Disability Concerns
- Next Generation Engagement

**Work of the General Synod** includes costs related to the annual General Synod meeting, commissions, task forces, the Office of the General Secretary, the General Synod Council, and communication and production services, including *RCA Today* magazine.

**Ministry support services** includes costs relating to the general and administrative support needed to carry out Transformed & Transforming and the work of the General Synod. This includes human resources, data management, information technology, financial services, and fundraising.
Board of Benefits Services—Retirement Programs

As of September 30, 2016, the date of our most recent audit, $409 million was set aside for participants in the 403(b) and retirement plans. Participant and employer contributions to the plan in fiscal year 2016 were $10 million. BOBS staff continues to work with pastors, congregations, and classes to obtain necessary information to monitor compliance with Formulary No. 5 requirements, specifically the requirement to contribute 11 percent of eligible salary to the pastor’s retirement fund. As of September 30, 2016, it is estimated that $2.5 million was owed to the retirement accounts of RCA pastors by their local congregations. In fiscal year 2016, distributions to participants totaled $18 million. For additional information about the retirement plan, see the report of the Board of Benefits Services and the audited financial statements available at www.rca.org/finance.

Board of Benefits Services—General Fund to Administer Retirement Programs

The Board of Benefits Services General Fund administers the retirement programs, life and long-term disability insurances, and assistance and retiree chaplains programs for active and retired RCA ordained ministers, their dependents, and surviving spouses. The General Fund is financially strong, with $6.4 million in net assets as of September 30, 2016. The General Fund ended fiscal year 2016 with a net surplus of $600,000.

Administration costs for the retirement plans are covered primarily by a fee on employer contributions to the 403(b) and retirement plan accounts and totaled $1 million in 2016. Effective January 1, 2017, the fee is 28 basis points (0.28 percent), a reduction of one basis point over the previous year. Since 2012, this fee has been reduced by 30 percent.

Support for the assistance programs came from a General Synod assessment, designated contributions, a portion of the administrative fees charged to retirement plan participants’ accounts, and annual investment income from endowment funds. Assistance program expenses, including assistance grants and the retiree chaplains program, were $539,000 in 2016.

Church Growth Fund

The Church Growth Fund makes affordable-rate loans to RCA churches and related agencies for building projects used in ministry. Loans are funded by RCA churches, agencies, and individuals that purchase CGF savings certificates, which are interest-bearing investments offering a favorable rate of return. In fiscal year 2016, the CGF continued its plan to grow and service more RCA congregations, reaching $79 million in total assets.

As of September 30, 2016, the CGF had $27 million in cash and short-term investments and $53 million in loans to churches. The loans were funded by $35 million in savings certificates and $43 million in net assets (capital). Net income was strong due to gains on investments; it totaled $1.5 million after contributing $400,000 to the GSC to be used for grants to church plants and scholarships to fund youth mission experiences.

The CGF has very strong liquidity, capital, and cash flow when compared to standards established by the North American Securities Administrators Association.

Investments

The investments of the General Synod Council, Board of Benefits Services, and Church Growth Fund are managed by professional investment managers. Performance and compliance with defined investment policy statements are reviewed twice a year by the
Investment Advisory Committee, which is made up of representatives from the boards of each corporation and at-large members with investment expertise.

**Excess Operating Cash**

The operating cash of the General Synod Council, Board of Benefits Services, and Church Growth Fund is invested with Standish in an actively managed portfolio of fixed-income securities. The benchmark for investment returns is the Barclays 1-5 Year Government/Credit A+ Index. The total amount invested in fixed income at Standish is $46 million.

**RCA Endowment Fund**

The General Synod Council manages $16.8 million in funds provided by donors or set aside by management to be invested long term. Some of the endowed gifts entrusted to the General Synod Council date back to the mid-1800s. The investment proceeds from endowed gifts are used for donor-designated purposes while preserving and growing the dollar value of the original gift. These investments are managed by LVM Capital Management, Ltd. The benchmark for investment returns is 70 percent S&P 500 and 30 percent Bank of America Merrill Lynch 1-10 Year Government/Corporate Bond Index. These investments were in compliance with the benchmark as of December 31, 2016.

In addition to the General Synod Council, Board of Benefits Services, and Church Growth Fund, the endowment pool includes amounts designated for local congregations and RCA seminaries and colleges. In fiscal year 2016, the RCA Endowment Fund distributed $539,000 to the General Synod Council, $20,000 to the Church Growth Fund, $1,000 to the Board of Benefits Services, and $96,000 to RCA-affiliated organizations. If you are interested in setting up an endowment, please contact the development office.

**RCA Retirement Plans**

Fidelity Investments provides recordkeeping and investment management services for the Board of Benefits Services retirement programs. Mutual fund options available to retirement plan participants include target-date retirement funds based on a participant’s retirement age as well as 20 diversified mutual funds, with socially responsible options. As of September 30, 2016, 90 percent of RCA participant funds are invested in target-date retirement funds.

Fidelity has made changes in the active investment strategy of its target-date retirement funds. These changes have had positive results, with Fidelity outperforming peer funds in the overall market. The Investment Advisory Committee meets twice annually and continues to monitor the performance and overall investment offering from Fidelity, thus meeting its fiduciary responsibility for the benefits of RCA ministers and lay staff invested in the RCA retirement program.

As a result of the Request for Proposal conducted in 2015, Fidelity Investments has partnered more closely with the Board of Benefits Services to offer additional services and guidance to better prepare our ministers for retirement. Personalized investment advisory services, referred to as Portfolio Advisory Services at Work (PASW), are now available to participants in the RCA retirement program.

For the second year in a row, the Board of Benefits Services completed a reallocation project that allows eligible participants in the retirement program to reallocate funds from the RCA retirement plan, resulting in greater flexibility at retirement.
Together as a denomination we, through decisions of General Synod, have agreed to contribute 11 percent of the eligible salaries of ministers of Word and sacrament to their retirement accounts each year. Currently, an estimated $2.5 million has not been paid into participant accounts from local congregations for benefits owed between January 1, 2009, and September 30, 2016. RCA ministers of Word and sacrament should review their quarterly statements to verify that 11 percent of their eligible salary is being contributed. Elder delegates to synod should ask questions in their local congregation to ensure that their congregation is providing this important benefit for their pastor(s).

**Planned Giving Programs**

The General Synod Council manages various planned giving programs, including charitable gift annuities, totaling $1.4 million. The Barnabas Foundation provides investment management and recordkeeping services for these programs. The investments include equities and fixed income to provide cash flow to cover the required payouts.

**Church Growth Fund Investments**

The Church Growth Fund invests a portion of excess operating cash in one equity account and one fixed-income account. Both accounts are managed by LVM Capital Management, Ltd.

**Socially Responsible Investments**

All investment policy statements for each pool of investments require the investment manager to avoid investments in the securities of companies whose principal business involves gambling, for-profit prisons, or the production or distribution of tobacco or alcohol. General Synod 2016 approved R 16-25, which directed GSC to add screening language to the RCA's investment policies, particularly as it relates to for-profit prisons. All RCA investment policy statements were updated to restrict investments in for-profit prisons. This change to the policies did not affect any of our investment holdings.

Retirement funds may be invested, at the discretion of the participant, in socially responsible funds screened for the above restrictions.

The Board of Benefits Services participates with and pays dues to the Interfaith Center on Corporate Responsibility (ICCR). Celebrating its 45th year, ICCR is the pioneer coalition of shareholder advocates who view the management of their investments as a catalyst for social change. Its 300 member organizations comprise faith communities, socially responsible asset managers, unions, pensions, NGOs, and other socially responsible investors with combined assets of over $200 billion. ICCR members engage hundreds of corporations annually in an effort to foster greater corporate accountability on questions such as climate change, corporate water stewardship, sustainable food production, human trafficking and slavery in global supply chains, and increased access to financial and healthcare services for communities in need.

The General Synod Council also invests a portion of excess operating cash with Oikocredit, one of the world’s largest sources of private funding to the microfinance sector.
Delegates to the 2013 General Synod addressed the direction of the RCA as the final step in a three-year discernment process that had broad and significant input from across the denomination. A 15-year goal called Transformed & Transforming was adopted by those delegates. This year, synod delegates will read and hear about progress that has been made and ways that individuals and congregations can connect with this communal goal.

In August 2013, the General Synod officers, regional synod leaders, and General Synod Council staff, as well as several non-staff, gathered to define how to carry out Transformed & Transforming’s three priorities: Cultivating Transformation in Christ (discipleship), Equipping Emerging Leaders of Today and Tomorrow (leadership), and Engaging in Christ’s Kingdom Mission (mission). Ten projects were identified, along with specific goals, timelines, and potential staff and budget resources.

GSC staff focuses on equipping churches and church leaders in the three Transformed & Transforming priority areas—discipleship, leadership, and mission—so they are better able to follow the unique call that God has given their church. Initiative plans for each priority and initiative leader were originally determined in 2013 and 2014 with the launch of Transformed & Transforming. These plans defined a purpose statement; what will be accomplished over the course of the 15-year goal, including how much will be accomplished by certain points in time; five-, ten-, and 15-year check-in points, along with one-year and 90-day markers of progress; and definitions of the metrics to be used along the way.

Portions of each initiative were included in the capital campaign that began in calendar year 2015. Priority leaders developed 2017 budgets based on goals for measurable outcomes. These goals are primarily achieved by equipping churches and leaders through opportunities like connection events, learning communities, leadership communities, and leadership collaboratives. The 2017 budget includes funding for the initiatives from both current-year operating income and from campaign funds as they are available. For 2017, enough funds were raised by the beginning of the fiscal year to spend almost $540,000 from campaign funds.

General Synod Council Operating Budget Process

The General Synod Council operating budget is primarily funded by assessment income and contributions. Assessment income includes only the General Synod assessment and is 47 percent of all operating income. Contributions provided from donors and congregations for supporting missionaries and for the RCA Ministry Fund make up 38 percent of available financial resources. Other income includes services provided to the Board of Benefits Services and the Church Growth Fund and investment and endowment earnings.

The 2017 budget was finalized by determining revenue available from assessments, contributions, investments, and other income. Assessment revenue for 2017 is budgeted to be $120,000 less than 2016 due to a flat assessment of $44 per member and a decrease in confessing membership.

Contributions to the RCA Ministry Fund are general, unrestricted contributions to the RCA. 2017 contributions to the RCA Ministry Fund were budgeted at $100,000 less than in 2016 based on actual contributions received to the RCA Ministry Fund in 2016. We believe the decline in contributions to the RCA Ministry Fund is attributable to donors also
giving to the capital campaign. Global Mission expects to see a decrease in contributions of about $300,000 due to retiring missionaries and an overall decline in general mission contributions. In response to these expected decreases in revenue for 2017, the RCA’s executive leadership team chose not replace two vacant staff positions. Global Mission chose not to replace two missionary supervisor positions when those staff persons retired in 2017. Travel- and office-related budgets were also reduced. In terms of full-time equivalents (FTEs), support staff decreased by 0.5 FTE and program staff decreased by 2.75 FTEs, for a net overall decrease of 3.25 FTEs from 2016 to 2017.

The 2017 budget was prepared assuming a draw on reserves of about $100,000 for costs related to moving forward the initiatives of Transformed & Transforming.

![2017 GSC Budgeted Income Pie Chart]

Budgeted operating expenses are shown by ministry and support areas below. Personnel costs, including salaries and benefits, make up 69 percent of the total budget. The remaining 31 percent of the budget is used for meeting and travel costs for the GSC, commissions, and General Synod; office costs, including rent and utilities; and other costs necessary to carry out the work of the GSC.

![2017 GSC Operating Budget Pie Chart]
Almost 500 churches are engaged in Transformed & Transforming so far. The assessment amount provided this year enabled the General Synod Council and staff to come alongside those churches in many ways, including:

**Transformational Experiences**
- One leadership community and two learning communities focused on discipleship pathways in congregations
- One leadership community and three learning communities focused on congregational cultures of generosity

**Emerging Leaders**
- One leadership community and three learning communities focused on emerging leader development
- 15 connection events focused on equipping emerging leaders

**Thriving Leaders, Thriving Churches**
- 62 RCA churches engaged in Ridder Church Renewal
- One learning community focused on first-call pastors

**Women’s Transformation and Leadership**
- Seven connection events focused on women’s transformation and leadership
- Six leadership collaboratives for women from across the RCA

**Local Missional Engagement**
- One learning community focused on local missional engagement
- Three local mission impact areas with churches collaborating for collective community impact

**Global Missional Engagement**
- Two learning communities focused on global missional engagement
- One church network focused on the RCA Global Mission strategic impact area in Nicaragua

**Church Multiplication**
- Five new congregation plans approved and four churches organized
- Three learning communities focused on parenting new churches

**Volunteer Engagement**
- Engaged 1,155 volunteers in service with RCA missionaries and mission partners
- Supported 82 congregations through equipping processes and mission trips

**Missional Mosaic**
- Two learning communities launched that are focused on cultural agility
- One learning community launched that is focused on mass incarceration
Disability Concerns

- 77 disability advocates
- Accessibility survey provided to RCA congregations

Next Generation Engagement

- One Growing Young learning community in partnership with Fuller Youth Institute and one learning community focused on next generation engagement
- Seven connection events focused on next generation engagement

In addition to the operating budget, generous gifts from donors and foundations will provide funding for specific, designated projects, including disaster relief, Global Mission projects, an initiative to address the financial health of pastors, and a joint leadership initiative with the CRC. Funds raised through the Called Campaign are available in addition to the operating budget and are being used to fulfill the three priorities of Transformed & Transforming.

Formulating the 2018 budget will begin in midsummer and will include direction from 2017 General Synod delegates. The focus will continue to be on aligning staff, support services, and programs to fulfill the priorities of Transformed & Transforming in impactful and measurable ways.

2018 General Synod Assessment Amount

The proposed GSC assessment includes an increase of $1.64 per member. For three years, 2015, 2016 and 2017, the GSC assessment has remained $44 per member. The flat assessment, along with a decrease in confessing membership, caused the GSC assessment revenue to decrease each of those three years. In 2017, the GSC staff took measures to reduce expenses to make up for this loss of revenue. These reductions included not replacing retiring or vacant positions, which reduced the GSC staff by 3.25 FTEs. The reductions also included cutbacks to travel, professional development, and general office costs. And yet, as the budget decreased, engagement in Transformed & Transforming continued to increase. Recognizing the need to equip congregations and continue this growth and engagement with Transformed & Transforming, the GSC is recommending an assessment increase of 3.5 percent or $1.64 per member.

In 2016, General Synod passed R 16-27, instructing the GSC to ensure adequate staffing and funding for the Commissioned Pastor Advisory Team. In response, the GSC is recommending a $0.10 increase for the Commissioned Pastor Advisory Team to provide ongoing funding to the team. This $0.10 increase is included in the GSC increase of $1.64.

The 2018 assessment proposal removes the additional amounts added during the 2016 General Synod, as they were one-year funding commitments.

An increase in the per-member assessment allows the GSC to continue the impactful work of Transformed & Transforming. However, we understand General Synod’s concerns about the impact on local congregations of increasing the per-member assessment amount. The general secretary and executive leadership team realize the tremendous blessing and responsibility we have been given to manage the past and present funds entrusted to us by donors and congregations.
Alternate Funding Plan Update

Since 1993, several reports have come to General Synod relating to the current assessment structure. A recommendation was passed in 2008 to start the exploration of alternative funding strategies. From 2008 to 2014, the General Synod studied this issue through all-synod advisory committees, a task force for future funding, and by observing the Regional Synod of the Far West’s percentage of income model. The most recent report related to this topic was made in 2014. At that time, no recommendation was made due to the transition to the new goals of Transformed & Transforming. In 2017, the RCA staff will resume efforts on researching and developing an alternative model to the current per-member assessment model and will bring its findings to the GSC.

2018 Board of Benefits Services Assistance Grant Assessment

In 2016, the Board of Benefits Services’ assistance program for retired participants, spouses, and dependents provided $378,000 to retirees and active participants experiencing financial distress. Assistance may be granted for housing and utilities, ongoing medical insurance premiums, higher education for children of deceased ministers, funeral grants to surviving spouses, and retirement contributions for ministers who are disabled. Matching grants are available for emergency needs of active RCA ministers and for the medical insurance premiums of full-time RCA ministers involved in a new church plant.

The BOBS assistance program also provides for 27 retiree chaplains who connect with more than 1,000 retired RCA ministers of Word and sacrament to tend to the spiritual, financial, and relational needs of those who have served the church. Many retired ministers no longer live near an RCA congregation or are not able to connect with their classis.

The assessment to support the assistance program was approved at $2.00 per member at General Synod 2016. The remainder of the funds required to sustain this program are provided through annual contributions, a portion of the administrative fees charged to retirement plan participants’ accounts, and annual investment income from the Ed and Luella Mulder Pastor Assistance Endowment Fund as well as other endowment funds. The Board of Benefits Services is requesting no increase for 2018, leaving the assessment at $2.00.

2018 Theological Education Assessment

The formula for allotment of the assessment for theological education approved by the 2013 General Synod (MGS 2013, R-23, p. 128) was adjusted slightly this year in order to align with actual spending needs on collaborative projects. This adjustment gives a slightly higher percentage of the assessment to the seminaries and MFCA, and a slightly lower percentage to the collaborative projects. The percentage to be divided equally among the seminaries and MFCA was raised to 76.5 percent from 75 percent, and the percentage allocated for collaborative projects such as meetings of the General Synod professors was lowered accordingly, to 3.5 percent. The overall amount of the assessment ($840,000) remains the same. The formula for 2018 is as follows:

To allocate an assessment for theological education to the RCA seminaries and to the Ministerial Formation Certification Agency (MFCA) at the level of $840,000 for a period of three years, with this amount not to decrease but to increase at a percentage equal to potential GSC assessment increases during this period; and further, to allocate the proposed funding in the following manner: an initial $55,000 to be allocated to the MFCA to cover their unique costs, with
the remaining funding to be divided among the seminaries and the MFCA in the following manner:

a) 76.5 percent of the funding to be divided equally among the seminaries and the MFCA to recognize and fund the cost each agency bears in oversight of the certificate of ministry process.

b) 20 percent of the funding to be divided among the seminaries and the MFCA based upon the number of students enrolled in each agency who are under care of a classis and pursuing ordination in the RCA as of December 31 of the previous calendar year.

iii) 3.5 percent of the funding to be used in collaborative projects, including the meeting of the General Synod professors, the meeting of the future collaborative group for theological education, and other collaborative projects.

The 2018 per-member assessment for theological education includes an increase of $0.02 to maintain the funding at $840,000. The increase of $0.02 is based on an estimated decrease in membership. In 2017, funds will be allocated to the MFCA and the seminaries as follows: $313,000 to the MFCA; $283,000 to Western Theological Seminary; $208,000 to New Brunswick Theological Seminary; and $39,000 for the General Synod professorate and collaborative work.

R 17-11
To approve the General Synod Council 2017 assessment of $45.64 per confessing member. (ADOPTED)

A motion was made and supported to cease debate.

VOTED: To cease debate.

VOTED: To adopt R 17-11.

R 17-12
To approve the assessment of $2.00 per confessing member for the Board of Benefits Services to provide assistance funding for retired pastors who have a demonstrated need. (ADOPTED)

R 17-13
To approve the assessment of $5.97 per confessing member for theological education. (ADOPTED)

To fulfill the request from the Advisory Committee on Overtures and New Business in response to Overtures 23 and 24:

R 17-14
To approve the $0.14 per member assessment to fulfill R 17-24 to create a task force to review the Formula of Agreement. (ADOPTED)
Change in Assessment from 2017 to 2018

The chart below summarizes the General Synod assessment amounts for 2017 and the General Synod Council proposed amount for 2018.

**General Synod Council**
**Proposed Per-Member Assessment Amount**

<table>
<thead>
<tr>
<th>Name of Assessment</th>
<th>MGS Reference</th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
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<tr>
<td><strong>Amounts brought from GSC</strong></td>
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<tr>
<td>Joint Meeting re Commissioned Pastors</td>
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