



Lewisburg, Pennsylvania

**Financial Statements and Independent Auditor's Report
For the Years Ended June 30, 2026 and 2025**

Anabaptist Financial
Lewisburg, Pennsylvania
June 30, 2026 and 2025

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PAYNE, WHITE & SCHMUTZ
— CERTIFIED PUBLIC ACCOUNTANTS, PA —

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Independent Auditor's Report

Board of Directors
Anabaptist Financial

Opinion

We have audited the financial statements of Anabaptist Financial, which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Anabaptist Financial as of June 30, 2026 and 2025, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anabaptist Financial and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Anabaptist Financial's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anabaptist Financial'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

September 30, 2026

Financial Statements

Anabaptist Financial**Statements of Financial Position****June 30, 2026 and 2025**

	<u>2026</u>	<u>2025</u>
Assets:		
Cash and cash equivalents	\$ 35,096,103	\$ 43,056,612
Accounts receivable	59,098	85,133
Interest receivable, net of allowance for credit losses of \$248,105 and \$251,105	4,552,751	4,815,793
Investments	11,642,786	11,216,326
Loans receivable, net of allowance for credit losses of \$2,015,046 and \$1,774,282	940,132,357	847,571,489
Capital assets, net of accumulated depreciation of \$627,051 and \$542,164	<u>3,068,291</u>	<u>3,148,178</u>
Total assets	<u>\$ 994,551,386</u>	<u>\$ 909,893,531</u>
Liabilities:		
Investment agreements payable	\$ 905,488,633	\$ 835,880,212
Accounts payable	61,520	56,101
Accrued expenses	183,779	145,282
Demand note payable - related organization	<u>52,000,000</u>	<u>43,000,000</u>
Total liabilities	<u>957,733,932</u>	<u>879,081,595</u>
Net Assets:		
Net assets without donor restrictions	<u>36,817,454</u>	<u>30,811,936</u>
Total Net Assets	<u>36,817,454</u>	<u>30,811,936</u>
Total liabilities and net assets	<u>\$ 994,551,386</u>	<u>\$ 909,893,531</u>

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

Anabaptist Financial**Statements of Activities****For the Years Ended June 30, 2026 and 2025**

	Without Donor Restrictions	
	2026	2025
Revenue:		
Interest income on loans	\$ 51,724,333	\$ 51,191,307
Investment income	1,698,560	3,321,744
Loan origination fees	822,120	904,900
Other income	246,323	360,893
Commitment fees	225,694	133,291
Stewardship education	1,370,561	503,162
Total revenue	56,087,591	56,415,297
Expenses:		
Program	47,452,674	48,903,648
General administration	2,543,899	2,053,244
Fund raising	85,500	65,306
Total expenses	50,082,073	51,022,198
Change in net assets	6,005,518	5,393,099
Net assets, beginning of year	30,811,936	25,418,837
Net assets, end of year	\$ 36,817,454	\$ 30,811,936

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

Anabaptist Financial
Statements of Functional Expenses
For the Years Ended June 30, 2026 and 2025

2026						
	Program			General	Fund	
	Loan Activity	Stewardship Ed	Total	Administration	Raising	Total
Interest expense	\$ 43,365,991	\$ -	\$ 43,365,991	\$ -	\$ -	\$ 43,365,991
Payroll and related expenses	1,003,642	1,276,222	2,279,864	1,723,422	15,040	4,018,326
Office and communications	552,878	131,767	684,645	517,977	28,614	1,231,236
Travel	24,771	256,817	281,588	79,954	-	361,542
Event Expense	1,371	255,226	256,597	-	-	256,597
Provision for credit losses	237,764	-	237,764	-	-	237,764
Printing and promotions	4,503	108,793	113,296	72,529	41,846	227,671
Filing and search fees	190,485	-	190,485	-	-	190,485
Professional fees	-	-	-	107,574	-	107,574
Depreciation	42,444	-	42,444	42,443	-	84,887
Total	\$ 45,423,849	\$ 2,028,825	\$ 47,452,674	\$ 2,543,899	\$ 85,500	\$ 50,082,073

2025						
	Program			General	Fund	
	Loan Activity	Stewardship Ed	Total	Administration	Raising	Total
Interest expense	\$ 45,953,289	\$ -	\$ 45,953,289	\$ -	\$ -	\$ 45,953,289
Payroll and related expenses	1,393,533	296,643	1,690,176	1,301,082	11,027	3,002,285
Office and communications	519,071	107,182	626,253	476,215	24,051	1,126,519
Printing and promotions	30,063	77,014	107,077	69,583	30,228	206,888
Filing and search fees	201,287	-	201,287	-	-	201,287
Travel	42,775	90,505	133,280	42,430	-	175,710
Professional fees	-	-	-	120,096	-	120,096
Event Expense	1,647	96,076	97,723	-	-	97,723
Depreciation	43,838	-	43,838	43,838	-	87,676
Provision for credit losses	50,725	-	50,725	-	-	50,725
Total	\$ 48,236,228	\$ 667,420	\$ 48,903,648	\$ 2,053,244	\$ 65,306	\$ 51,022,198

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

Anabaptist Financial**Statements of Cash Flows****For the Years Ended June 30, 2026 and 2025**

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,005,518	\$ 5,393,099
Noncash expenses included in change in net assets:		
Interest expense added to investment agreements	35,921,340	38,525,539
Provision for credit losses	237,764	50,725
Depreciation	84,887	87,676
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	26,035	(15,549)
(Increase)/decrease in interest receivable	266,043	(680,283)
Increase/(decrease) in accounts payable and accrued expenses	43,916	71,009
Net cash provided (used) by operating activities	<u>42,585,503</u>	<u>43,432,216</u>
Cash flows from investing activities:		
Acquisition of capital assets	(5,000)	(19,435)
Purchase of investments	(426,460)	(489,363)
Principal repayments on loans	185,607,441	173,194,958
Loans proceeds disbursed	<u>(278,409,074)</u>	<u>(311,470,983)</u>
Net cash provided (used) by investing activities	<u>(93,233,093)</u>	<u>(138,784,823)</u>
Cash flows from financing activities:		
Sale of investment agreements	145,364,315	156,373,755
Redemption of investment agreements	(111,677,234)	(103,487,701)
Proceeds from demand note payable	<u>9,000,000</u>	<u>9,000,000</u>
Net cash provided (used) by financing activities	<u>42,687,081</u>	<u>61,886,054</u>
Net increase (decrease) in cash and cash equivalents	(7,960,509)	(33,466,553)
Cash and cash equivalents, beginning	<u>43,056,612</u>	<u>76,523,165</u>
Cash and cash equivalents, ending	<u>\$ 35,096,103</u>	<u>\$ 43,056,612</u>
Supplemental disclosure of cash flow information		
Cash payments for interest on investments agreements	<u>\$ 7,444,651</u>	<u>\$ 7,427,750</u>
Schedule of non-cash financing activities:		
Interest expense added to investment agreements	<u>\$ 35,921,340</u>	<u>\$ 38,525,539</u>

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

Notes to Financial Statements

Anabaptist Financial

Notes to Financial Statements

June 30, 2026 and 2025

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 not-for-profit 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.

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 credit 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 Credit Losses

Loans are stated at the unpaid principal balance, which represents the amortized cost. 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 1-2% with a minimum rate of 5.500% and 6.125% as of June 30, 2026 and 2025, 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.

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

Loans and Allowances for Credit 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 credit losses may result from AF's adherence to such credit policies. AF's management evaluates the collectability of the loan portfolio to determine the level of allowance for credit losses required. This evaluation includes using a four-point rating system to assess each loan's probability of default. The four-points considered are equity, whether there is a co-signer, payment history, and income. Each point is given a score, and then the average score is utilized to set the overall loan rating.

Equity, or the value of loan collateral, is used to determine the potential offset to credit risk if the loan were to default. Accrued loan value is divided by collateral value to determine the percentage coverage. Equity is rated on a scale from one to four, with four representing the most risk coverage, and one representing the least risk coverage through collateral.

Having a co-signer reduces the risk of loss in that it provides another source of collection in the case of default. If no co-signer is present, a risk rating of three is used. If a co-signer is present, a risk rating of four is used.

Payment history is considered a good indicator of future payment, and thus provides a data point for the likelihood of loss. A newly established loan is given a rating of three. If payments are not kept current, the rating can drop as low as zero.

A certain level of income is required to obtain a loan, and thus all borrowers start with an income score of three. This level can drop down as low as zero, if income levels deteriorate during the life of the loan.

The rating system described above is evaluated at least annually. 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 in determining the credit losses using additional qualitative and quantitative measures.

The credit risk rating methodology is a key component of AF's allowance for credit losses evaluation and is generally incorporated into AF's loan approval process. The allowance for credit losses is maintained at a level considered appropriate by management to estimate expected credit losses over the contractual lives of the loans. As the entire loan portfolio is with those affiliated or associated with the Anabaptist faith, AF believes that risk characteristics are consistent between portfolio segments. The allowance, in regards to both loans and accrued interest, 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 credit losses is a valuation account used to reasonably estimate credit losses as of the financial statement date. Determining the appropriate allowance for credit losses balance involves significant judgment about expected collectability and estimated future credit losses. AF considers such factors as credit risk classification, collateral values, risk concentrations, economic conditions, and prior loan loss experience when determining the allowance for credit losses. Loans determined to be uncollectible are charged to the allowance during the period in which such determination is made. The allowance for credit losses, including the allowance against interest receivable, was \$2,263,151 and \$2,025,387 at June 30, 2026 and 2025, respectively. AF recorded a provision for credit losses of \$237,764 for the current fiscal year and recorded a \$50,725 charge in the prior reporting period. Management believes the balance in the allowance for credit losses is sufficient to cover future credit losses. No loans were charged off for either audit year. Management considers that a loan is delinquent when a payment is sixty days past due.

Anabaptist Financial

Notes to Financial Statements

June 30, 2026 and 2025

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

Loans and Allowances for Credit Losses (continued)

Management evaluates loans with similar risk characteristics collectively. Loans that do not share similar risk characteristics with other loans are evaluated individually. The allowance for credit losses on collectively evaluated loans is based on management's estimate of expected credit losses, considering historical loss experience, current conditions, and other factors affecting collectability.

Management evaluates loans for expected credit losses in accordance with ASC 326. Loans that do not share similar risk characteristics with other loans are evaluated individually when determining the allowance for credit losses. Management does not consider an insignificant delay or insignificant shortfall in amount of payments to be indicative of a credit loss requiring an individual evaluation. Also, management does not consider a loan to require individual evaluation 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. For loans evaluated individually, expected credit losses 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 nonaccrual 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 eleven loans requiring individual evaluation for credit losses both as of June 30, 2026 and 2025.

AF evaluates loan modifications made to borrowers experiencing financial difficulty in accordance with applicable accounting guidance. Such modifications may include principal forgiveness, interest rate reductions, other-than-insignificant payment delays, or term extensions. AF did not have any loan modifications to borrowers experiencing financial difficulty requiring disclosure at June 30, 2026 and 2025.

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 allowance for depreciation 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 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.

Anabaptist Financial

Notes to Financial Statements

June 30, 2026 and 2025

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

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.

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 of June 30, 2026 and 2025.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain expenses have been allocated among program services and supporting services based on estimates made by management. Expenses that can be identified with a specific program or supporting activity are charged directly. Other expenses that are common to multiple functions are allocated based on management's estimate of time and effort, occupancy, or other reasonable allocation methodologies.

Subsequent Events Evaluation

Subsequent events have been evaluated through September 30, 2026, which is the date the financial statements were available to be issued.

Anabaptist Financial

Notes to Financial Statements

June 30, 2026 and 2025

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, 2026 and 2025, \$36,741,658 and \$43,533,550, 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 2026 and 2025, 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.

	2026	2025
Cash and cash equivalents	\$ 35,096,103	\$ 43,056,612
Accounts receivable	59,098	85,133
Interest receivable, net of allowance for losses	4,552,751	4,815,793
Investments	11,642,786	11,216,326
Loans receivable, net of allowance for loan losses	940,132,357	847,571,489
Total financial assets	991,483,095	906,745,353
Less those unavailable for general expenditures within one year due to:		
Estimated loan receivable principal expected to be received after one year	(795,901,979)	(789,558,797)
Financial assets available to meet cash needs for general expenditures within one year	\$ 195,581,116	\$ 117,186,556

Anabaptist Financial**Notes to Financial Statements****June 30, 2026 and 2025**

Note 3 – Investments:

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

	2026	2025
Cash and Cash Investments	\$ 11,642,786	\$ 6,766,075
Tradable CDs	-	4,450,251
Total investments	<u>\$ 11,642,786</u>	<u>\$ 11,216,326</u>

Investment income consisted of the following:

Interest income	<u>\$ 1,698,560</u>	<u>\$ 3,321,744</u>
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Note 4 – Loans and Allowance for Credit 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.
- Community Assistance – Various loans purchased to assist the Anabaptist community.

Loans at June 30, 2026 and 2025, consist of the following:

	2026	2025
Business real estate	\$ 712,228,774	\$ 661,342,384
Business operating	9,767,093	9,901,818
Home mortgages	192,714,050	154,028,773
Nonprofit entities	26,738,671	23,218,567
Community assistance	<u>698,815</u>	<u>854,229</u>
Total	<u>\$ 942,147,403</u>	<u>\$ 849,345,771</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, 2026 and 2025.

Anabaptist Financial**Notes to Financial Statements****June 30, 2026 and 2025****Note 4 – Loans and Allowance for Credit Losses (continued):**

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, 2026 and 2025:

2026	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Business real estate	\$ 110,129,072	\$ 191,662,437	\$ 410,437,265	\$ 712,228,774
Business operating	2,715,310	3,023,536	4,028,247	9,767,093
Home mortgages	24,455,599	35,830,690	132,427,761	192,714,050
Nonprofit entities	9,028,862	7,874,350	9,835,459	26,738,671
Community assistance	2,369,216	602,493	179,741	3,151,450
Total	<u>\$ 148,698,059</u>	<u>\$ 238,993,506</u>	<u>\$ 556,908,473</u>	<u>\$ 944,600,038</u>
		Less discount on purchase of community assistance loans		<u>(2,452,635)</u>
				<u>\$ 942,147,403</u>
2025	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Business real estate	\$ 48,959,606	\$ 166,587,082	\$ 445,795,696	\$ 661,342,384
Business operating	2,486,354	4,508,599	2,906,866	9,901,819
Home mortgages	6,812,921	26,661,457	120,554,395	154,028,773
Nonprofit entities	3,130,780	9,477,226	10,610,561	23,218,567
Community assistance	849,949	1,776,227	680,688	3,306,864
Total	<u>\$ 62,239,610</u>	<u>\$ 209,010,591</u>	<u>580,548,206</u>	<u>\$ 851,798,407</u>
		Less discount on purchase of community assistance loans		<u>(2,452,635)</u>
				<u>\$ 849,345,772</u>

The above maturities indicate that approximately 15.74% and 7.31% of loans are scheduled to mature in one year or less for years ended June 30, 2026 and 2025, respectively.

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Notes to Financial Statements

June 30, 2026 and 2025

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

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2026 and 2025:

2026	Acceptable	Substandard	Doubtful	Total
Business real estate	\$ 705,119,265	\$ 10,186,469	\$ 347,176	\$ 715,652,910
Business operating	7,031,369	1,926,771	1,163,042	10,121,182
Home mortgages	192,417,340	921,194	53,754	193,392,288
Nonprofit entities	26,838,624	-	-	26,838,624
Community assistance	943,255	-	-	943,255
Total	\$ 932,349,853	\$ 13,034,434	\$ 1,563,972	\$ 946,948,259

2025	Acceptable	Substandard	Doubtful	Total
Business real estate	\$ 657,181,315	\$ 6,962,714	\$ 1,003,418	\$ 665,147,447
Business operating	8,208,800	834,346	1,168,092	10,211,238
Home mortgages	152,139,125	2,486,792	53,754	154,679,671
Nonprofit entities	23,320,521	-	-	23,320,521
Community assistance	1,053,792	-	-	1,053,792
Total	\$ 841,903,553	\$ 10,283,852	\$ 2,225,264	\$ 854,412,669

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2026 and 2025:

2026	60-89 Days Past Due	90-120 Days Past Due	More than 120 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Day and Accruing
Business real estate	\$ 1,603,154	\$ 1,538,363	\$ 13,258,089	\$ 16,399,606	\$ 699,253,304	\$ 715,652,910	\$ 13,813,152
Business operating	67,424	-	3,065,391	3,132,815	6,988,368	10,121,183	1,773,396
Home mortgages	499,073	-	974,948	1,474,021	191,918,267	193,392,288	921,194
Nonprofit entities	25,233	-	1,400,000	1,425,233	25,413,390	26,838,623	-
Community assistance	6,500	-	3,121,064	3,127,564	268,326	3,395,890	1,198,950
Total	\$ 2,201,384	\$ 1,538,363	\$ 21,819,492	\$ 25,559,239	\$ 923,841,655	\$ 949,400,894	\$ 17,706,692
Less discount on purchase of community assistance loans						(2,452,635)	
						\$ 946,948,259	

2025	60-89 Days Past Due	90-120 Days Past Due	More than 120 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Day and Accruing
Business real estate	\$ 2,385,665	\$ 623,742	\$ 17,155,584	\$ 20,164,991	\$ 644,982,456	\$ 665,147,447	\$ 15,028,717
Business operating	279,160	-	3,549,308	3,828,468	6,382,770	10,211,238	1,972,163
Home mortgages	705,473	363,058	2,718,390	3,786,921	150,892,750	154,679,671	3,027,694
Nonprofit entities	-	-	-	-	23,320,521	23,320,521	-
Community assistance	41,365	-	3,127,049	3,168,414	338,013	3,506,427	1,187,246
Total	\$ 3,411,663	\$ 986,800	\$ 26,550,331	\$ 30,948,794	\$ 825,916,510	\$ 856,865,304	\$ 21,215,820
Less discount on purchase of community assistance loans						(2,452,635)	
						\$ 854,412,669	

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Notes to Financial Statements

June 30, 2026 and 2025

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

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

Nonaccrual Loans	2026	2025
Business real estate	\$ 983,299	\$ 2,750,610
Business operating	1,291,996	1,826,593
Home mortgage	53,754	53,754
Nonprofit entities	1,400,000	-
Community assistance	1,928,614	1,981,168
Total nonaccrual loans	\$ 5,657,663	\$ 6,612,125
Nonaccrual loans as a % of total loans	0.60%	0.78%
Nonaccrual loans as a % of net assets	15.37%	21.46%

Accruing Loans 90 Days or More Past Due	2026	2025
Business real estate	\$ 13,813,152	\$ 15,028,717
Business operating	1,773,396	1,972,163
Home mortgage	921,194	3,027,694
Nonprofit entities	-	-
Community assistance	1,198,950	1,187,246
Total accruing loans 90 days or more past due	\$ 17,706,692	\$ 21,215,820
Accruing loans as a % of total loans	1.88%	2.50%
Accruing loans as a % of net assets	48.09%	68.86%

The following table presents information relating to loans individually evaluated for expected credit losses, including accrued interest as defined in Note 1:

2026	Recorded Investment	Unpaid Principal Balance	Related Loan Allowance	Related Loan Interest Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	\$ 347,176	\$ 252,853	\$ 155,242	\$ 94,324	\$ 400,317	\$ -	5
Business operating	1,163,042	1,009,261	421,219	153,781	1,165,567	3,000	5
Home mortgage	53,754	53,754	50,000	-	53,754	-	1
Total	\$ 1,563,972	\$ 1,315,868	\$ 626,461	\$ 248,105	\$ 1,619,638	\$ 3,000	11

2025	Recorded Investment	Unpaid Principal Balance	Related Loan Allowance	Related Loan Interest Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	\$ 429,754	\$ 335,430	\$ 155,242	\$ 94,323	\$ 482,635	\$ -	5
Business operating	1,168,092	1,011,311	418,219	156,782	1,170,392	2,500	5
Home mortgage	53,754	53,754	50,000	-	53,854	-	1
Total	\$ 1,651,600	\$ 1,400,495	\$ 623,461	\$ 251,105	\$ 1,706,881	\$ 2,500	11

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Notes to Financial Statements

June 30, 2026 and 2025

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

Each of the loans individually evaluated for credit losses is 90 days or more past due in principal and interest payments. Although some of these loans may be considered collateral dependent, management considers collateral dependent loans, in the aggregate, to be insignificant.

The allowance for credit losses includes an allowance against loans receivable and against interest receivable, as follows:

	2026	2025
Allowance on loans receivable	\$ 2,015,046	\$ 1,774,282
Allowance on interest receivable	248,105	251,105
Total allowance for credit losses	<u>\$ 2,263,151</u>	<u>\$ 2,025,387</u>

A summary of changes in the allowance for credit losses and the June 30, 2026 recorded investment in loans is as follows:

2026	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Allowance for credit losses:						
Balance at June 30, 2025	\$ 1,099,497	\$ 658,321	\$ 242,665	\$ 23,635	\$ 1,269	\$ 2,025,387
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision for credit losses	185,323	2,237	43,953	6,045	206	237,764
Balance at June 30, 2026	<u>\$ 1,284,820</u>	<u>\$ 660,558</u>	<u>\$ 286,618</u>	<u>\$ 29,680</u>	<u>\$ 1,475</u>	<u>\$ 2,263,151</u>

June 30, 2026, allowance ending balance:

Loans individually evaluated for expected credit losses	<u>\$ 249,566</u>	<u>\$ 575,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,566</u>
Loans collectively evaluated for expected credit losses	<u>\$ 1,035,254</u>	<u>\$ 85,558</u>	<u>\$ 236,618</u>	<u>\$ 29,680</u>	<u>\$ 1,475</u>	<u>\$ 1,388,585</u>

Recorded investment in loans outstanding at June 30, 2026, is as follows:

2026	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Balance at June 30, 2026	<u>\$ 715,652,910</u>	<u>\$ 10,121,182</u>	<u>\$ 193,392,288</u>	<u>\$ 26,838,624</u>	<u>\$ 943,255</u>	<u>\$ 946,948,259</u>
Loans individually evaluated for expected credit losses	<u>\$ 10,533,645</u>	<u>\$ 3,089,813</u>	<u>\$ 974,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,598,406</u>
Loans collectively evaluated for expected credit losses	<u>\$ 705,119,265</u>	<u>\$ 7,031,369</u>	<u>\$ 192,417,340</u>	<u>\$ 26,838,624</u>	<u>\$ 943,255</u>	<u>\$ 932,349,853</u>

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Notes to Financial Statements

June 30, 2026 and 2025

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

A summary of changes in the allowance for credit losses and the June 30, 2025, recorded investment in loans is as follows:

2025	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Allowance for credit losses:						
Balance at June 30, 2024	\$ 1,140,643	\$ 607,411	\$ 203,877	\$ 21,556	\$ 1,175	\$ 1,974,662
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision for credit losses	(41,146)	50,910	38,788	2,079	94	50,725
Balance at June 30, 2025	<u>\$ 1,099,497</u>	<u>\$ 658,321</u>	<u>\$ 242,665</u>	<u>\$ 23,635</u>	<u>\$ 1,269</u>	<u>\$ 2,025,387</u>

June 30, 2025, allowance ending balance:

Loans individually evaluated for expected credit losses	<u>\$ 249,564</u>	<u>\$ 575,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,564</u>
Loans collectively evaluated for expected credit losses	<u>\$ 849,933</u>	<u>\$ 83,321</u>	<u>\$ 192,665</u>	<u>\$ 23,635</u>	<u>\$ 1,269</u>	<u>\$ 1,150,823</u>

Recorded investment in loans outstanding at June 30, 2025, is as follows:

2025	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Balance at June 30, 2025	<u>\$ 665,147,447</u>	<u>\$ 10,211,238</u>	<u>\$ 154,679,671</u>	<u>\$ 23,320,521</u>	<u>\$ 1,053,792</u>	<u>\$ 854,412,669</u>
Loans individually evaluated for expected credit losses	<u>\$ 7,966,132</u>	<u>\$ 2,002,437</u>	<u>\$ 2,540,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,509,115</u>
Loans collectively evaluated for expected credit losses	<u>\$ 657,181,315</u>	<u>\$ 8,208,801</u>	<u>\$ 152,139,125</u>	<u>\$ 23,320,521</u>	<u>\$ 1,053,792</u>	<u>\$ 841,903,554</u>

Note 5 – Capital Assets:

Property and equipment consisted of the following:

Description	2026	2025
Land	\$ 641,198	\$ 641,198
Buildings and improvements	2,885,362	2,885,362
Office equipment and software	163,782	163,782
Assets not placed in service	<u>5,000</u>	<u>-</u>
Total	3,695,342	3,690,342
Less accumulated depreciation	<u>(627,051)</u>	<u>(542,164)</u>
Property and equipment, net	<u>\$ 3,068,291</u>	<u>\$ 3,148,178</u>

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Notes to Financial Statements

June 30, 2026 and 2025

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 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, 2026 and 2025, 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, 2026 and 2025. 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, 2026				
Description	Level 1	Level 2	Level 3	Total
Fixed income				
Cash and cash investments	\$ 11,642,786	\$ -	\$ -	\$ 11,642,786
Total	<u>\$ 11,642,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,642,786</u>

As of June 30, 2025				
Description	Level 1	Level 2	Level 3	Total
Fixed income				
Cash and cash investments	\$ 6,766,075	\$ -	\$ -	\$ 6,766,075
Certificates of deposit	-	4,450,251	-	4,450,251
Total	<u>\$ 6,766,075</u>	<u>\$ 4,450,251</u>	<u>\$ -</u>	<u>\$ 11,216,326</u>

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, 2026 and 2025, \$35,096,103 and \$43,056,612, respectively, of cash and cash equivalents, money market account deposits, and certificates of deposit carried at cost are not included in the table.

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Notes to Financial Statements

June 30, 2026 and 2025

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 December 1, March 1, June 1, and September 1 plus 0-1%. The interest rate was 4.5% and 5.125% at June 30, 2026 and 2025, 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 March 31, June 30, September 30, and December 31 of each calendar year. Except for South Carolina, a demand rate option exists. Interest is based upon the six-month Treasury Bill rate minus 1-2% adjusted quarterly in the same manner as mentioned previously. The demand rate was 2.5% and 3.125% at June 30, 2026 and 2025, 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-served basis, and AF provides no assurance to investors that sufficient funds will be available to redeem securities. Investment agreements payable totaled \$905,488,633 and \$835,880,212 at June 30, 2026 and 2025, respectively.

Note 8 – Demand Note Payable:

Anabaptist Financial owed Anabaptist Foundation, a related organization, \$52,000,000 and \$43,000,000 as of June 30, 2026 and 2025, respectively. The loan is due on demand with an interest rate of 4.5% and 5.125% as of June 30, 2026 and 2025, respectively. Interest expense on this loan for the current fiscal year totaled \$2,068,265 and \$1,955,404 for the prior year.

Note 9 – Related Party and Related Party Transactions:

At June 30, 2026 and 2025, AF had made loans to officers, board members, and their close relatives. These loans had outstanding principal balances totaling \$22,487,831 and \$14,088,224, respectively. Normal lending policies were followed in the issuance of these loans. Related party interest income earned during the years ended June 30, 2026 and 2025, totaled \$1,103,589 and \$843,018 respectively.

At June 30, 2026 and 2025, AF owed to officers, board members, and their close relatives through investment agreements \$34,458,002 and \$28,804,760, respectively. Related party interest expense incurred for the years ended June 30, 2026 and 2025, totaled \$1,590,396 and \$1,433,294, respectively.

Note 10 – Commitments:

At June 30, 2026 and 2025, AF had loan commitments of \$102,449,225 and \$119,961,138, respectively.

Note 11 – Simple IRA Plan:

AF offers its employees the opportunity to participate in a Simple IRA plan. Employees qualify to participate whenever they have compensation of at least \$5,000 in a prior year and expect to earn \$5,000 in the current plan year. AF matches up to 3% of employee salary deferrals. During the fiscal years ended June 30, 2026 and 2025, AF made matching contributions totaling \$29,341 and \$34,131, respectively.

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Notes to Financial Statements

June 30, 2026 and 2025

Note 12 – Custodial Funds Held for Retirement Plans:

AF serves as a nonbank trustee and custodian for retirement plans for individuals that invest their IRA balances with AF. These retirement plans all take the form of IRAs. AF is responsible for the administrative management of these plans, including the processing of contributions, withdrawals, and tracking of individual investments held by each participant. AF charges each plan an annual fee for their role, with fees for the fiscal year ending June 30, 2026 totaling \$64,650. All investments held by these plans are invested in AF's investment instruments and are thus included in both the assets and liabilities of AF. Each plan participant is given a separate investment account, in the same manner as other individuals who hold investments with AF outside of retirement plans. This allows for tracking of investments held by each plan member. For plan members, the normal minimum investment threshold of \$2,500 is waived. As of June 30, 2026, AF had \$62,927,194 of assets which would have initially been recorded as cash and cash equivalents on the statement of financial position and \$62,927,194 of liabilities included in investment agreements payable on the statement of financial position related to these retirement plans. Some retirement plan investments are with related parties, and these transactions are tracked in the same manner as all other related party investment transactions.