

2020 ANNUAL REPORT

STEWARDSHIP CONNECTIONS

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Anabaptist Financial **Stewardship Mission**

Assist the brotherhood
in channeling material resources
within the kingdom of Christ

Provide stewards
with Biblically-based financial
counsel consistent with conservative
Anabaptist beliefs and values



From the Board of Directors

Much has been said in 2020 about having 20/20 vision. As a board, we cannot see the future with the clarity of perfect vision. However, we are blessed to serve a God who sees all things clearly. We are also grateful for the input received from the Anabaptist Financial advisory group and others, as we together travel this journey of life.

As this new year was dawning, COVID-19 was not in focus, but it soon became a major issue to deal with. The impact was real and, while some of AF's services had little disruption, others felt it keenly. We needed to cancel many of our seminars. This lost opportunity to share Biblical financial principles and allow business owners, employees, and families to fellowship and network was a huge disappointment, and keenly missed.

Not only are we at the close of another year, but also the passing of another decade. The years have gone by quickly, and also bring me to the close of my allotted ten years on the board. Lord willing, next year's letter from the board will be written by a new chairman. I am grateful for a dedicated AF team of officers and staff, and blessed to have had the opportunity to work with them. As we move forward and look to the future, my prayer is that God would direct our way. May we continue to pray and work together, so that Anabaptist Financial can faithfully

serve our communities and be a blessing in the kingdom of God.

This annual report includes the financial statements for Anabaptist Financial, Anabaptist Foundation, and Stewardship Resources for the fiscal year ending June 30, 2020, including the auditor's report. We are pleased to note that our independent auditor has provided the board of directors with an unqualified opinion letter. This is his independent judgement that our financial records and statements are fairly and accurately presented, in accordance with Generally Accepted Accounting Principles (GAAP), without any deviations that must be reported.

It is a blessing that investors and borrowers from the conservative Anabaptist community are responsibly connected through the stewardship ministry of Anabaptist Financial. If you have any questions about these financial reports or our operations, please contact our office for assistance: 800-653-9817.



Richard L. Hoover
Board Chairman



From left to right: **Ben Stoltzfus** Morgantown, PA; **Ken Burkholder** Gordonville, PA; **Richard Hoover** Narvon, PA; **Wayne Keim** Berlin, OH; **Nathan Siegrist** Narvon, PA; **Marvin Mast** Nickerson, KS; **Nathan Zimmerman** Reinholds, PA; **Amos Hurst, Jr.** Lititz, PA; Not pictured: **Andrew Zimmerman** Mifflintown, PA



Why Was AF Formed?

By Paul A. Miller, Executive Officer

In past issues of our Annual Report we have addressed “what” is Anabaptist Financial and explained “how” Anabaptist Financial works. But “why” was AF formed?

The family of nonprofit organizations operating as AF arose as an expression of brotherhood among our people. “Why AF” begins with Biblical fellowship. For generations, our people have lived by shared faith, shared values, and shared resources in close communities where we support one another in the ways necessary to maintain our way of life.

The farmers’ threshing rings of bygone years illustrate how we help one another in material ways. Threshing in the old days was a joint effort of shared labor, often with shared machinery, as the community pooled their resources to bring in the harvest that sustained their way of life. While shared threshing machines are scarce these days, we continue to share other kinds of resources in similar ways.

Underlying the sharing of machinery, tools, land, and labor is stewardship—the way in which we carefully use and share among ourselves the things God has blessed us with. We may not be able to help each other with shared labor to thresh our grain anymore, but we are able to share a different resource—the capital necessary to sustain our way of life.

We could say that, in the post-threshing ring days, shared capital has become the new medium of exchange. Our people have a long history of established farmers sharing knowledge, machinery, and the capital necessary to buy farmland and chattel to help the rising generation carry on their shared values. This has sustained multiple generations of our people in perpetuating our way of life. In bygone years, threshing rings is where it all came together. Why? Because in this joint enterprise for the common good, individual lives overlapped. Threshing rings across our communities


interacting to meet one another’s needs wove us together in a lifestyle-sustaining expression of brotherhood.

Today, we could say AF is a kind of “threshing ring” of our times. The medium of exchange is not wheat and oats anymore. Today we share the use of money. One generation has funds on hand that are not immediately needed, and these funds are invested in AF’s loan pool. Children and children’s children may borrow from this pool to fund homes to shelter their families and support business enterprises that provide jobs for the brethren. Both of these activities sustain a generational transition of

For generations, our people have lived by shared faith, shared values, and shared resources in close communities where we support one another in the ways necessary to maintain our way of life.

our way of life while perpetuating the values we live by. The borrowers who benefit from the previous generation’s capital pay a reasonable price (interest) for using these funds while preserving the funds through repayment of principal for such a time as they are needed again by others.

The AF “threshing ring” also provides opportunity to make eternal investments by channeling charitable giving to anonymously support our church alms funds and missions. And like older farmers, older brothers seasoned by business and life experience share stewardship education with the rising generation to help them responsibly handle the funds they borrow to continue enabling our way of life.

This give-and-take in financial brotherhood is why Anabaptist Financial was formed. This generations-old concept of mutual sharing for mutual benefit perpetuates a way of life based on Biblical values. AF’s role is fiduciary, to facilitate an orderly and values-driven process of exchange of dollars and “sense,” in alignment with Biblical wisdom and compliance with applicable federal and state regulations. This is why Anabaptist Financial was formed—to help us help one another. 

ANABAPTIST FINANCIAL

Who We Serve

Anabaptist Financial serves conservative Anabaptist families, churches, and communities with stewardship-based educational, financial, and charitable gift services.

Brotherhood accountability and mutual aid are foundational to our existence and operations. Participation is limited to those who adhere to the 1963 Mennonite Confession of Faith or earlier similar confession such as the Garden City Confession (1921), Dordrecht Confession of Faith (1632), and Schleithem Confession (1527).

Church affiliation matters because it is a valid reflection of whom we are structured to serve and the level of accountability we value. In our motto, *Stewardship Connections with Integrity*, our core value of connections assumes shared beliefs and practices, and our core value of integrity is measured by accountability to others. The following list is not comprehensive, but it is representative of the church community we seek to serve.

- Beachy Amish Church
- Biblical Mennonite Alliance
- Charity Fellowship
- Church of the Brethren (Conservative)
- Conservative Mennonite Churches of York and Adams Counties, Pa.
- Cumberland Valley Mennonite Church
- Dunkard Brethren
- Eastern Pennsylvania Mennonite Church
- Groffdale Old Order Mennonite Conference
- Hope Mennonite Fellowship
- Keystone Mennonite Fellowship
- Mid-Atlantic Mennonite Fellowship
- Mid-West Mennonite Fellowship
- Nationwide Fellowship Churches
- New Order Amish Church
- Northeastern Mennonite Conference
- Old Order Amish Church
- Pilgrim Mennonite Conference
- River Brethren
- South Atlantic Mennonite Conference
- Unaffiliated Amish Mennonite Congregations
- Unaffiliated Mennonite Congregations
- Washington-Franklin Mennonite Conference
- Weaverland Mennonite Conference

We appreciate your service and your adherence to the Mennonite Confession of Faith.

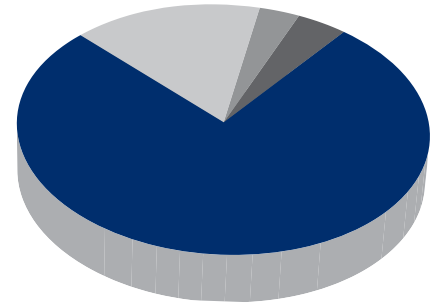
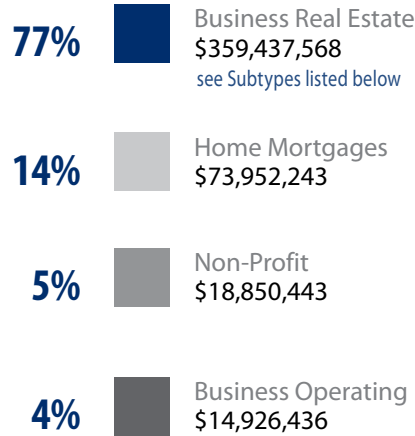
—Borrower

LOANS BY STATE

Pennsylvania	1,031
Ohio	262
New York	197
Virginia	125
Missouri	108
Michigan	93
Montana	74
Indiana	64
Kentucky	58
Maryland	47
Idaho	38
North Carolina	38
Tennessee	29
Minnesota	28
Georgia	27
Colorado	26
South Carolina	26
Oregon	24
Kansas	21
Iowa	20
California	16
Illinois	16
Wisconsin	16
Washington	15
West Virginia	15
Texas	13
Florida	11
Mississippi	11
Nevada	11
Wyoming	10
Oklahoma	8
Arkansas	7
Maine	7
New Jersey	7
Alaska	5
Delaware	5
New Mexico	5
Alabama	2
Massachusetts	2
North Dakota	2
Nebraska	2
South Dakota	2
Utah	2
Arizona	1
Vermont	1

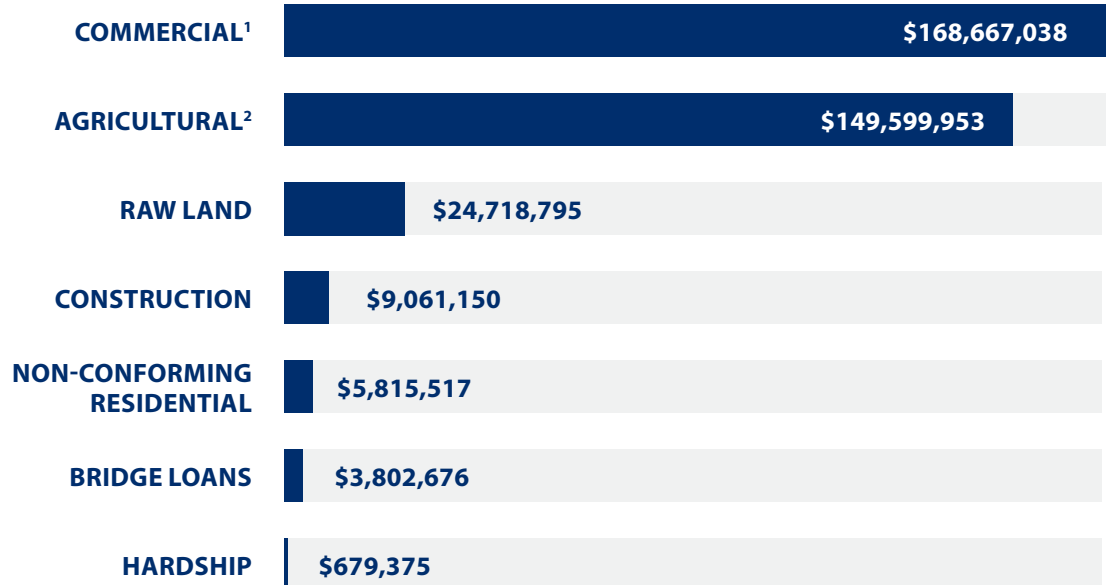
Total: **2,528**

LOANS BY TYPE — AS OF JUNE 30, 2020



TOTAL: \$467,166,690

BUSINESS REAL ESTATE LOANS BY SUBTYPES



¹COMMERCIAL

Wood Manufacturing: \$35,158,696
Other: \$33,689,711
Residential Rentals: \$27,988,962
Commercial Rentals: \$20,516,402
Other Retail: \$19,183,260

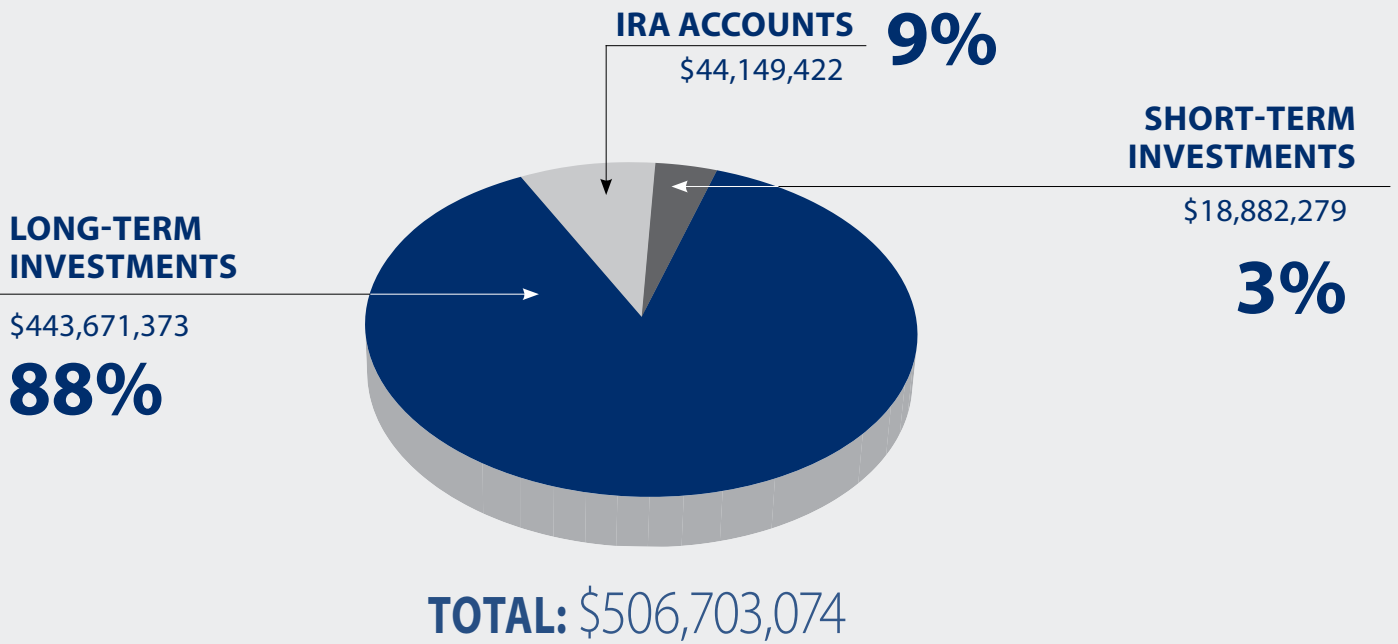
Bulk Food/Grocery/Deli: \$15,053,985
Construction Contractor: \$8,559,463
Auto Service & Sales: \$4,891,038
Metal Working: \$3,625,521

²AGRICULTURAL

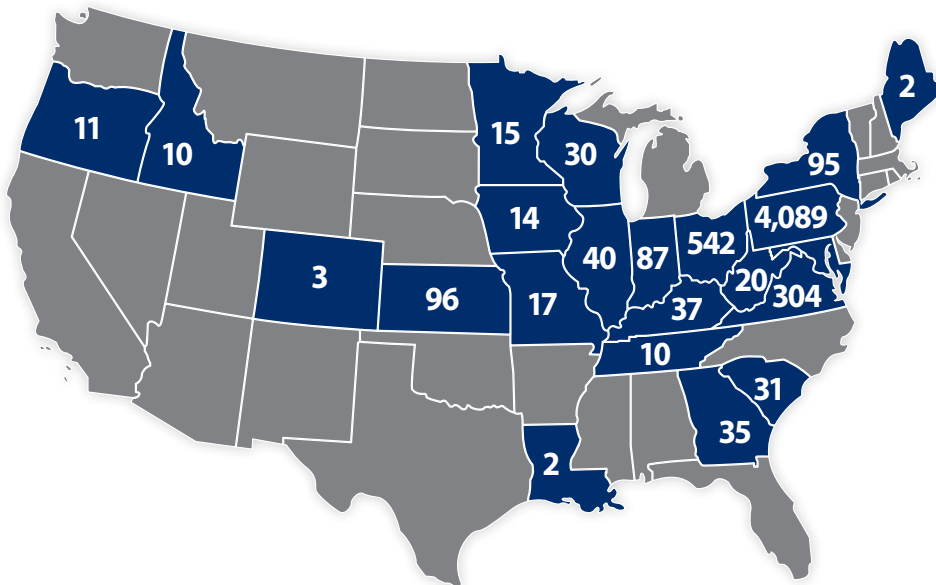
Cash Crop: \$52,044,114

Other: \$37,018,549
Dairy: \$32,195,812
Poultry: \$21,669,490
Beef: \$3,735,365
Produce: \$1,494,731
Hog: \$1,441,891

INVESTMENTS BY TYPE



INVESTMENTS BY STATE

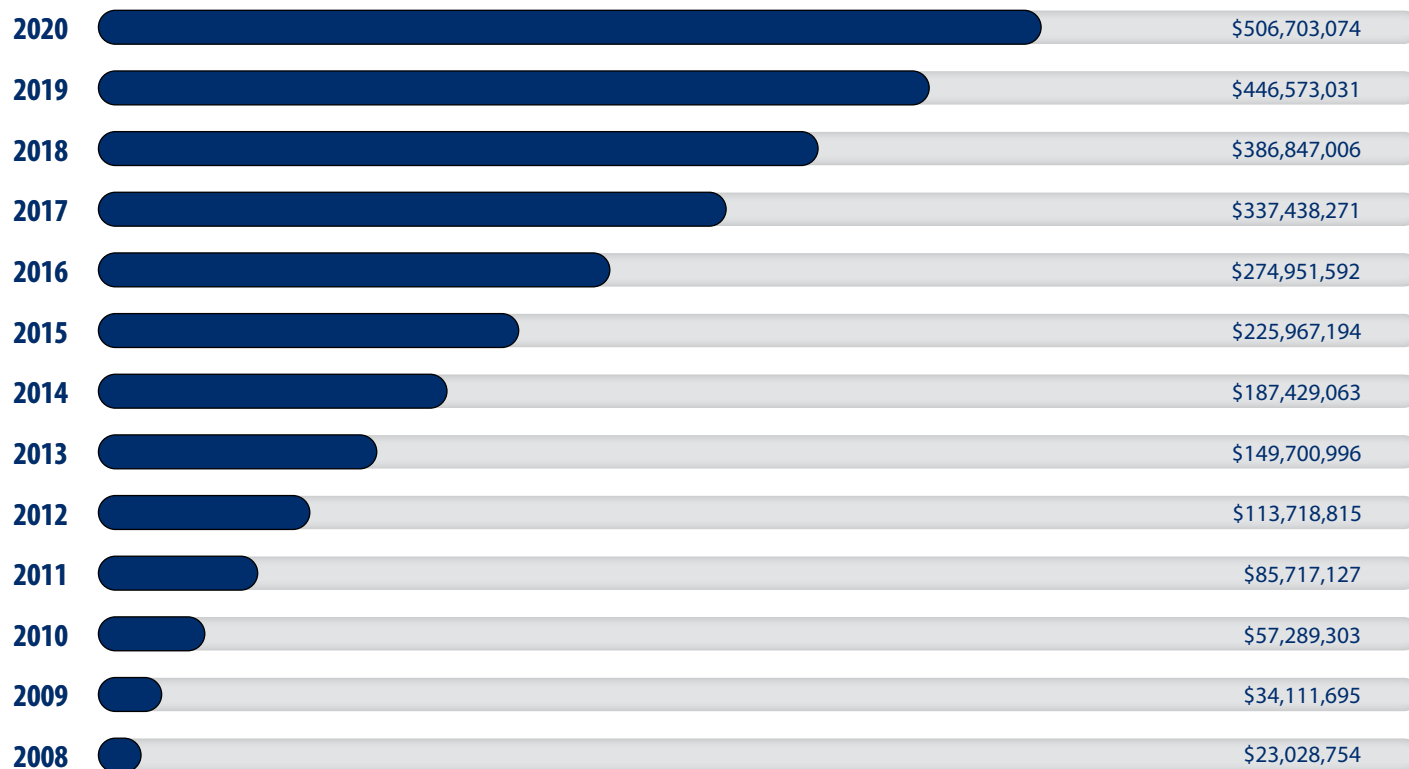


Pennsylvania	4,089
Ohio	542
Maryland	334
Virginia	304
Kansas	96
New York	95
Indiana	87
Illinois	40
Kentucky	37
Georgia	35
South Carolina	31
Wisconsin	30
West Virginia	20
Missouri	17
Minnesota	15
Iowa	14
Oregon	11
Idaho	10
Tennessee	10
Colorado	3
Louisiana	2
Maine	2
Total	5,824

I really appreciate being able to invest my money in a safe place that helps other conservative people!

—Investor

GROWTH OF INVESTMENTS — FISCAL YEARS ENDING JUNE 30



There is a sense of satisfaction and peace in knowing that even though our funds are "out there," they remain within the brotherhood community.

— Investor

LOANS PROGRAM

Anabaptist Financial places investments into our loans pool. We provide financing to the conservative Anabaptist constituency for agricultural, commercial, and residential real estate loans. (Residential loans are not offered in all states.) We do not offer loans for automobiles and other consumer items.

Our goal is to promote brotherhood assistance and good stewardship connections among borrowers and lenders to advance the kingdom of God within the Anabaptist brotherhood.

Anabaptist Financial offers loans to members in good

standing of churches who adhere to the 1963 Mennonite Confession of Faith or similar earlier confessions.

Protection Plan

All loan collateral must be covered by a verified protection plan for fire, storm, and theft. Brotherhood aid plans are acceptable coverage.

Loan Default Plan

Delinquent loans with no acceptable resolution will require a church-appointed oversight committee.



Lewisburg, Pennsylvania

**Financial Statements and Independent Auditor's Report
For the Years Ended June 30, 2020 and 2019**

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS



PAYNE, WHITE & SCHMUTZ
— CERTIFIED PUBLIC ACCOUNTANTS, PA —
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MARKA. PAYNE, CPA
JASON S. WHITE, CPA/PFS, CFP®
CHRISTIAN J. SCHMUTZ, CPA

Independent Auditor's Report

The Board of Directors
Anabaptist Financial
Lewisburg, Pennsylvania

We have audited the accompanying financial statements of Anabaptist Financial, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anabaptist Financial as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA
September 15, 2020

ANABAPTIST FINANCIAL

Anabaptist Financial

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 56,413,353	\$ 42,301,333
Accounts receivable	23,678	22,983
Interest receivable	1,794,083	1,962,720
Investments	10,358,829	10,198,285
Loans receivable, net of allowance for loan losses of \$1,603,441 and \$1,513,810	465,563,253	415,729,980
Capital assets, net of accumulated depreciation of \$127,857 and \$60,871	<u>3,495,533</u>	<u>2,316,090</u>
Total assets	<u>\$ 537,648,729</u>	<u>\$ 472,531,391</u>
Liabilities:		
Investment agreements payable	\$ 506,703,076	\$ 446,573,032
Accounts and grants payable	9,769	160,340
Accrued expenses	58,679	10,324
Demand note payable - related organization	<u>19,000,000</u>	<u>16,000,000</u>
Total liabilities	<u>525,771,524</u>	<u>462,743,696</u>
Net assets without donor restrictions	<u>11,877,205</u>	<u>9,787,695</u>
Total liabilities and net assets	<u>\$ 537,648,729</u>	<u>\$ 472,531,391</u>

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

Anabaptist Financial

Statements of Activities

For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	
	2020	2019
Revenue:		
Interest income on loans	\$ 19,231,845	\$ 18,621,522
Investment income	806,893	568,843
Loan origination fees	442,808	378,212
Other income	119,168	83,434
Commitment fees	26,622	76,327
Total revenue	20,627,336	19,728,338
Expenses:		
Program	17,481,887	17,079,248
General administration	1,006,162	742,589
Fund raising	49,777	34,770
Total expenses	18,537,826	17,856,607
Change in net assets	2,089,510	1,871,731
Net assets, beginning of year	9,787,695	7,915,964
Net assets, end of year	\$ 11,877,205	\$ 9,787,695

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

ANABAPTIST FINANCIAL

Anabaptist Financial

Statements of Functional Expenses

For the Years Ended June 30, 2020 and 2019

	2020			
	Program Expenses	General Administration	Fund Raising	Total
Interest expense	\$ 16,082,454	\$ -	\$ -	\$ 16,082,454
Provision for loan losses	89,631	-	-	89,631
Payroll and related expenses	771,217	619,424	5,610	1,396,251
Grants and assistance	142,000	-	-	142,000
Office and communications	269,122	182,850	6,322	458,294
Professional fees	8,723	143,708	-	152,431
Travel	12,743	24,746	-	37,489
Printing and promotions	29,024	1,941	37,845	68,810
Filing and search fees	43,480	-	-	43,480
Depreciation	33,493	33,493	-	66,986
Total	\$ 17,481,887	\$ 1,006,162	\$ 49,777	\$ 18,537,826

	2019			
	Program Expenses	General Administration	Fund Raising	Total
Interest expense	\$ 15,793,281	\$ -	\$ -	\$ 15,793,281
Provision for loan losses	132,808	-	-	132,808
Payroll and related expenses	609,683	402,532	4,725	1,016,940
Grants and assistance	259,492	-	-	259,492
Office and communications	202,921	152,692	4,544	360,157
Professional fees	2,543	147,742	-	150,285
Travel	11,902	27,970	-	39,872
Printing and promotions	22,047	1,516	25,501	49,064
Filing and search fees	34,434	-	-	34,434
Depreciation	10,137	10,137	-	20,274
Total	\$ 17,079,248	\$ 742,589	\$ 34,770	\$ 17,856,607

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

Anabaptist Financial

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,089,510	\$ 1,871,731
Noncash expenses included in change in net assets:		
Interest expense added to investment agreements	13,394,838	13,154,380
Provision for loan losses	89,631	132,808
Depreciation	66,986	20,274
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(695)	(5,465)
(Increase)/decrease in interest receivable	168,637	(431,695)
(Increase)/decrease in prepaid expenses	-	1,325
Increase/(decrease) in accounts and grants payable and accrued expenses	(102,216)	(39,552)
Net cash provided (used) by operating activities	<u>15,706,691</u>	<u>14,703,806</u>
Cash flows from investing activities:		
Acquisition of capital assets	(1,246,428)	(2,290,876)
Purchase of investments	(160,546)	(10,198,285)
Principal repayments on loans	95,243,247	79,156,151
Loans proceeds disbursed	(145,166,151)	(112,590,643)
Net cash provided (used) by investing activities	<u>(51,329,878)</u>	<u>(45,923,653)</u>
Cash flows from financing activities:		
Sale of investment agreements	101,515,604	111,655,100
Redemption of investment agreements	(54,780,397)	(64,931,485)
Proceeds from demand note payable	3,000,000	-
Repayments on demand note payable	-	(2,192,307)
Net cash provided (used) by financing activities	<u>49,735,207</u>	<u>44,531,308</u>
Net increase (decrease) in cash and cash equivalents	14,112,020	13,311,461
Cash and cash equivalents, beginning	<u>42,301,333</u>	<u>28,989,872</u>
Cash and cash equivalents, ending	<u>\$ 56,413,353</u>	<u>\$ 42,301,333</u>
Supplemental disclosure of cash flow information		
Cash payments for interest on investments agreements	<u>\$ 2,687,616</u>	<u>\$ 2,638,904</u>
Schedule of non-cash financing activities:		
Interest expense added to investment agreements	<u>\$ 13,394,838</u>	<u>\$ 13,154,380</u>

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

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies:

Nature of Business

Anabaptist Financial (AF) was incorporated September 16, 2005, under the Pennsylvania Non-Profit Corporation Law. AF operates with a purpose to advance the religious beliefs, cultural traditions and lifestyles of the Anabaptist faith by providing loans for home mortgages, business real estate, and business operations to individuals, businesses, churches, and other charitable entities affiliated or associated with the Anabaptist faith. Consumer loans are not offered. The revenue of AF is generated primarily from the interest received on these loans.

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 recognized by the Internal Revenue Service as an exempt organization under Section 501(c) (3) of the Internal Revenue Code.

Basis of Accounting and Presentation

AF recognizes revenue and expenses on the accrual basis of accounting. The financial statement presentation follows the recommendation of the Financial Accounting Standards Board for exempt organizations. AF is required to report information regarding its financial practice and activities according to two classes of net assets consisting of net assets without donor restrictions and net assets with donor restrictions.

Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings accounts. Cash and cash equivalents 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 account as cash and cash equivalents.

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the change in net assets. Realized gains or losses on investments 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 statement of financial position date.

Loans and Allowances for Loan Losses

Loans are stated at the unpaid principal balance. It is the policy of AF to collateralize its loans to the maximum extent possible and to maintain a loan-to-value ratio of not greater than 85%. Loans generally carry a variable interest rate, adjusted quarterly, based upon the six-month Treasury Bill rate plus a minimum of 2.50% with a minimum rate of 4.00% and 4.875% as of June 30, 2020 and 2019, respectively. Interest rates on loans cannot increase or decrease by more than .50% per calendar quarter. Loans require monthly principal and interest payments or monthly interest payments with balloon payments at loan maturity. Loan terms can extend up to 25 years.

Anabaptist Financial**Notes to Financial Statements****June 30, 2020 and 2019**

Note 1 - Summary of Significant Accounting Policies (continued):**Loans and Allowances for Loan Losses (continued)**

Loans are made available to individuals who might not possess the credit history required to qualify for bank financing; accordingly, 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.

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 \$1,603,441 and \$1,513,810 at June 30, 2020 and 2019, respectively. AF recorded a provision for loan losses of \$89,631 for the current year and recorded a \$132,808 charge in the prior reporting period. Management believes the balance in the allowance for loan losses is sufficient to cover future loan losses. No loans were charged off for either audit year. 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 and expected 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 amount of payments 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 a borrower that has a loan on nonaccrual status significantly improves, management may decide to remove that loan from nonaccrual status. Management believes it had fifteen and seventeen impaired loans as of June 30, 2020 and 2019, respectively.

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

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

Loans and Allowances for Loan Losses (continued)

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, 2020 and 2019.

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	3-5 years	Straight line

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 tier 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.

Interest Income on Loans

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

Loan Origination Fees

Loan origination fees are recognized as revenue in the year earned. Unamortized loan origination fees are not recorded since management has concluded that any such fees are trivial to its financial statements.

Commitment Fees

Commitment fees are recognized as income in the year received. Deferred commitment fees are not recorded since management has determined that they are trivial to its financial statements.

Net Assets

The financial statements report amounts separately by class of net assets:

- a) Net assets without restrictions are those available at the discretion of the board for use in AF's programs and other functions, and those resources invested in land, buildings and equipment.
- b) 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.

Anabaptist Financial**Notes to Financial Statements****June 30, 2020 and 2019**

Note 1 - Summary of Significant Accounting Policies (continued):**Revenue and Support with or without Donor Restrictions**

Contributions are recorded with or without donor restrictions depending on the expressed intentions of the donors. Support or revenue is recognized as it is received or as it is earned.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

Anabaptist Financial is recognized as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, its income is not subject to federal or state income tax.

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 has determined that it does not have any material unrecognized tax benefits or obligations as June 30, 2020 and 2019. Years ending on or after June 30, 2017 remain subject to examination by federal and state authorities.

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.

Subsequent Events Evaluation

Subsequent events have been evaluated through September 15, 2020, which is the date the financial statements were available to be issued.

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

Note 2 – Financial Assets and Liquidity Resources:

AF's operations are primarily funded by interest earned on loans made from funds received from investment agreements of qualified investors. AF must maintain adequate resources to meet its responsibilities to its investors 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 is required to maintain a minimum of \$2,500,000 in liquid cash reserves. Two states prefer that AF maintain 6% to 8% of its outstanding investment agreements in liquid cash reserves. The governing board may consider authorizing the borrowing of funds should it be deemed necessary to do so.

AF maintains various deposit accounts with banks. At June 30, 2020 and 2019, \$56,747,004 and \$41,992,137, respectively, of AF's deposits were not covered by FDIC insurance. Management believes that any credit risk related to these uninsured deposits is minimal.

The following schedule reflects AF's financial assets as of its fiscal years ended in 2020 and 2019, 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 of directors approved their use.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 56,413,353	\$ 42,301,333
Accounts receivable	23,678	22,983
Interest receivable	1,794,083	1,962,720
Investments	10,358,829	10,198,285
Loans receivable, net of allowance for loan losses	<u>465,563,253</u>	<u>415,862,788</u>
Total financial assets	534,153,196	470,348,109
Less those unavailable for general expenditures within one year due to:		
Estimated loan receivable principal expected to be received after one year	<u>(399,211,740)</u>	<u>(371,990,814)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 134,941,456</u>	<u>\$ 98,357,295</u>

The prior year amount of financial assets unavailable for general expenditures was changed from \$417,243,790 in the prior year financial statements to \$371,990,814 in the current year financial statements, as shown above. There was no impact on the statement of financial position or the statement of activities for either year.

Note 3 – Investments:

Investments are recorded at fair value and consist of the following:

	<u>2020</u>	<u>2019</u>
Government money market fund	\$ 9,063,049	\$ 2,219,280
Certificates of deposit	1,295,780	2,016,925
Treasury bills	<u>-</u>	<u>5,962,080</u>
Total investments	<u>\$ 10,358,829</u>	<u>\$ 10,198,285</u>

Investment income consisted of the following:

Interest income	<u>\$ 806,893</u>	<u>\$ 568,843</u>
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Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

Note 4 – Loans and Allowance for Loan Losses:

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

- Business Real Estate Loans – generally used to purchase rental property, farm real estate, and commercial real estate, or to refinance existing mortgages on such property. These loans may be made only in amounts up to 85 percent of the value of the property.
- Business Operating Loans – generally used to finance current business operations including inventory and cash flow. These loans generally require real estate or other collateral.
- Home Mortgage Loans – used to purchase a primary home residence. These loans may be made only in amounts up to 85 percent of the value of the property.
- Nonprofit Entity Loans – generally used to purchase real estate owned by exempt organizations. These loans may be made only in amounts up to 85 percent of the value of the property.

Loans at June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Business real estate	\$ 359,437,569	\$ 321,347,218
Business operating	14,926,437	18,648,836
Home mortgages	73,952,244	59,859,199
Nonprofit entities	<u>18,850,444</u>	<u>17,388,537</u>
Total	<u>\$ 467,166,694</u>	<u>\$ 417,243,790</u>

Business real estate, home mortgage, and nonprofit entity loans are secured primarily by first mortgages on the related real estate. Business operating loans are also secured primarily by first mortgages on real estate, and in some instances, security interests. Interest receivable represents the amount of accrued, but uncollected, interest on all loans at June 30, 2020 and 2019.

A significant source of AF's liquidity is the repayments and maturities of the loans. The following table presents the contractual maturity distribution of loans by loan type at June 30, 2020 and 2019:

<u>2020</u>	<u>Due Less than 1 Year</u>	<u>Due 1 thru 5 Years</u>	<u>Due after 5 Years</u>	<u>Total</u>
Business real estate	\$ 46,836,333	\$ 94,489,148	\$ 218,112,088	\$ 359,437,569
Business operating	5,258,029	6,039,820	3,628,588	14,926,437
Home mortgages	8,521,822	14,325,574	51,104,848	73,952,244
Nonprofit entities	<u>7,338,769</u>	<u>4,607,716</u>	<u>6,903,959</u>	<u>18,850,444</u>
Total	<u>\$ 67,954,953</u>	<u>\$ 119,462,258</u>	<u>\$ 279,749,483</u>	<u>\$ 467,166,694</u>

<u>2019</u>	<u>Due Less than 1 Year</u>	<u>Due 1 thru 5 Years</u>	<u>Due after 5 Years</u>	<u>Total</u>
Business real estate	\$ 30,918,134	\$ 79,740,041	\$ 210,689,043	\$ 321,347,218
Business operating	3,388,872	10,659,724	4,600,240	18,648,836
Home mortgages	4,659,534	10,406,144	44,793,521	59,859,199
Nonprofit entities	<u>6,286,436</u>	<u>5,111,290</u>	<u>5,990,811</u>	<u>17,388,537</u>
Total	<u>\$ 45,252,976</u>	<u>\$ 105,917,199</u>	<u>\$ 266,073,615</u>	<u>\$ 417,243,790</u>

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Notes to Financial Statements

June 30, 2020 and 2019

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

The above maturities indicate that approximately 14.55% and 10.85% of loans had maturities of one year or less for years ended June 30, 2020 and 2019, respectively.

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2020 and 2019:

2020	Acceptable	Substandard	Doubtful	Total
Business real estate	\$ 344,689,365	\$ 13,938,286	\$ 2,139,420	\$ 360,767,071
Business operating	12,805,033	1,052,944	1,293,313	15,151,290
Home mortgages	72,863,713	1,263,752	-	74,127,465
Nonprofit entities	18,914,951	-	-	18,914,951
Total	\$ 449,273,062	\$ 16,254,982	\$ 3,432,733	\$ 468,960,777
2019	Acceptable	Substandard	Doubtful	Total
Business real estate	\$ 312,609,418	\$ 8,191,582	\$ 1,952,265	\$ 322,753,265
Business operating	16,341,885	1,268,737	1,291,138	18,901,760
Home mortgages	59,535,850	509,530	-	60,045,380
Nonprofit entities	17,506,105	-	-	17,506,105
Total	\$ 405,993,258	\$ 9,969,849	\$ 3,243,403	\$ 419,206,510

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2020 and 2019:

2020	60-89 Days	90-120 Days	More than	Total	Current	Total	Recorded
	Past Due	Past Due	120 Days	Past Due		Loans	
Business real estate	\$ -	\$ 2,802,767	\$ 10,749,269	\$ 13,552,036	\$ 347,215,035	\$ 360,767,071	\$ 11,731,647
Business operating	-	-	1,752,411	1,752,411	13,398,879	15,151,290	459,098
Home mortgages	-	205,129	709,892	915,021	73,212,444	74,127,465	915,021
Nonprofit entities	-	141,830	-	141,830	18,773,121	18,914,951	-
Total	\$ -	\$ 3,149,726	\$ 13,211,572	\$ 16,361,298	\$ 452,599,479	\$ 468,960,777	\$ 13,105,766
2019	60-89 Days	90-120 Days	More than	Total	Current	Total	Recorded
	Past Due	Past Due	120 Days	Past Due		Loans	
Business real estate	\$ -	\$ 1,850,082	\$ 6,995,709	\$ 8,845,791	\$ 313,907,474	\$ 322,753,265	\$ 7,133,499
Business operating	-	282,670	1,900,299	2,182,969	16,718,791	18,901,760	1,216,129
Home mortgages	-	1,315,898	456,788	1,772,686	58,272,694	60,045,380	1,772,685
Nonprofit entities	-	154,338	62,285	216,623	17,289,482	17,506,105	62,285
Total	\$ -	\$ 3,602,988	\$ 9,415,081	\$ 13,018,069	\$ 406,188,441	\$ 419,206,510	\$ 10,184,598

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Notes to Financial Statements

June 30, 2020 and 2019

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

Nonperforming assets including accrued interest and related credit quality statistics are as follows:

Nonaccrual Loans	2020	2019
Business real estate	\$ 1,820,388	\$ 1,766,115
Business operating	1,293,313	1,303,930
Nonprofit entities	141,830	154,338
Total nonaccrual loans	\$ 3,255,531	\$ 3,224,383
Nonaccrual loans as a % of total loans	0.78%	0.77%
Nonaccrual loans as a % of net assets	27.15%	32.94%
Accruing Loans 90 Days or More Past Due	2020	2019
Business real estate	\$ 11,731,647	\$ 7,133,499
Business operating	459,098	1,216,129
Home mortgage	915,021	1,772,685
Nonprofit entities	-	62,285
Total accruing loans 90 days or more past due	\$ 13,105,766	\$ 10,184,598
Accruing loans as a % of total loans	3.14%	2.44%
Accruing loans as a % of net assets	110.34%	104.06%

The following table presents information relating to impaired loans including accrued interest as defined in Note 1:

2020	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	\$ 2,139,420	\$ 1,947,548	\$ 375,000	\$ 2,115,996	\$ 26,656	10
Business operating	1,293,313	1,125,072	525,000	1,209,193	5,845	5
Total	\$ 3,432,733	\$ 3,072,620	\$ 900,000	\$ 3,325,189	\$ 32,501	15
2019	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	\$ 2,236,663	\$ 2,033,893	\$ 350,000	\$ 2,305,775	\$ 27,337	10
Business operating	1,303,930	1,137,865	535,000	1,302,963	11,665	6
Nonprofit entities	154,338	154,338	-	160,551	-	1
Total	\$ 3,694,931	\$ 3,326,096	\$ 885,000	\$ 3,769,289	\$ 39,002	17

Each of the impaired loans is 90 days or more past due in principal and interest payments.

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

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

A summary of changes in the allowance for loan losses and the June 30, 2020, recorded investment in loans is as follows:

<u>2020</u>	<u>Business Real Estate</u>	<u>Business Operating</u>	<u>Home Mortgage</u>	<u>Nonprofit Entities</u>	<u>Total</u>
Allowance for credit losses:					
Balance at June 30, 2019	\$ 800,141	\$ 597,806	\$ 108,270	\$ 7,593	\$ 1,513,810
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for loan losses	72,413	2,411	11,797	3,010	89,631
Balance at June 30, 2020	<u>\$ 872,554</u>	<u>\$ 600,217</u>	<u>\$ 120,067</u>	<u>\$ 10,603</u>	<u>\$ 1,603,441</u>

June 30, 2020, allowance ending balance:

Loans individually evaluated for impairment	<u>\$ 375,000</u>	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,000</u>
Loans collectively evaluated for impairment	<u>\$ 497,554</u>	<u>\$ 75,217</u>	<u>\$ 120,067</u>	<u>\$ 10,603</u>	<u>\$ 703,441</u>

Recorded investment in loans outstanding at June 30, 2020, is as follows:

<u>2020</u>	<u>Business Real Estate</u>	<u>Business Operating</u>	<u>Home Mortgage</u>	<u>Nonprofit Entities</u>	<u>Total</u>
Balance at June 30, 2020	<u>\$ 360,767,071</u>	<u>\$ 15,151,290</u>	<u>\$ 74,127,465</u>	<u>\$ 18,914,951</u>	<u>\$ 468,960,777</u>
Loans individually evaluated for impairment	<u>\$ 16,077,705</u>	<u>\$ 2,346,257</u>	<u>\$ 1,263,752</u>	<u>\$ -</u>	<u>\$ 19,687,714</u>
Loans collectively evaluated for impairment	<u>\$ 344,689,366</u>	<u>\$ 12,805,033</u>	<u>\$ 72,863,713</u>	<u>\$ 18,914,951</u>	<u>\$ 449,273,063</u>

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

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

A summary of changes in the allowance for loan losses and the June 30, 2019, recorded investment in loans is as follows:

<u>2019</u>	<u>Business Real Estate</u>	<u>Business Operating</u>	<u>Home Mortgage</u>	<u>Nonprofit Entities</u>	<u>Total</u>
Allowance for credit losses:					
Balance at June 30, 2018	\$ 695,558	\$ 579,092	\$ 100,906	\$ 5,446	\$ 1,381,002
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for loan losses	104,583	18,714	7,364	2,147	132,808
Balance at June 30, 2019	<u>\$ 800,141</u>	<u>\$ 597,806</u>	<u>\$ 108,270</u>	<u>\$ 7,593</u>	<u>\$ 1,513,810</u>

June 30, 2019, allowance ending balance:

Loans individually evaluated for impairment	<u>\$ 350,000</u>	<u>\$ 535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 885,000</u>
Loans collectively evaluated for impairment	<u>\$ 450,141</u>	<u>\$ 62,806</u>	<u>\$ 108,270</u>	<u>\$ 7,593</u>	<u>\$ 628,810</u>

Recorded investment in loans outstanding at June 30, 2019, is as follows:

<u>2019</u>	<u>Business Real Estate</u>	<u>Business Operating</u>	<u>Home Mortgage</u>	<u>Nonprofit Entities</u>	<u>Total</u>
Balance at June 30, 2019	<u>\$ 322,753,265</u>	<u>\$ 18,901,760</u>	<u>\$ 60,045,380</u>	<u>\$ 17,506,105</u>	<u>\$ 419,206,510</u>
Loans individually evaluated for impairment	<u>\$ 10,143,847</u>	<u>\$ 2,559,875</u>	<u>\$ 509,530</u>	<u>\$ -</u>	<u>\$ 13,213,252</u>
Loans collectively evaluated for impairment	<u>\$ 312,609,418</u>	<u>\$ 16,341,885</u>	<u>\$ 59,535,850</u>	<u>\$ 17,506,105</u>	<u>\$ 405,993,258</u>

ANABAPTIST FINANCIAL

Anabaptist Financial

Notes to Financial Statements

June 30, 2019 and 2018

Note 5 – Capital Assets:

Property and equipment consisted of the following:

Description	2019	2018
Land	\$ 641,198	\$ 6,199
Equipment	73,479	73,479
Construction in progress	1,655,534	6,408
Assets not placed in service	6,750	-
Total	2,376,961	86,086
Less accumulated depreciation	(60,871)	(40,597)
Property and equipment, net	<u>\$ 2,316,090</u>	<u>\$ 45,489</u>

Note 6 – Fair Value Measurements:

The carrying amount of cash and cash equivalents, accounts and interest receivable approximate fair value because of the short-term maturities of those instruments. The fair value of investments is based on market prices obtained from financial institutions. Loans receivable are carried at the unpaid principal balance which approximates fair value since the loans re-price frequently with no significant change in credit risk.

The carrying amount of accounts and grants payable and accrued expenses approximates fair value because of the short-term maturities of those instruments. Investment agreements and demand notes payable are carried at the amount payable upon demand by the investors, which approximates fair value.

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, 2020 and 2019, to AF's valuation techniques used to measure asset and liability fair values on a recurring basis.

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, 2020 and 2019. 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, 2020				
Description	Level 1	Level 2	Level 3	Total
Fixed income				
U. S. government money market	\$ 9,063,049	\$ -	\$ -	\$ 9,063,049
Certificates of deposit	-	1,295,780	-	1,295,780
Total	<u>\$ 9,063,049</u>	<u>\$ 1,295,780</u>	<u>\$ -</u>	<u>\$ 10,358,829</u>

Anabaptist Financial

Notes to Financial Statements

June 30, 2020 and 2019

Note 6 – Fair Value Measurements (continued):

Description	As of June 30, 2019			Total
	Level 1	Level 2	Level 3	
Fixed income				
U. S. government money market	\$ 2,219,280	\$ -	\$ -	\$ 2,219,280
Certificates of deposit	-	2,016,925	-	2,016,925
Treasury bills	5,962,080	-	-	5,962,080
Total	\$ 8,181,360	\$ 2,016,925	\$ -	\$ 10,198,285

Cash and cash equivalents, money market deposit accounts, and certificates of deposit carried at cost are not defined within the levels as prescribed in ASC 820, *Fair Value Measurements and Disclosures*. At June 30, 2020 and 2019, \$56,413,353 and \$42,301,333, respectively, of cash and cash equivalents, money market account deposits, and certificates of deposit carried at cost are not included in the table.

Note 7 – Investment Agreements Payable:

AF has entered into issuing investment agreements to provide working capital and to fund its lending activities. These agreements are made available to qualified investors (members of the Anabaptist faith) whose bona fide principal residence is in Pennsylvania, Maryland, Ohio, New York and numerous other states. The minimum initial investment is \$2,500 (\$1,000 for minors) and each subsequent investment must be in the minimum amount of \$1,000 (\$500 for minors). The interest rate is based on the six-month Treasury Bill as of November 1, February 1, April 1, and August 1 plus 1.50%. The interest rate was 3.00% and 3.875% at June 30, 2020 and 2019, respectively. Rates are adjusted quarterly on January 1, April 1, July 1, and October 1. The interest rate cannot increase or decrease by more than .50% in any calendar quarter, unless the governing board determines otherwise. Interest is paid to investors on a quarterly basis with payments due on January 15, April 15, July 15, and October 15 of each calendar year. Except for South Carolina, a demand rate option exists. Interest is based upon the six-month Treasury Bill rate minus .50% adjusted quarterly in the same manner as mentioned previously. The demand rate was 1.25% and 1.875% at June 30, 2020 and 2019, respectively. Investors may elect to have their quarterly interest payments added to their outstanding investment in lieu of receiving cash payments. The majority of investors generally elect this option. The agreements are unsecured and will be due on demand plus 60 days and are redeemable by AF upon 30 days prior written notice, except for South Carolina where a 90 day maturity exists with an option to automatically renew. Requests by investors to have their securities redeemed will be handled on a first-come, first-serve basis, and AF provides no assurance to investors that sufficient funds will be available to redeem securities. Investment agreements payable totaled \$506,703,076 and \$446,573,032 at June 30, 2020 and 2019, respectively.

Note 8 – Demand Note Payable:

Anabaptist Financial owed Anabaptist Foundation, a related organization, \$19,000,000 and \$16,000,000 as of June 30, 2020 and 2019. The loan is due on demand with an interest rate of 3.00% and 3.875% as of June 30, 2020 and 2019. Interest expense on this loan for the current year totaled \$580,246 and \$606,244 for the prior year.

Charitable Services *for businesses, families, churches, and nonprofits*

Anabaptist Foundation's work is described by our motto: ***Caring for the soul of the donor, the recipient charities, and the gift itself.*** We don't exist to simply process gift transactions. Instead, we also walk alongside donors and their families, helping them grow as stewards of God's resources.

We take special interest in conservative Anabaptist nonprofit organizations, investing resources and time to ensure they are equipped to pursue their parts of God's work. While Anabaptist Financial, our sister organization, works with investor funds, Anabaptist Foundation exclusively manages donated funds. Because all resources belong to God, we seek to maintain high standards of accountability and legal compliance.

As a public foundation, Anabaptist Foundation serves a defined group of people rather than one person or church group. Our constituency is limited to conservative Anabaptists, which includes individuals, churches, and charities that support the 1963 Mennonite Confession of Faith or earlier similar confessions, such as the Schleitem Confession of 1627 or the Dordrecht Confession of 1632. These encompass a broad range of conservative Brethren, conservative Mennonite, and Amish groups.

In our 2019-2020 fiscal year, which ended on June 30, Anabaptist Foundation received contributions of \$20.4 million and issued 2,662 gift disbursements to a wide variety of churches and charities. We also generated an operating income of \$112,898, which we invested back into our constituency to: 1) provide service to churches and charities free

of charge, 2) support struggling church alms funds via the Charity Hardship Fund, and 3) fund Family Finance seminars and resources via the Stewardship Education Fund.

Why Anabaptist Foundation?

Why do donors choose to use the services of Anabaptist Foundation?

1. Donors use the Foundation because it provides a way to give anonymously. Our church constituency strongly embraces the Biblical value of anonymous giving. Donors want to support local church work and charitable causes without drawing recognition to themselves. It's a blessing to support givers who are motivated by such selfless desires.
2. Our donors value confidential, neutral, and third-party charitable counsel. They view giving as an act of stewardship and want to make good decisions based on Biblical counsel and solid factual information. Our Foundation case workers walk alongside donors, listening to their charitable goals and providing support.
Because the Foundation doesn't do fundraising or operate its own mission programs, it can serve as a neutral, third-party advisor in ways other charitable organizations cannot. We provide donors with information they request about charities so they can evaluate gift options and make informed decisions on where to give. Charities also receive feedback from donors they might not otherwise receive, enabling them to serve more effectively.

*... let him labour,
working with his
hands the thing which is
good, that he may have to
give to him that needeth.*

Ephesians 4:28



Charitable Gift Fund

Our primary program is the Charitable Gift Fund, an IRS-approved, donor-advised fund. Donors make tax-deductible contributions to the Foundation and give direction on which charities and churches they wish their donation to support. Gift Fund clients are able to donate cash or non-cash assets, such as real estate, securities, farm commodities, and gifts of business interests. Quarterly reports help donors keep tabs on their giving.

The number of giving accounts managed by the Foundation grew by about 17% last year. This represents increasingly broad participation from across our church constituency.

The Charitable Gift Fund Program represents most of the

assets held by Anabaptist Foundation. Cash reserves are maintained to process outgoing gifts to charity, with longer-term funds invested in the Anabaptist Financial loans program where they generate operating funds to support charitable services, while blessing the broader AF church constituency.

Information for Fiscal Year 2019-2020

Number of accounts managed at year end =	448
New contributions =	\$20,485,199
Gifts issued to churches and charities =	2,662 gifts
Amount distributed =	\$18,596,713

What assets were contributed?



CASH
\$17,849,610



REAL ESTATE
\$625,400



FARM COMMODITIES AND OTHER ASSETS
\$115,519



STOCKS AND MUTUAL FUND SHARES
\$101,523

Where were Charitable Gift Fund contributions sent?

\$4.1
MILLION

to 206 churches and church districts

\$12.9
MILLION

to 265 nonprofit organizations

\$1.5
MILLION

to 42 schools

Most of the gifts to churches and church districts were for alms and deacon funds.

Special Gift Funds

The Foundation also operates several field-of-interest funds that enable our donors to focus on needs close to their hearts. We call these Special Gift Funds. Examples include:

Stewardship Education Fund—supports various initiatives to expand Biblical teaching on finances and stewardship within our church circles.

Charity Hardship Fund—supports church alms and deacon funds in congregations that face heavy brotherhood-assistance needs. Access to up-front funding in the form of low- or no-interest loans enables local congregations to negotiate significant discounts, while providing time to raise local support.

Endowment Accounts

We also manage a number of endowment accounts

established to benefit conservative Anabaptist ministries. At the end of our last fiscal year, we held over \$1.65 million in endowment accounts and paid out \$93,500 to eight schools and organizations to support their ongoing operations.

Services for Churches and Nonprofit Organizations

Beyond the dollars and donations, the Foundation serves as a valuable resource for conservative Anabaptist charities and churches. We walk alongside constituency committees looking to begin new charitable projects, advise struggling nonprofit organizations, meet with deacons to discuss needs, and support church alms funds. Our Charitable Solicitation Registration program helps conservative Anabaptist charities operate in compliance with state-level regulations regarding their fundraising practices. The goal of the Foundation is to serve those who serve God's kingdom.

2020 TAX DEDUCTION REMINDER

If you wish to receive a tax-deductible contribution receipt for a 2020 gift to Anabaptist Foundation, follow these three steps:

1. Write your contribution check payable to "Anabaptist Foundation." Anabaptist "Financial" is a separate organization and does not handle gifts for the Charitable Gift Fund program.
2. Send your contributions to: Anabaptist Foundation, 55 Whisper Creek Drive, Lewisburg, PA 17837. *Please note that our old New Columbia, PA, address will not get your contribution delivered here.*
3. Ensure your check is postmarked no later than December 31, 2020. The Internal Revenue Service stipulates that year-end receipt dates be determined by the postmark on the envelope (not by the date on the check). At year-end, we must date contribution receipts by the date postmarked on the envelope, not by the day on which you say you mailed it.

Postal processing machines regularly fail to stamp postmarked dates on mailed envelopes, or they sometimes stamp a later date from a distant postal processing center. If it is essential that your contribution be receipted for 2020, we recommend you personally take the envelope to your post office and ask the clerk to handstamp it for you. Don't count on a correct postmark if you drop your contribution into a mailbox at year-end.

Only a 2020 dated postmark ensures your contribution will count for a 2020 receipt.



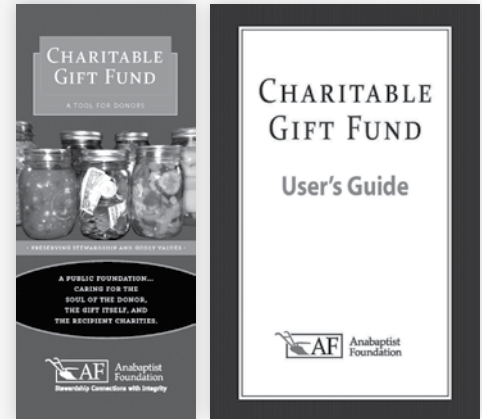
Ensure you get a 2020 contribution receipt. Make your contribution now to avoid the pressure of year-end events.

Charitable GIFT FUND

A TOOL FOR SIMPLIFIED, TAX-DEDUCTIBLE GIVING TO CHURCHES AND CHARITIES.

The Charitable Gift Fund Program enables donors to:

- Anonymously support the churches and charities of their choice (gifts to individuals NOT permitted)
- Simplify their giving by writing one check to Anabaptist Foundation with disbursements to various charities
- Qualify for an immediate tax-deduction for their contribution and track their giving with quarterly statements
- Give gifts of cash, real estate, or stocks



For a FREE information packet, please contact Anabaptist Foundation.



55 Whisper Creek Drive, Lewisburg, PA 17837 | 800-653-9817 | info@afweb.org

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, JUNE 30, 2020

Assets:		Liabilities:	
Cash and cash equivalents	\$ 4,504,296	Accounts payable	\$ 968
Interest receivable	3,970	Accrued expenses	9,917
Investments	609,807	Life estate liability	54,582
Real estate held for sale	225,000	Discount for future interest—pooled income fund	131,143
Demand note receivable—related organization	19,000,000	Total liabilities	196,610
Hardship loans receivable	1,533,037	Net assets:	
Less allowance for loan losses	(74,715)	Without donor restrictions	23,788,149
Net loans receivable	<u>20,458,322</u>	With donor restrictions	<u>2,206,636</u>
Future interest in real estate	390,000	Total net assets	25,994,785
Total Assets	\$ 26,191,395	Total liabilities and net assets	\$ 26,191,395

CONSOLIDATED STATEMENT OF ACTIVITIES, FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Cash contributions	\$ 19,044,218	\$ 524,197	\$ 19,568,415
Donated real estate	625,400	-	625,400
Investment income	508,866	51,730	560,596
Donated securities, commodities, and equipment	217,042	-	217,042
Imputed interest on hardship loans	63,333	-	63,333
Contributed services from related organization	52,428	-	52,428
Change in value of split-interest agreements	-	33,188	33,188
CSR program income	18,926	-	18,926
Other income	9,096	-	9,096
Interest income from hardship loans	6,490	-	6,490
Gain/(loss) on sale of donated real estate	(10,839)	-	(10,839)
Total revenue and support	20,534,960	609,115	21,144,075
Reclassifications:			
Satisfaction of program restrictions	330,398	(330,398)	-
Total reclassifications	330,398	(330,398)	-
Expenses:			
Program services	17,779,652	-	17,779,652
Total program expenses	17,779,652	-	17,779,652
Supporting activities:			
General administration	223,871	-	223,871
Fundraising	63,640	-	63,640
Total supporting activities	287,511	-	287,511
Total expenses	18,067,163	-	18,067,163
Change in net assets	2,798,195	278,717	3,076,912
Net assets, beginning of year	20,989,954	1,927,919	22,917,873
Net assets, end of year	\$ 23,788,149	\$ 2,206,636	\$ 25,994,785

Stewardship Education *for Business and Family*

Stewardship Resources is the educational arm of Anabaptist Financial. We provide teaching and training for both businesses and families through seminars, workshops, advising, printed materials, audio recordings, and our website. Our seminars reach mass audiences, while the business workshops are limited to small audiences of 20-30 students. Business advising provides one-on-one, on-site consulting.

A team of experienced staff is constantly developing new stewardship resources for both business and family. Our vision is to nurture our Anabaptist communities toward a stewardship mindset that produces gratitude, generosity, and kingdom service with our God-given material possessions.



RESOURCES THAT TRANSFORM

Family
Finance
Seminars

Business
Seminars

Business
Workshops

Business
Advising

Published
Resources

For the Family

SEMINARS:

Stewardship Resources offers three seminars to help guide our Anabaptist communities toward Biblical stewardship. The Young Family Finance Seminar and the Budgeting Seminar are geared toward youth and young married couples. The Seminar for Deacons, Financial Advisors, and Trustees are for church leaders and financial advisors.

Young Family Finance Seminar – Provides a solid financial foundation by teaching a scriptural view of giving, debt, and saving. If you would like to partner with us in hosting a family finance or budgeting seminar in your community, contact jasonsensenig@afweb.org or call 570-468-1357.

Budgeting Seminar – Offers practical advice for how to set up a budget. The four steps of budgeting include: 1. Fill out a Personal Financial Statement 2. Estimate Your Monthly Income 3. Determine Your Monthly Family Budget 4. Record All Income, Expenses, and Savings.

Seminar for Deacons, Financial Advisors, and Trustees –

This seminar provides Biblical support and encouragement for those called to walk alongside others in financial prosperity or adversity. This year the seminar was held in Latham, Missouri, and Hutchinson, Kansas, with a total of 127 attendees. Next year, Lord willing, we plan to hold this seminar in four locations:

- Lancaster, PA – June 22, 2021
- Chambersburg, PA – June 24, 2021
- Finger Lakes, NY – TBD
- Halsey, OR – TBD

RESOURCES AND TOOLS:

Books: Attendees can pick up free books at the Family Finance Seminars, including *Charting a Course in Your Youth* and *Money Issues for Christians Today*. These books are made available by donors who wish to promote family finance education; the only cost to attendees is a commitment to read them. Books on Biblical stewardship can also be purchased by calling us at 570-468-1271 or online at www.afweb.org/resources/family-finance/books.

Family Budget Planner: Budgeting Seminar attendees receive the Seminar Booklet, a compilation of notes used by



2,592

**Family Finance Seminar
attendees in 2020**

UPCOMING SEMINARS

Young Family Finance Seminar – Intercourse, PA
on January 18, 2021

Young Family Finance Seminar – Quarryville, PA
on January 19, 2021

Young Family Finance Seminar – White Horse, PA
on January 20, 2021

Budgeting Seminar – Intercourse, PA
on February 22, 2021

Budgeting Seminar – Quarryville, PA
on February 23, 2021

Budgeting Seminar – White Horse, PA
on February 24, 2021

TO RESERVE YOUR SEATS, please call
570-468-1268 and leave a message, or email seminars@afweb.org.

*Upcoming seminars are subject to cancellation
due to local coronavirus restrictions.*

the instructors on steps to personal budgeting. Attendees also receive the Budgeting Workbook, containing blank worksheets to create and maintain one's own budget. Budgeting books can be ordered from our office, or the worksheets downloaded free of charge from our website.

Articles and Recordings: Family Finance and Deacons Seminar recordings can be downloaded free of charge from our website. You can also listen to the recordings through a phone conference line by dialing 1-712-432-8788. The conference ID is AF# (or 23#). Call or write for a list of topics and their ID numbers.

STEWARDSHIP RESOURCES

For the Business

BUSINESS SEMINARS

Business seminars have been the signature educational service of Anabaptist Financial for the past ten years. We provide annual or biannual seminars in eleven Anabaptist communities. These seminars enable business owners, managers, and employees to learn from our own seasoned businesspeople with shared values and beliefs.

COVID-19 drastically changed our business seminar plans for 2020. Our Ohio business and employee seminars and all our fall seminars have been canceled.

BUSINESS WORKSHOPS

Our classroom-style business workshops complement our business seminars and business advising. Designed for owners, managers, and key employees, the workshops are built on a well-designed curriculum with an emphasis on kingdom-focused business practices. In 2020, AF held 14 workshops in Ohio, Pennsylvania, Indiana, Iowa, Oregon, and New York with 222 business attendees in total. Workshops are geared toward 25 persons or fewer to enhance the learning experience through personal interaction.

SEMINAR LOCATIONS:

East Earl, PA	Memphis, MO
Chambersburg, PA	Versailles, MO
Berlin, OH	Hutchinson, KS
Goshen, IN	Seneca Falls, NY
Odon, IN	Halsey, OR
Arthur, IL	

Fiscal Year 2019/2020 season
2,640 ATTENDEES

UPCOMING WORKSHOPS

Human Resources – New Holland, PA
January 12-13, 2021

Business Planning – Middlebury, IN
January 19-20, 2021

Business Succession – Middlebury, IN
January 21-22, 2021

TO REGISTER

call 570.468.1268 or email workshops@afweb.org.

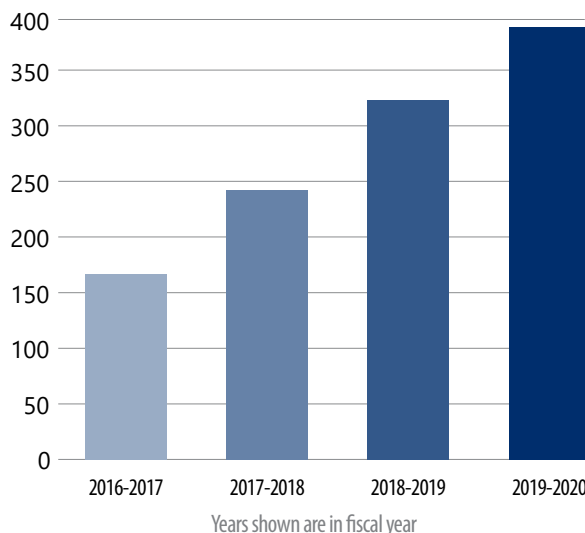
Upcoming seminars are subject to cancellation due to local coronavirus restrictions.



BUSINESS ADVISING

Our business advising offers kingdom-focused counsel to help businesses achieve success. In the past year, 18 seasoned advisors served more than 375 clients with 3,470 hours of business advising and consulting. We are dedicated to shaping business ideas and action from the mold of conservative Anabaptist faith and practice and to provide a rich stream of common-sense business counsel.

Number of advising clients served per year

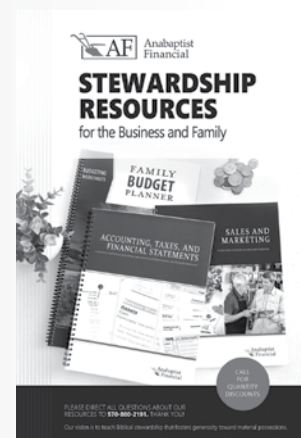


STEWARDSHIP EDUCATIONAL RESOURCES

Our purpose is to connect families and businesspeople with kingdom-focused educational materials made available by booklets, CDs, flash drives, website, and phone conference line. In addition to our website, you can now find all AF published materials in our catalog.

Resources include our seven business booklets, library subscriptions, and business management tools. The HR Management Toolbox contains more than 25 documents, including an employee handbook template. Our vision is to develop management tools across all our Ten Blocks of Business Knowledge.

Recordings and booklets from our Young Family Finance seminars, budgeting seminars, and deacons seminars are also available. Request a catalog by calling **570-800-2191**.



SEMINARS



WORKSHOPS



ADVISING

STATEMENT OF FINANCIAL POSITION, JUNE 30, 2020

Assets:		Accrued liabilities	9,620
Cash and cash equivalents	\$ 443,822	Deferred revenue	12,100
Accounts receivable	30,622	Total liabilities	<u>30,081</u>
Other receivables	1,833	Net assets:	
Inventory	10,950	Without donor restrictions	457,146
Total assets	<u>\$ 487,227</u>	With donor restrictions	-
Liabilities:		Total net assets	<u>457,146</u>
Accounts payable	\$ 8,361	Total liabilities and net assets	<u>\$ 487,227</u>

STATEMENT OF ACTIVITIES, FOR THE YEAR ENDED JUNE 30, 2020

	<u>Total</u>		<u>Total</u>
Revenue and support:		Private loan servicing	6,669
Contributions	213,056	Business seminars	265,815
Contributed items and services from related organization	202,995	Stewardship educational resources	134,189
Business advising fees	331,229	Family finance seminars	120,048
Seminar and workshop registration fees	309,920	Business workshops	<u>85,289</u>
Stewardship educational resources income	67,574	Total program expenses	<u>939,182</u>
Private loan servicing fees	32,198	Supporting activities:	
Business advising application fees	11,925	Administrative	208,614
Miscellaneous	250	Fundraising	1,315
Total revenue and support	<u>1,169,147</u>	Total supporting activities	<u>209,929</u>
Program expenses:		Total expenses	<u>1,149,111</u>
Business advising	327,172	Net income	<u>20,036</u>

Because of their interconnectedness, Anabaptist Financial and Anabaptist Foundation channel some of their operating profits to Stewardship Resources to fund seminars and resources.

STAFF



PAUL A. MILLER
Executive Officer
Planned Giving Manager
Walnut Creek, OH



DENNIS MARTIN
Executive Administrator
Newmanstown, PA



FLOYD MILLER
Operations Officer
Mifflinburg, PA



RICHIE LAUER
Foundation Officer
Gift Fund Manager
Hillsville, VA



MERLE HERR
Resource Officer
Guys Mills, PA



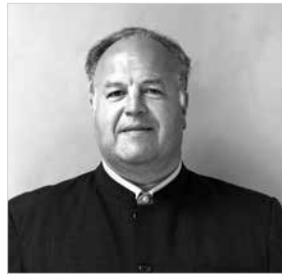
AMOS KAUFFMAN
Loan Reviewer/
Charitable Gift Fund
Caseworker
Lewisburg, PA



GLENN MILLER
Loan Reviewer
Lancaster, PA



TIM LAUVER
Loan Reviewer
Mifflintown, PA



JOEL LANDIS
Loan Facilitator
Richfield, PA



BRIAN STAUFFER
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Liverpool, PA



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Loan Closing Coordinator
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KENDALL MARTIN
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Winfield, PA



ZACH BARKMAN
Loan Closing Coordinator
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JARED MILLER
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McVeytown, PA



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Business Advising
Administrator
Dayton, OH



GREG WOLF
Business Content
Developer
Sawyer, KS



JASON SENSENIG
Family Finance
Administrator
Tyron, PA

38
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Managing Editor
Millersburg, OH



SIERRA KAUFFMAN
Seminar Receptionist
Guys Mills, PA



TERESA SOMMERS
Graphic Designer /
Seminar Coordinator
Baltic, OH

12
NEW EMPLOYEES
in 2020



TIM STOLTZFUS

Announcing Operations Officer Transition: Effective July 1, 2020, Floyd Miller was appointed Operations Officer of AF, replacing Tim Stoltzfus who is relocating to Thailand with his family where he will serve as campus pastor at Institute for Global Opportunities (IGo). Tim's scheduled departure in early fall has been delayed because of international travel restrictions due to the coronavirus. In the meantime, he continues to work part-time at AF in a support role and on special projects. Floyd and his wife Dorcas and three children live in Mifflinburg, PA, where they attend Shekinah Christian Fellowship. Please pray for both Floyd and Tim as they transition to their new roles.



Anabaptist
Financial

Stewardship Connections with Integrity

55 Whisper Creek Drive
Lewisburg, PA 17837

2020 ANNUAL REPORT

Stewardship Connections

* * Address service requested * *

Stewardship Connections ▪ Volume 13, Issue 4 ▪ December 2020 ▪ A quarterly publication of Anabaptist Financial

Website: www.afweb.org ▪ Phone: 800-653-9817 ▪ Fax: 866-230-6253 ▪ Email: info@afweb.org

Editorial Team: Merle Herr, Richie Lauer, Paul A. Miller, Rachel Mast (managing editor), Timothy Stoltzfus, and Teresa Sommers (graphic designer)

Reviewers:
Wayne Keim, Marvin Mast

In Memory

Jake Stoltzfus, 65, of Lebanon, PA, died on November 6, 2020, after suffering a stroke. Jake served on the Anabaptist Financial Board of Directors for six years. He will be greatly missed by many people, including the board and officers of AF. Besides his service to AF, he devoted countless hours in committee work, supporting others in family and financial struggles. Please join us in prayer for his family and especially his wife Mary in the days ahead.

Workshop Administrator Needed

Recently we bid farewell to Dale Savage, our Resource Developer for Stewardship Resources. In his two years of service, Dale pioneered the start of our business workshops, coordinated business seminars, and helped in the editing and development of business materials. He has moved on to join his son in business as a general manager but continues part-time with Anabaptist Financial as co-instructor of the Human Resources Workshops and business advisor. His business knowledge, teaching skills, and care for people are greatly missed.



If you are interested in this position, please contact Merle Herr at merleherr@afweb.org for more details.