



Anabaptist
Foundation

Lewisburg, Pennsylvania

**Consolidated Financial Statements
and
Independent Auditor's Report
For the Year Ended June 30, 2023**

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PAYNE, WHITE & SCHMUTZ

CERTIFIED PUBLIC ACCOUNTANTS, PA

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Independent Auditor's Report

The Board of Directors
Anabaptist Foundation
Lewisburg, Pennsylvania

Opinion

We have audited the consolidated financial statements of Anabaptist Foundation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Anabaptist Foundation as of June 30, 2023, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Anabaptist Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Anabaptist Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anabaptist Foundation'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.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA
Seneca, South Carolina
September 12, 2023

Consolidated Financial Statements

Anabaptist Foundation

Consolidated Statement of Financial Position

June 30, 2023

Assets:

Cash and cash equivalents	\$ 5,242,599
Accounts receivable	182,092
Interest receivable	238
Investments	2,180,801
Real estate held for sale	6,317,000
Demand note receivable - related organization	34,000,000
Hardship loans receivable	2,701,862
Less allowance for loan losses	(74,715)
Net loans receivable	<u>36,627,147</u>
Future interest in real estate	390,000
Property and equipment net of accumulated depreciation of \$113,508	<u>1,576,900</u>
Total assets	<u><u>\$ 52,516,777</u></u>

Liabilities:

Accounts payable	\$ 6,885
Accrued expenses	37,382
Life estate liability	106,007
Discount for future interest - pooled income fund	<u>127,191</u>
Total liabilities	<u>277,465</u>

Net assets:

Without donor restrictions	50,004,205
With donor restrictions	<u>2,235,107</u>
Total net assets	<u>52,239,312</u>
Total liabilities and net assets	<u><u>\$ 52,516,777</u></u>

The notes to financial statements are an integral part of these statements.

Anabaptist Foundation**Consolidated Statement of Activities****For the Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of cash and other financial assets	\$ 36,124,175	\$ 407,937	\$ 36,532,112
Contributions of nonfinancial assets	4,064,615	-	4,064,615
Investment income	1,068,425	58,757	1,127,182
CSR program income	80,519	-	80,519
Other income	69,000	-	69,000
Imputed interest on hardship loans	66,122	-	66,122
Rent income	46,931	-	46,931
Income from business interests	13,732	-	13,732
Interest income from hardship loans	3,000	-	3,000
Change in value of split-interest agreements	-	2,917	2,917
Gain/(loss) on sale of donated real estate	(8,787)	-	(8,787)
Total revenue and support	<u>41,527,732</u>	<u>469,611</u>	<u>41,997,343</u>
Reclassifications:			
Satisfaction of program restrictions	<u>588,110</u>	<u>(588,110)</u>	<u>-</u>
Total reclassifications	<u>588,110</u>	<u>(588,110)</u>	<u>-</u>
Expenses:			
Program services	<u>36,269,899</u>	<u>-</u>	<u>36,269,899</u>
Total program expenses	<u>36,269,899</u>	<u>-</u>	<u>36,269,899</u>
Supporting activities:			
General administration	375,402	-	375,402
Fund raising	37,243	-	37,243
Rental expense	205,534	-	205,534
Total supporting activities	<u>618,179</u>	<u>-</u>	<u>618,179</u>
Total expenses	<u>36,888,078</u>	<u>-</u>	<u>36,888,078</u>
Change in net assets	5,227,764	(118,499)	5,109,265
Net assets, beginning of year	<u>44,776,441</u>	<u>2,353,606</u>	<u>47,130,047</u>
Net assets, end of year	<u>\$ 50,004,205</u>	<u>\$ 2,235,107</u>	<u>\$ 52,239,312</u>

The notes to financial statements are an integral part of these statements.

Anabaptist Foundation**Consolidated Statement of Functional Expenses****For the Year Ended June 30, 2023**

	Program	General Administration	Fund Raising	Rental Expense	Total
Charitable distributions	\$ 35,826,080	\$ -	\$ -	\$ -	\$ 35,826,080
Payroll and related expenses	188,766	194,477	25,150	-	408,393
Occupancy	16,200	41,961	3,240	164,338	225,739
Contributed services	45,687	30,077	381	-	76,145
Other supplies	66,848	-	-	-	66,848
Office supplies and expenses	48,904	6,524	351	7,318	63,097
Travel	27,155	21,829	5,326	-	54,310
Professional fees	-	46,995	164	82	47,241
Depreciation	-	5,964	-	33,796	39,760
Information technology	18,080	18,080	-	-	36,160
Advertising and promotion	26,413	813	1,478	-	28,704
Filing and other fees	5,766	6,008	1,153	-	12,927
Federal taxes	-	2,674	-	-	2,674
Total	\$ 36,269,899	\$ 375,402	\$ 37,243	\$ 205,534	\$ 36,888,078

The notes to financial statements are an integral part of these statements.

Anabaptist Foundation

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities

Change in net assets	\$ 5,109,265
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Current year donated items not converted to cash	(3,503,915)
Prior year donated items converted to cash	6,191
Net realized and unrealized (gains)/losses on investments	10,525
Adjustment of planned giving obligations	(2,917)
Depreciation	39,760
Contributions restricted for long-term investment	(1,000)
Investment income restricted for long-term investment	(148)
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	(174,404)
Increase/(decrease) in accounts payable	(116,575)
Increase/(decrease) in accrued expenses	1,595
Net cash provided (used) by operating activities	<u>1,368,377</u>
Cash flows from investing activities:	
Principal repayments on loans	1,412,421
Loan proceeds disbursed	(5,662,200)
Purchases of investments	(26,526)
Net cash provided (used) by investing activities	<u>(4,276,305)</u>
Cash flows from financing activities:	
Proceeds from planned giving program agreements	4,480
Contributions restricted to endowments	1,000
Investment income restricted for endowments	148
Net cash provided (used) by financing activities	<u>5,628</u>
Net change in cash and cash equivalents	(2,902,300)
Cash and cash equivalents, beginning of year	<u>8,144,899</u>
Cash and cash equivalents, end of year	<u>\$ 5,242,599</u>

The notes to financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies:

Nature of Organization

Anabaptist Foundation (AF) was incorporated May 2, 2005, under the Pennsylvania Non-Profit Corporation Law. The mission of AF is to assist donors in channeling material resources within the Kingdom of Christ and to provide donors with financial counsel consistent with conservative Anabaptist beliefs and values.

AF administers donor advised funds, endowments, and other estate planning gifting options. Donor advised fund agreements allow donors to make charitable contributions to a fund which is used to provide donations to qualified charitable organizations. The funds are under the complete control of the AF Board, but donors may make recommendations as to their distribution. AF charges each fund administrative fees and provides accounting, administration and compliance with Internal Revenue regulations. Donors may contribute cash, securities, or other non-cash gifts. Donor advised fund charitable distributions include 501 (c)(3) Christian organizations and churches.

AF operates a hardship loan program that endeavors to advance the religious beliefs, cultural traditions, and lifestyles of the Anabaptist faith by providing loans to charitable entities in need of special financial assistance that are affiliated or associated with the Anabaptist faith.

Entity Status

AF is organized on a non-stock basis and does not contemplate pecuniary gain or profit, incidental or otherwise. No part of the net earnings of AF shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that AF shall be authorized to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth above. AF has no members and is governed by a ten-member board. AF is organized exclusively for charitable, religious, and educational purposes, and is exempt under section 501 (c)(3) of the Internal Revenue Code.

Basis of Accounting and Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America (GAAP) pertaining to Financial Statements of Nonprofit Organizations. Under Financial Statements of Nonprofit Organizations, AF is required to report information regarding its financial position and activities according to two classes of net assets consisting of net assets without donor restrictions and net assets with donor restrictions.

Principles of Consolidation

The consolidated financial statements include the accounts of Anabaptist Foundation, NCG Holdings, Ltd. (NCG), and Stewardship Holding Company (SHC). NCG and SHC are single member limited liability companies, wholly owned by AF and are considered disregarded entities for tax reporting purposes. NCG is used to receive and hold donated real estate and business interests until the time of their disposal. SHC holds real estate that is used in AF's operations. Intercompany transactions and account balances have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts and include investments in highly liquid debt instruments with an original maturity of three months or less at the time of purchase. It is AF's policy not to treat cash deposits and money market funds held in its investment accounts as cash and cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Equity investments relate to donor advised funds, planned giving programs, and gifts of securities from the time of receipt until sold. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the changes in net assets. Realized gains or losses are determined by comparison of specific cost of acquisition to proceeds at the time of sale. Unrealized gains or losses are calculated by comparing cost to market values at the consolidated statement of financial position date.

Real Estate Held for Sale

Real estate held for sale is carried at the lower of book value or fair value.

Fair Value Measurements

Fair value is defined under GAAP as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. AF uses market information or assumptions that participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market information exists, therefore requiring an entity to develop its own assumptions.

Loan and Allowances for Loan Losses

Loans are stated at the unpaid principal balance. Hardship loans are not backed by collateral. Most hardship loans carry either no interest rate or minimal interest rates not exceeding 2.00%. Loan maturities vary depending on the circumstances surrounding each loan.

These loans are made available to organizations who might not possess the credit history required to qualify for bank financing; therefore, AF's credit policies may be riskier than those traditionally used by banks and other financial institutions. A higher-than-average rate of loan losses may result from AF's adherence to such credit policies. AF's management evaluates the collectibility of the loan portfolio to determine the level of allowance for loan losses required. This evaluation includes using a four-point rating system to assess each loan's probability of default. Based on this rating system, each loan is placed into categories of acceptable, substandard, or doubtful. An acceptable rating represents loans that are expected to be fully collectible and represent the highest quality. A substandard rating represents loans that exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan. A doubtful rating represents loans that exhibit similar weaknesses to a substandard rating. However, a doubtful rating has additional weaknesses in existing facts, conditions, and values that make collection in full highly questionable. Loans that receive a substandard or doubtful rating are further evaluated for impairment using additional qualitative and quantitative measures.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued):

Loan and Allowances for Loan Losses (continued)

The credit risk rating methodology is a key component of AF's allowance for loan losses evaluation, and is generally incorporated into AF's loan approval process. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of year-end. The allowance is increased by provisions charged to operating expense and decreased by charge-offs net of recoveries. A review of individual loans in AF's loan portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to AF has been identified. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss. AF considers such factors as credit risk classification, collateral values, risk concentrations, economic conditions, and prior loan loss experience when determining the allowance for loan losses. Loans determined to be uncollectible are charged to the allowance during the period in which such determination is made. The allowance for loan losses was \$74,715 at June 30, 2023. There was no charge to the provision for loan losses account for the year ended June 30, 2023. Management considers that a loan is delinquent when a payment is ten days past due.

A specific allowance may be established for impaired loans under Financial Accounting Standards Board (FASB) guidance on accounting by creditors for impairment of a loan. A general allowance may also be established under FASB guidance on accounting for contingencies, to reflect estimated probable credit losses incurred in the remainder of the loan portfolio at the financial statement date, which excludes loans included under the specific allowance. A general allowance can be evaluated on a pool basis for those loans with similar characteristics. The level of the general allowance may be based on management's best estimate of the likelihood of default adjusted for other factors reflecting the current environment.

Loans are defined as impaired when, based on current information and events, it is probable that AF will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management does not consider an insignificant delay or insignificant shortfall in the amount of payment to impair loans. Also, management does not consider a loan impaired during a period of delay in payment if it expects to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loan, if collateral dependent. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to fully meet the contractual interest obligation under the original loan agreement. Interest income is subsequently recognized only to the extent cash payments are received. If the financial condition of the borrower that has a loan on nonaccrual status significantly improves, management may decide to remove that loan from nonaccrual status. Management believes it had no impaired loans as of June 30, 2023.

In cases where a borrower experiences financial difficulties and AF makes certain monetary concessions to the borrower through modifications to the contractual terms of the loan, the loan is classified as a restructured loan. A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties AF grants a concession to the debtor that it would not otherwise consider. AF did not have any loans that met these conditions at June 30, 2023.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued):

Split-Interest Agreements

AF's split-interest agreements with donors consist of a pooled income fund for which AF serves as trustee. Assets are recorded at fair value and are invested in conservative investments. Payments are made to beneficiaries in accordance with the respective agreements. Contribution revenue from pooled income funds is recognized upon establishment of each agreement. Contribution revenue is calculated as the difference between the fair value of the assets donated less a discount for future interest which is determined by various actuarial factors including donor age, life expectancy, number of beneficiaries, and an applicable interest rate factor. The discount for future interest is revalued at the end of each fiscal year. Changes in the discount for future interest is recognized in the consolidated statement of activities as a change in value of split-interest agreements.

Capital Assets

Property and equipment are recorded at cost for items purchased. It is AF's policy to capitalize equipment which costs at least \$5,000 per unit item. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is based on the following policy:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Buildings	40 years	Straight line
Equipment	5-7 years	Straight line

Net Assets

The consolidated financial statements report amounts by classification of net assets:

- Net assets without donor restrictions are those available at the discretion of the board for use in AF's programs and other functions, and those resources invested in property and equipment.
- Net assets with donor restrictions are those restricted by donors for specific operating purposes or for use in a future reporting period. Also included in this category are net assets subject to donor-imposed restrictions to be held in perpetuity such as endowments or irrevocable trusts.

Support, Revenue, and Reclassifications

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to AF.

Future interests in real estate are recorded at fair value on the date of contribution.

AF reports gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to donor advised funds are reported as contributions without donor restrictions because AF has the unilateral power to redirect these funds.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued):

Support, Revenue, and Reclassifications (continued)

Contributions and investment income to AF's endowment program are recognized as net assets with donor restrictions until the minimum non-distributable balance is reached for each endowment. Additional contributions and investment income over an endowment's minimum non-distributable balance are also categorized as net assets with donor restrictions until utilized for its intended purpose.

Income allocations to the operating fund are typically based on a standard percentage of assets donated. Income allocations on non-liquid assets are accrued and are collected when the underlying assets are sold.

Interest income on interest bearing loans is computed daily based on the principal amount of the loans outstanding.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred and amounted to \$28,704 for the reporting period.

Functional Allocation of Expenses

Natural expenses attributable to more than one functional expense category are allocated to the appropriate functional category based upon reasonable estimates made by management. Administrative expenses are supporting activities that are not directly identifiable with program activities. Fund raising expenses promote the solicitation of support from current and potential donors for its program and other functional activities. Administrative and fund raising expenses are funded from net assets without donor restrictions.

Income Taxes

Anabaptist Foundation is recognized as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, its income is not subject to income tax unless AF has unrelated business income. AF did record \$13,732 of unrelated business income and booked \$2,674 of income tax expense related to this income.

AF has adopted accounting principles related to accounting for uncertainty in income tax positions. AF's policy is to record a liability for any tax position taken that is beneficial to AF, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management believes there are no such positions for either the current year or prior years, and accordingly, no liability has been accrued.

Subsequent Events Evaluation

Management has evaluated subsequent events through September 12, 2023, which is the date the consolidated financial statements were available to be issued.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 2 – Financial Assets and Liquidity Resources:

AF's operations are primarily funded by contributions of cash and non-cash items. Some of these contributions may contain donor restrictions. Those restrictions require that resources be used for specific activities. Therefore, AF must maintain adequate resources to meet its responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, AF has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. AF does not currently try to maintain an established minimum balance in its operational bank accounts, but does closely monitor its operational cash balances in relation to its general expenditure obligations. The governing board may consider authorizing the borrowing of funds should it be deemed necessary to do so.

AF had deposits in a financial institution totaling \$4,956,493 that were not covered by depository insurance. Management believes that the credit risk related to these deposits is minimal.

The following schedule reflects AF's financial assets as of its fiscal year-end in 2023, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board approved their use.

	<u>Amount</u>
Cash and cash equivalents	\$ 5,242,599
Accounts receivable	182,330
Interest receivable	238
Investments	2,180,801
Loans receivable, net of allowance for loan losses	<u>36,627,147</u>
Total financial assets	44,233,115
Less those unavailable for general expenditures within one year, due to:	
Restricted amounts associated with special gift funds	(103,566)
Amounts held in endowment funds	(1,728,100)
Amounts held in pooled income funds	(246,640)
Estimated loan receivable principal expected to be received after one year	<u>(36,332,862)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,821,947</u>

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 3 – Investments:

Investments consist of the following:

	<u>Fair Value</u>
Government money market fund	\$ 1,977,416
Mutual funds	203,385
Total	<u>\$ 2,180,801</u>

Investment income consisted of the following:

	<u>Amount</u>
Interest and dividends	\$ 1,137,707
Realized gains/(losses) on investments	(11,995)
Unrealized gains/(losses) on investments	1,470
Total	<u>\$ 1,127,182</u>

Note 4 – Loans and Allowance for Loan Losses:

AF's loan portfolio has been segmented into the following types:

- Hardship Loans – made to Anabaptist organizations in need special financial assistance. These loans are not secured by collateral.
- Related Organization Loan – made to related organization for the purpose of generating an investment return on AF assets.

Loans at June 30, 2023, consist of the following:

	<u>Amount</u>
Hardship loans	\$ 2,701,862
Related organization loan	34,000,000
Total	<u>\$ 36,701,862</u>

The above hardship loans carries either a 2.00% interest rate or no interest. The related organization loan is a demand loan and carries a variable interest rate that is adjustable each quarter upon the decision of management. At the current year-end, the interest rate was 4.25%.

A significant source of AF's liquidity is the repayments and maturities of the loans. The following table presents the contractual principal repayments of loans by loan type at June 30, 2023:

<u>Loan Category</u>	<u>Due Less than 1 Year</u>	<u>Due 1 thru 5 Years</u>	<u>Due after 5 Years</u>	<u>Total</u>
Hardship loans	\$ 369,000	\$ 2,332,862	\$ -	\$ 2,701,862
Related organization loan	34,000,000	-	-	34,000,000
Total	<u>\$ 34,369,000</u>	<u>\$ 2,332,862</u>	<u>\$ -</u>	<u>\$ 36,701,862</u>

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 4 – Loans and Allowance for Loan Losses (continued):

The above maturities indicated that approximately 93.64% of loans had maturities of one year or less for the year ended June 30, 2023.

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2023:

<u>Loan Category</u>	<u>Acceptable</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Hardship loans	\$ 2,702,101	\$ -	\$ -	\$ 2,702,101
Related organization loan	34,000,000	-	-	34,000,000
Total	<u>\$ 36,702,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,702,101</u>

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2023:

<u>Loan Category</u>	<u>60-89 Days Past Due</u>	<u>90-120 Days Past Due</u>	<u>More than 120 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans</u>	<u>Recorded Investment > 90 Day and Accruing</u>
Hardship loans	\$ -	\$ -	\$ -	\$ -	\$ 2,702,101	\$ 2,702,101	\$ -
Related organization loan	-	-	-	-	34,000,000	34,000,000	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,702,101</u>	<u>\$ 36,702,101</u>	<u>\$ -</u>

AF did not have any loans that were on nonaccrual status as of June 30, 2023. AF had no loans that it considered impaired at year-end.

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

<u>2023</u>	<u>Hardship</u>	<u>Related Organization</u>	<u>Total</u>
Allowance for credit losses:			
Balance at June 30, 2022	\$ 74,715	\$ -	\$ 74,715
Charge-offs	-	-	-
Recoveries	-	-	-
Provision for loan losses	-	-	-
Balance at June 30, 2023	<u>\$ 74,715</u>	<u>\$ -</u>	<u>\$ 74,715</u>

June 30, 2023 allowance ending balance:

Loans individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Loans collectively evaluated for impairment	<u>\$ 74,715</u>	<u>\$ -</u>	<u>\$ 74,715</u>

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For the Year Ended June 30, 2023

Note 4 – Loans and Allowance for Loan Losses (continued):

Recorded investment in loans outstanding at June 30, 2023, is as follows:

<u>2023</u>	<u>Hardship</u>	<u>Related Organization</u>	<u>Total</u>
Balance at June 30, 2023	\$ 2,702,101	\$ 34,000,000	\$ 36,702,101
Loans individually evaluated for impairment	\$ -	\$ -	\$ -
Loans collectively evaluated for impairment	\$ 2,702,101	\$ 34,000,000	\$ 36,702,101

Note 5 – Planned Giving Program:

The assets and liabilities of AF's planned giving programs are as follows:

Assets:	
Pooled income fund assets	\$ 246,640
Future interest in real estate	<u>390,000</u>
Total	<u>\$ 636,640</u>
Liabilities:	
Discount for future interest (PIF)	\$ 127,191
Life estate liability	<u>106,007</u>
Total	<u>\$ 233,198</u>

AF received contribution revenue of \$5,520 in the current year from pooled income fund donations. The change in value of split-interest agreements consists of:

	<u>PIF</u>	<u>Life Estate</u>	<u>Total</u>
Interest	\$ 8,472	\$ -	\$ 8,472
Payments to beneficiaries	(8,472)	-	(8,472)
Actuarial adjustment	<u>9,916</u>	<u>(6,999)</u>	<u>2,917</u>
Total	<u>\$ 9,916</u>	<u>\$ (6,999)</u>	<u>\$ 2,917</u>

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Notes to Consolidated Financial Statements
For the Year Ended June 30, 2023

Note 6 – Capital Assets:

Capital assets consists of the following:

<u>Description</u>	<u>Basis</u>
Land	\$ 100,000
Buildings	<u>1,590,408</u>
Total	1,690,408
Less accumulated depreciation	<u>(113,508)</u>
Total	<u>\$ 1,576,900</u>

Note 7 – Net Assets with Donor Restrictions:

Net assets with donor restrictions are available for the following purposes as of the current reporting period:

	<u>Amount</u>
Endowment funds	\$ 1,728,100
Special gift funds	103,566
Time restrictions	<u>403,441</u>
Total net assets with donor restrictions	<u>\$ 2,235,107</u>

Note 8 – Contributed Nonfinancial Assets:

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Real estate	\$ 3,447,000	\$ -
Manufactured buildings	181,673	-
Food items	169,100	-
Commodities	190,697	-
Contributed services	<u>76,145</u>	<u>-</u>
Total	<u>\$ 4,064,615</u>	<u>\$ -</u>

AF recognized contributed nonfinancial assets within revenue which included real estate, various commodities, manufactured buildings, food items, and contributed services. There were no donor-imposed restrictions related to these donations.

Contributed real estate is sold as soon as a suitable buyer is located. Proceeds from the sale of real estate are used to fund donor advised funds. Contributed real estate is recorded at the appraised value, which is deemed to approximate fair value.

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Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 8 – Contributed Nonfinancial Assets (continued):

Contributed manufactured buildings generally are liquidated within a few days of donation. Proceeds from the sale of the buildings fund donor advised funds. The buildings are recorded at the sales price, which is deemed to approximate fair value.

Contributed food items are sold soon after donation. Proceeds from the sale of these items fund donor advised funds. Food items are recorded at the sales price, which is deemed to approximate fair value.

Contributed commodities are sold within a few days of receipt and include corn, soybeans, wheat, lumber, and other products. Proceeds from the sale of commodities are used to fund donor advised funds. Donated commodities are recorded at the gross sales price, which is deemed to approximate fair value.

Contributed services are provided by the employees of an affiliated organization and these services benefit AF's program, administrative, and fund raising functions. The value of these services was based upon the estimated wages paid to the employees that provided these services to AF.

Note 9 – Revenue from Contracts with Customers:

Revenue from contracts with customers should be recognized when AF fulfills its performance obligations to its customers. AF had the following source of revenue from contracts with customers:

CSR program income – AF offers a service to conservative Anabaptist organizations of preparing an organization's state charitable solicitation registrations. The performance obligation is deemed complete when the registration applications are completed. Billing for this service occurs after completion and payment is due at the time of billing. Contract assets include accounts receivable and there are no contract liabilities associated with this revenue stream. As of the current year-end, AF had contract assets totaling \$12,992 and \$7,688 as of the prior year-end.

Note 10 – Related Party and Related Party Transactions:

Anabaptist Financial and Stewardship Resources are related organizations due to common control, operating with the same Board of Directors as Anabaptist Foundation. Anabaptist Foundation made contributions totaling \$90,000 to Stewardship Resources in the reporting period. AF also made contributions totaling \$1,947,159 to other organizations that are considered related parties because certain members of AF's governing board and management team serve on the governing boards of those organizations.

Anabaptist Financial owes Anabaptist Foundation a demand loan totaling \$34,000,000 as of the current year-end. Related party interest income earned during the year totaled \$1,094,418.

Note 11 – Fair Value Measurements:

Prices for U. S. government agency instruments which are readily available in the active markets in which those securities are traded, are categorized as Level 1. Prices for non-U. S. government agency fixed income instruments are based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. Prices for privately held stocks are based on assumptions developed by management and are categorized as Level 3.

There were no changes during the year ended June 30, 2023, to AF's valuation techniques used to measure asset and liability fair values on a recurring basis.

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Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 11 – Fair Value Measurements (continued):

The following table sets forth by level within the fair value hierarchy AF's assets accounted for at fair value on a recurring basis as of June 30, 2023. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AF's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of June 30, 2023				
Description	Level 1	Level 2	Level 3	Total
U. S. government money market	\$ 1,977,416	\$ -	\$ -	\$1,977,416
Mutual funds	203,385	-	-	203,385
Real estate	-	6,317,000	-	6,317,000
Total	<u>\$ 2,180,801</u>	<u>\$ 6,317,000</u>	<u>\$ -</u>	<u>\$8,497,801</u>

Cash and cash equivalents carried at cost are not defined within the levels as prescribed in ASC 820, *Fair Value Measurements and Disclosures*. At June 30, 2023, \$5,242,599 of cash and cash equivalents carried at cost are not included in the table.

Note 12 – Endowments:

AF has entered into endowment fund agreements with several Anabaptist charitable organizations. Interested donors can contribute to these endowment funds. Each endowment agreement requires a minimum balance of at least \$10,000 before any benefits can be distributed to the recipient organization. Annual distributions are calculated by paying up to 10% of the value of the endowment fund or the annual interest yield from the assets of the endowment fund. Distributions generally cannot reduce an endowment fund below its minimum required balance. AF maintains a very conservative investment policy. Each endowment earns quarterly interest at a rate as determined by management. The endowment interest rate at June 30, 2023, was 4.0%.

Management reports all contributions to and interest earnings of an endowment fund as donor restricted. Amounts in excess of the minimum required balance become expendable, but are classified as net assets with donor restrictions until expended. AF does not have any underwater endowment funds as of the current reporting period. Should an endowment fund's value go below the required minimum balance, spending from that fund ceases until the endowment fund's value exceeds the required minimum balance.

The following schedule details AF's endowment fund net assets by type as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	<u>\$ -</u>	<u>\$ 1,728,100</u>	<u>\$ 1,728,100</u>

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Notes to Consolidated Financial Statements

For the Year Ended June 30, 2023

Note 12 – Endowments (continued):

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ 1,757,988	\$ 1,757,988
Endowment activity this year:			
Contributions	-	28,178	28,178
Interest income	-	58,757	58,757
Distributions	-	(116,823)	(116,823)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 1,728,100</u>	<u>\$ 1,728,100</u>

Note 13 – Leases:

Effective July 1, 2022, AF adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The new accounting guidance in ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. AF elected to adopt the standard retrospectively at the beginning of the current reporting period through a cumulative-effect adjustment, if needed. No cumulative adjustment was required.

AF has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for all classes of underlying assets. Therefore, the requirements in ASC Topic 842 will not be applied to short-term leases. Instead, short-term lease payments will be recognized in the statement of activities on a straight-line basis over the lease term.

AF has one short-term operating lease which provides needed office space. The lease term is for sixty days and AF has been executing a new sixty-day lease upon expiration of the lease. AF also leases out building space at its office complex. These leases are all short-term. The following table presents relevant information about AF's leases:

<u>Lease cost:</u>	
Short-term lease cost	<u>\$ 2,400</u>
<u>Lease income:</u>	
Short-term lease income	<u>\$ 46,931</u>