



Lewisburg, Pennsylvania

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

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Independent Auditor's Report

The Board of Directors
Anabaptist Foundation
Lewisburg, Pennsylvania

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Anabaptist Foundation as of June 30, 2026, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA
Seneca, South Carolina
September 4, 2026

Consolidated Financial Statements

Anabaptist Foundation

Consolidated Statement of Financial Position

June 30, 2026

Assets:

Cash and cash equivalents	\$ 15,142,464
Accounts receivable	16,011
Interest receivable	5,020
Investments	4,561,825
Real estate held for sale	4,439,000
Demand note receivable - related organization	52,000,000
Loans receivable	8,739,157
Less allowance for credit losses	(74,715)
Net loans receivable	<u>60,664,442</u>
Future interest in real estate	390,000
Property and equipment net of accumulated depreciation of \$234,365	<u>1,607,423</u>
Total assets	<u>\$ 86,826,185</u>

Liabilities:

Accounts payable	\$ 20,243
Accrued expenses	32,690
Life estate liability	97,753
Discount for future interest - pooled income fund	<u>183,780</u>
Total liabilities	<u>334,466</u>

Net assets:

Without donor restrictions	84,138,151
With donor restrictions	<u>2,353,568</u>
Total net assets	<u>86,491,719</u>
Total liabilities and net assets	<u>\$ 86,826,185</u>

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

Anabaptist Foundation**Consolidated Statement of Activities****For the Year Ended June 30, 2026**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of cash and other financial assets	\$ 45,393,965	\$ 596,856	\$ 45,990,821
Contributions of nonfinancial assets	5,075,983	-	5,075,983
Interest income from loans	2,103,447	-	2,103,447
Investment income	948,366	89,224	1,037,590
Imputed interest on hardship loans	319,758	-	319,758
CSR program income	134,617	-	134,617
Other income	120,000	-	120,000
Rent income	39,324	-	39,324
Change in value of split-interest agreements	-	11,492	11,492
Gain/(loss) on sale of donated real estate	(43,419)	-	(43,419)
Total revenue and support	54,092,041	697,572	54,789,613
Reclassifications:			
Satisfaction of program restrictions	708,205	(708,205)	-
Total reclassifications	708,205	(708,205)	-
Expenses:			
Program services	48,831,797	-	48,831,797
Total program expenses	48,831,797	-	48,831,797
Supporting activities:			
General administration	761,851	-	761,851
Fundraising	101,288	-	101,288
Rental expense	28,644	-	28,644
Total supporting activities	891,783	-	891,783
Total expenses	49,723,580	-	49,723,580
Change in net assets	5,076,666	(10,633)	5,066,033
Net assets, beginning of year	79,061,485	2,364,201	81,425,686
Net assets, end of year	\$ 84,138,151	\$ 2,353,568	\$ 86,491,719

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

Anabaptist Foundation**Consolidated Statement of Functional Expenses****For the Year Ended June 30, 2026**

	Program	General Administration	Fundraising	Rental Expense	Total
Charitable distributions	\$ 48,157,441	\$ -	\$ -	\$ -	\$ 48,157,441
Payroll and related expenses	338,761	343,671	35,861	-	718,293
Occupancy	22,200	165,747	4,440	21,233	213,620
Contributed services	92,279	60,750	769	-	153,798
Office supplies and expenses	71,696	27,681	570	1,170	101,117
Other supplies	82,916	-	419	-	83,335
Travel	36,801	29,655	7,146	-	73,602
Advertising and promotion	-	10,604	50,719	-	61,323
Professional fees	-	48,194	-	-	48,194
Information technology	23,285	23,285	-	-	46,570
Depreciation	-	35,137	-	6,201	41,338
Filing and other fees	6,418	17,127	1,364	40	24,949
Total	<u>\$ 48,831,797</u>	<u>\$ 761,851</u>	<u>\$ 101,288</u>	<u>\$ 28,644</u>	<u>\$ 49,723,580</u>

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

Anabaptist Foundation**Consolidated Statement of Cash Flows****For the Year Ended June 30, 2026**

Cash flows from operating activities

Change in net assets	\$ 5,066,033
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Current year donated items not converted to cash	(1,649,000)
Prior year donated items converted to cash	823,616
Net realized and unrealized (gains)/losses	61,890
Adjustment of planned giving obligations	(19,783)
Depreciation	41,338
Investment income restricted for long-term investment	(240)
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	59,462
(Increase)/decrease in interest receivable	11,133
Increase/(decrease) in accounts payable	7,998
Increase/(decrease) in accrued expenses	(26,557)
Net cash provided (used) by operating activities	<u>4,375,890</u>
Cash flows from investing activities:	
Principal repayments on loans	4,563,204
Loan proceeds disbursed	(16,946,677)
Acquisition of capital assets	(151,380)
Purchases of investments	(1,177,083)
Net cash provided (used) by investing activities	<u>(13,711,936)</u>
Cash flows from financing activities:	
Proceeds from planned giving program agreements	14,887
Investment income restricted for endowments	240
Net cash provided (used) by financing activities	<u>15,127</u>
Net change in cash and cash equivalents	(9,320,919)
Cash and cash equivalents, beginning of year	<u>24,463,383</u>
Cash and cash equivalents, end of year	<u>\$ 15,142,464</u>

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

Notes to Consolidated Financial Statements

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

Note 1 – Summary of Significant Accounting Policies:

Nature of Organization

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

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

AF operates a hardship and other loan program that endeavors to advance the religious beliefs, cultural traditions, and lifestyles of the Anabaptist faith by providing loans to charitable entities in need of special financial assistance that are affiliated or associated with the Anabaptist faith. On occasion, when AF sells previously donated assets, loans may be made to individuals as part of the sales transaction.

Entity Status

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

Basis of Accounting and Presentation

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

Principles of Consolidation

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

Estimates

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

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

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

Cash and Cash Equivalents

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

Investments

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

Real Estate Held for Sale

Donated real estate held for sale is initially recorded at its appraised value, which approximates fair value at the date of donation, and is subsequently carried at the lower of carrying value or net realizable value.

Fair Value Measurements

Certain assets are reported at fair value in the consolidated financial statements. Fair value is defined as 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 utilizes a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels. Additional information regarding fair value measurements and the related hierarchy is disclosed in Note 11.

Loans Receivable and Allowance for Credit Losses

Loans receivable are recorded at amortized cost. Management maintains an allowance for credit losses to present the net amount expected to be collected. The allowance is a valuation account that is deducted from the amortized cost basis of loans receivable.

The allowance is measured on a collective or individual basis based upon management's estimate of expected credit losses over the contractual life of the loans. Expected credit losses are estimated using historical loss experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the loan portfolio.

Management evaluates the adequacy of the allowance on a periodic basis and considers factors including historical credit loss experience, borrower payment performance, collateral values, economic and industry conditions, concentrations of credit risk, the financial condition of borrowers, and other qualitative factors affecting collectability.

Loans that do not share similar risk characteristics are evaluated individually. When management determines that collection of all amounts due according to contractual terms is not expected, an allowance is established based upon the present value of expected future cash flows, observable market prices, or the fair value of collateral, less estimated selling costs when applicable.

Loans are charged off against the allowance when management believes collection is unlikely. Subsequent recoveries, if any, are credited to the allowance. The loan portfolio consists of hardship loans, other loans, and related organization loans. Management has determined that these loans possess different risk characteristics and therefore evaluates expected credit losses separately by portfolio segment. As of June 30, 2026, no loans were individually evaluated due to credit deterioration and uncertainty regarding collection. As of the current reporting period, the allowance for credit losses has a balance of \$74,715.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

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

Loans Receivable and Allowance for Credit Losses (continued):

For loans that bear interest, interest income is accrued on the principal balance of loans. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. All interest accrued but not collected that is placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on a cash basis until they are qualified for return to accrual. Loans are returned to accrual status when amounts contractually due are brought current and future payments are reasonably assured. A loan is considered delinquent when a payment is more than ten days past due.

A four-point rating system is used 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 the 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.

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 weaknesses in repayment capacity. A doubtful rating represents loans that exhibit similar weaknesses to a substandard rating. However, a doubtful rating has additional weaknesses in existing facts and conditions that make collection in full highly questionable.

Split-Interest Agreements

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

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

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

Capital Assets

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

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

Net Assets

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

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

Support and Revenue

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

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

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

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

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

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

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

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

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

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred and amounted to \$61,323 for the reporting period.

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.

Income Taxes

Anabaptist Foundation is recognized as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, its income is not subject to income tax unless AF has unrelated business income.

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

Subsequent Events Evaluation

Management has evaluated subsequent events through September 4, 2026, which is the date the consolidated financial statements were available to be issued.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

Note 2 – Financial Assets and Liquidity Resources:

AF's operations are primarily funded by contributions of cash and non-cash items. Some of these contributions may contain donor restrictions. Those restrictions require that resources be used for specific activities. Therefore, AF must maintain adequate resources to meet its responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, AF has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Management maintains cash balances sufficient to meet anticipated operating and programmatic requirements. The governing board may consider authorizing the borrowing of funds should it be deemed necessary to do so.

AF had deposits in a financial institution totaling \$15,427,724 that were not covered by depository insurance. Management believes that the credit risk related to these deposits is minimal.

The following schedule reflects AF's financial assets as of its fiscal year end in 2026, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board approved their use.

	<u>Amount</u>
Cash and cash equivalents	\$ 15,142,464
Accounts receivable	16,011
Interest receivable	5,020
Investments	4,561,825
Loans receivable, net of allowance for loan losses	<u>60,664,442</u>
Total financial assets	80,389,762
Less those unavailable for general expenditures within one year, due to:	
Restricted amounts associated with special gift funds	(75,063)
Amounts held in endowment funds	(1,898,397)
Amounts held in pooled income funds	(271,640)
Estimated loans receivable principal expected to be received after one year	<u>(59,894,957)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,249,705</u>

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026**

Note 3 – Investments:

Investments consist of the following:

	Fair Value
Government money market fund and cash	\$ 4,561,825

Investment income consisted of the following:

	Amount
Interest and dividends	\$ 1,056,061
Realized gains/(losses) on investments	(18,471)
Total	\$ 1,037,590

Note 4 – Loans Receivable and Allowance for Credit Losses:

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

- Hardship Loans – made to Anabaptist organizations in need of special financial assistance. These loans are not secured by collateral.
- Other Loans – made to Anabaptist organizations and individuals. These loans may have some form of security interest attached to the loan.
- Related Organization Loan – made to related organization for the purpose of generating an investment return on AF assets.

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

	Amount
Hardship loans	\$ 6,585,060
Other loans	2,154,097
Related organization loan	52,000,000
Allowance for credit losses	(74,715)
Total	\$ 60,664,442

The above hardship and other loans carry either a 2.00% interest rate or no interest. The related organization loan is a demand loan and carries a variable interest rate that is adjustable each quarter upon the decision of management. At the current year end, the interest rate was 4.50%.

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

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

A significant source of AF's liquidity is the repayment and maturity of the loans. The following table presents the contractual principal repayments of loans by loan type at June 30, 2026:

Loan Category	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Hardship loans	\$ 669,000	\$ 5,916,060	\$ -	\$ 6,585,060
Other loans	175,200	1,884,115	94,782	2,154,097
Related organization loan	52,000,000	-	-	52,000,000
Total	<u>\$ 52,844,200</u>	<u>\$ 7,800,175</u>	<u>\$ 94,782</u>	<u>\$ 60,739,157</u>

The above information indicates that approximately 87.00% of the loans are scheduled to mature in one year or less for the year ended June 30, 2026. This percentage includes the \$52,000,000 related organization demand note.

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

Loan Category	Acceptable	Substandard	Doubtful	Total
Hardship loans	\$ 6,585,060	\$ -	\$ -	\$ 6,585,060
Other loans	2,159,117	-	-	2,159,117
Related organization loan	52,000,000	-	-	52,000,000
Total	<u>\$ 60,744,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,744,177</u>

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

Loan Category	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
Hardship loans	\$ -	\$ -	\$ -	\$ -	\$ 6,585,060	\$ 6,585,060	\$ -
Other loans	-	-	-	-	2,159,117	2,159,117	-
Related organization loan	-	-	-	-	52,000,000	52,000,000	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,744,177</u>	<u>\$ 60,744,177</u>	<u>\$ -</u>

AF did not have any loans that were on nonaccrual status as of June 30, 2026. No loans were considered to have significant credit deterioration as of the current year end.

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026****Note 4 – Loans Receivable and Allowance for Credit Losses (continued):**

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

2026	Hardship Loans	Other Loans	Related Organization	Total
Allowance for credit losses:				
Balance at June 30, 2025	\$ 2,786	\$ 17,956	\$ 53,973	\$ 74,715
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
Provision for credit losses	-	-	-	-
Balance at June 30, 2026	<u>\$ 2,786</u>	<u>\$ 17,956</u>	<u>\$ 53,973</u>	<u>\$ 74,715</u>
June 30, 2026 allowance ending balance:				
Individually evaluated loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collectively evaluated loans	<u>\$ 2,786</u>	<u>\$ 17,956</u>	<u>\$ 53,973</u>	<u>\$ 74,715</u>

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

2026	Hardship Loans	Other Loans	Related Organization	Total
Balance at June 30, 2026	<u>\$ 6,585,060</u>	<u>\$ 2,159,117</u>	<u>\$ 52,000,000</u>	<u>\$ 60,744,177</u>
Individually evaluated loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collectively evaluated loans	<u>\$ 6,585,060</u>	<u>\$ 2,159,117</u>	<u>\$ 52,000,000</u>	<u>\$ 60,744,177</u>

Management estimates that its loan losses will be 0.05% of loans rated as acceptable and 7.0% of loans that are rated as substandard. In addition to these estimated amounts, management included an additional credit loss reserve of \$36,629 to cover any deficiencies in the estimate of allowance for credit losses.

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026**

Note 5 – Planned Giving Program:

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

Assets:	
Pooled income fund assets	\$ 271,640
Future interest in real estate	<u>390,000</u>
Total	<u>\$ 661,640</u>
Liabilities:	
Discount for future interest (PIF)	\$ 183,780
Life estate liability	<u>97,753</u>
Total	<u>\$ 281,533</u>

AF received \$10,113 of contribution revenue in the current year from pooled income fund donations. The change in value of split-interest agreements consists of:

	<u>PIF</u>	<u>Life Estate</u>	<u>Total</u>
Interest	\$ 12,739	\$ -	\$ 12,739
Payments to beneficiaries	(12,739)	-	(12,739)
Actuarial adjustment	<u>5,395</u>	<u>6,097</u>	<u>11,492</u>
Total	<u>\$ 5,395</u>	<u>\$ 6,097</u>	<u>\$ 11,492</u>

Note 6 – Capital Assets:

Capital assets consist of the following:

<u>Description</u>	<u>Basis</u>
Land	\$ 100,000
Buildings	<u>1,741,788</u>
Total	1,841,788
Less accumulated depreciation	<u>(234,365)</u>
Total	<u>\$ 1,607,423</u>

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026**

Note 7 – Net Assets with Donor Restrictions:

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

	<u>Amount</u>
Endowment funds	\$ 1,898,398
Special gift funds	75,063
Time restrictions	<u>380,107</u>
 Total net assets with donor restrictions	 <u><u>\$ 2,353,568</u></u>

Note 8 – Contributed Nonfinancial Assets:

For the year ended June 30, 2026, contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Real estate	\$ 3,108,450	\$ -
Manufactured buildings	12,269	-
Food items	934,305	-
Commodities	652,055	-
Collectibles	215,106	-
Equipment	-	-
Contributed services	<u>153,798</u>	<u>-</u>
 Total	 <u><u>\$ 5,075,983</u></u>	 <u><u>\$ -</u></u>

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

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

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

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

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

Anabaptist Foundation

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2026

Note 8 – Contributed Nonfinancial Assets (continued):

Contributed collectible items include gold, silver, and other items and are sold soon after donation. Proceeds from the sale of these items fund donor advised funds. Collectibles are recorded at the appraised price, which is deemed to approximate fair value.

Contributed equipment is sold soon after donation. Proceeds from the sale of equipment is used to fund donor advised funds. Equipment is recorded at the sales price, which is deemed to approximate fair value.

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

Note 9 – Revenue from Contracts with Customers:

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

CSR program income – AF offers a service to conservative Anabaptist organizations of preparing an organization's state charitable solicitation registrations. The performance obligation is deemed complete when the registration applications are completed. Billing for this service occurs after completion and payment is due at the time of billing. Contract assets include accounts receivable and there are no contract liabilities associated with this revenue stream. As of the current year end, AF had contract assets totaling \$16,011 and \$8,184 as of the prior year end.

Note 10 – Related Party and Related Party Transactions:

Anabaptist Financial is a related organization due to common control, operating with the same Board of Directors as Anabaptist Foundation. AF also made contributions totaling \$2,441,913 to other organizations that are considered related parties because certain members of AF's governing board and management team serve on the governing boards of those organizations.

Anabaptist Financial owes Anabaptist Foundation a demand loan totaling \$52,000,000 as of the current year end. Related party interest income earned during the year totaled \$2,068,265. This loan is not collateralized, but management has evaluated the collectability of the demand loan and believes no additional allowance is required based on the financial condition of Anabaptist Financial. Anabaptist Foundation's purpose in lending Anabaptist Financial these funds is to generate operating revenue for Anabaptist Foundation. The related organization loan represents approximately 60% of the total assets of Anabaptist Foundation as of the current year end.

Note 11 – 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 utilizes market information and assumptions that market participants would use in pricing an asset or liability. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used in measuring fair value. Level 1 inputs consist of quoted prices in active markets for identical assets. Level 2 inputs consist of observable inputs other than quoted prices in active markets, including quoted prices for similar assets, dealer quotations, and other market-corroborated information. Level 3 inputs consist of significant unobservable inputs that require management judgment and reflect the assumptions that market participants would use in pricing an asset or liability.

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026****Note 11 – Fair Value Measurements (continued):**

Prices for investments such as stocks, bonds, US treasury funds, and mutual funds with readily determinable fair values are classified as Level 1. Commodities, equipment, collectibles, and other donated items held for sale are classified as Level 2 because their fair values are determined using observable market information, dealer quotations, recent sales data, appraisals, contract selling prices, or other market-corroborated inputs. No Level 2 assets were held as of the end of the current reporting period. Real estate held for sale is classified as Level 3 because valuation relies on significant unobservable inputs, including appraisals, marketability considerations, estimated selling costs, and other property-specific assumptions. Donated business interests are initially recorded at fair value upon receipt and subsequently adjusted for flow-through items of income, loss, and distributions. Because these business interests are not measured at fair value on a recurring basis, they are not included in the fair value hierarchy tables presented below.

AF measured the following at fair value on a recurring basis:

As of June 30, 2026				
Description	Level 1	Level 2	Level 3	Total
U. S. government money market	\$ 4,561,825	\$ -	\$ -	\$ 4,561,825
Real estate	-	-	4,439,000	4,439,000
Total	\$ 4,561,825	\$ -	\$ 4,439,000	\$ 9,000,825

Cash and cash equivalents carried at cost are not defined within the levels as prescribed in ASC 820, *Fair Value Measurements and Disclosures*. At June 30, 2026, \$15,142,464 of cash and cash equivalents carried are not included in the above schedule.

The following schedule presents a reconciliation of Level 3 activity for the current reporting period:

Description	2026
Balance at beginning of year	\$ 3,647,000
Real estate donations received	3,108,450
Sales of real estate	(2,273,031)
Realized/unrealized value adjustments	(43,419)
Balance at end of year	\$ 4,439,000

Note 12 – Endowments:

AF has entered into endowment fund agreements with several Anabaptist charitable organizations. Interested donors can contribute to these endowment funds. Each endowment agreement requires a minimum balance of at least \$10,000 before any benefits can be distributed to the recipient organization. Annual distributions are calculated by paying up to 10% of the value of the endowment fund or the annual interest yield from the assets of the endowment fund. Distributions generally cannot reduce an endowment fund below its minimum required balance. AF maintains a very conservative investment policy. Each endowment earns quarterly interest at a rate as determined by management. The endowment interest rate at June 30, 2026, was 4.25%.

Anabaptist Foundation**Notes to Consolidated Financial Statements****For the Year Ended June 30, 2026**

Note 12 – Endowments (continued):

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

The following schedule details AF's endowment fund net assets by type as of June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	<u>\$ -</u>	<u>\$ 1,898,397</u>	<u>\$ 1,898,397</u>

Changes in endowment net assets for the year ended June 30, 2026, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 1,872,950	\$ 1,872,950
Endowment activity this year:			
Contributions	-	68,333	68,333
Interest income	-	89,224	89,224
Distributions	-	(132,110)	(132,110)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 1,898,397</u>	<u>\$ 1,898,397</u>

Note 13 – Leases:

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

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

Lease cost:	
Short-term lease cost	<u>\$ 2,400</u>
Lease income:	
Short-term lease income	<u>\$ 39,324</u>