AF Anabaptist Financial

Lewisburg, Pennsylvania

Financial Statements and Independent Auditor's Report
For the Years Ended June 30, 2023 and 2022

Anabaptist Financial

Lewisburg, Pennsylvania

June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors

Anabaptist Financial
Lewisburg, Pennsylvania

Opinion

We have audited the financial statements of Anabaptist Financial, which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 14, 2023

Financial Statements

Anabaptist Financial

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets:		
Cash and cash equivalents	$ 28,553,373	$ 34,028,319
Accounts receivable	7,830	28,900
Interest receivable	3,190,552	1,848,624
Investments	10,403,454	10,377,977
Loans receivable, net of allowance for loan losses of $1,917,434 and $1,769,855	666,514,325	576,284,755
Capital assets, net of accumulated depreciation of $375,912 and $291,648	3,289,905	3,361,866
Total assets	$ 711,959,439	$ 625,930,441
Liabilities:		
Investment agreements payable	$ 656,777,587	$ 577,555,649
Accounts payable	53,554	25,098
Accrued expenses	78,104	54,799
Demand note payable - related organization	34,000,000	31,000,000
Total liabilities	690,909,245	608,635,546
Net Assets:		
Net assets without donor restrictions	21,050,194	17,294,895
Total Net Assets	21,050,194	17,294,895
Total liabilities and net assets	$ 711,959,439	$ 625,930,441

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

Anabaptist Financial

Statements of Activities

For the Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	
	2023	**2022**
Revenue:		
Interest income on loans	$ 28,015,551	$ 17,346,230
Investment income	390,872	86,900
Loan origination fees	699,331	711,892
Other income	272,154	293,344
Commitment fees	77,331	110,305
Total revenue	29,455,239	18,548,671
Expenses:		
Program	24,294,495	14,160,570
General administration	1,359,123	1,054,466
Fund raising	46,322	58,111
Total expenses	25,699,940	15,273,147
Change in net assets	3,755,299	3,275,524
Net assets, beginning of year	17,294,895	14,019,371
Net assets, end of year	$ 21,050,194	$ 17,294,895

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

Anabaptist Financial

Statements of Functional Expenses

For the Years Ended June 30, 2023 and 2022

	2023			
	Program Expenses	General Administration	Fund Raising	Total
Interest expense	$ 22,178,431	$ -	$ -	$ 22,178,431
Payroll and related expenses	1,061,143	857,419	7,397	1,925,959
Office and communications	375,606	292,046	11,952	679,604
Grants and assistance	275,000	-	-	275,000
Filing and search fees	163,760	-	-	163,760
Provision for loan losses	137,578	-	-	137,578
Professional fees	370	112,697	-	113,067
Travel	37,505	47,713	-	85,218
Depreciation	42,132	42,132	-	84,264
Printing and promotions	22,970	7,116	26,973	57,059
Total	$ 24,294,495	$ 1,359,123	$ 46,322	$ 25,699,940

	2022			
	Program Expenses	General Administration	Fund Raising	Total
Interest expense	$ 12,529,005	$ -	$ -	$ 12,529,005
Provision for loan losses	108,124	-	-	108,124
Payroll and related expenses	840,547	691,187	5,681	1,537,415
Grants and assistance	162,000	-	-	162,000
Office and communications	234,237	183,310	7,089	424,636
Professional fees	495	100,136	-	100,631
Travel	22,114	32,220	-	54,334
Printing and promotions	42,344	6,198	45,341	93,883
Filing and search fees	180,289	-	-	180,289
Depreciation	41,415	41,415	-	82,830
Total	$ 14,160,570	$ 1,054,466	$ 58,111	$ 15,273,147

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

Anabaptist Financial

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,755,299	$ 3,275,524
Noncash expenses included in change in net assets:		
Interest expense added to investment agreements	18,327,098	10,319,514
Provision for loan losses	137,578	108,124
Depreciation	84,264	82,830
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	21,070	6,550
(Increase)/decrease in interest receivable	(1,341,928)	(72,190)
Increase/(decrease) in accounts payable and accrued expenses	51,761	9,084
Net cash provided (used) by operating activities	21,035,142	13,729,436
Cash flows from investing activities:		
Acquisition of capital assets	(2,302)	-
Purchase of investments	(25,477)	(14,504)
Principal repayments on loans	122,585,815	142,575,494
Loans proceeds disbursed	(212,962,964)	(214,586,193)
Net cash provided (used) by investing activities	(90,404,928)	(72,025,203)
Cash flows from financing activities:		
Sale of investment agreements	138,936,959	96,852,822
Redemption of investment agreements	(78,042,119)	(69,669,944)
Proceeds from demand note payable	3,000,000	12,000,000
Net cash provided (used) by financing activities	63,894,840	39,182,878
Net increase (decrease) in cash and cash equivalents	(5,474,946)	(19,112,889)
Cash and cash equivalents, beginning	34,028,319	53,141,208
Cash and cash equivalents, ending	$ 28,553,373	$ 34,028,319
Supplemental disclosure of cash flow information		
Cash payments for interest on investments agreements	$ 3,851,333	$ 2,209,492
Schedule of non-cash financing activities:		
Interest expense added to investment agreements	$ 18,327,098	$ 10,319,514

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

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies:

Nature of Business

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

Entity Status

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

Basis of Accounting and Presentation

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

Cash Equivalents

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the change in net assets. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of sale. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date.

Loans and Allowances for Loan Losses

Loans are stated at the unpaid principal balance. It is the policy of AF to collateralize its loans to the maximum extent possible and to maintain a loan-to-value ratio of not greater than 85%. Loans generally carry a variable interest rate, adjusted quarterly, based upon the six-month Treasury Bill rate plus a minimum of 2.50% with a minimum rate of 5.25% and 3.25% as of June 30, 2023 and 2022, 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 Loan Losses (continued)

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

The credit risk rating methodology is a key component of AF's allowance for loan losses evaluation and is generally incorporated into AF's loan approval process. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of year-end. 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 is increased by provisions charged to operating expense and decreased by charge-offs net of recoveries. A review of individual loans in AF's loan portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to AF has been identified. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss. AF considers such factors as credit risk classification, collateral values, risk concentrations, economic conditions, and prior loan loss experience when determining the allowance for loan losses. Loans determined to be uncollectible are charged to the allowance during the period in which such determination is made. The allowance for loan losses was $1,917,434 and $1,769,855 at June 30, 2023 and 2022, respectively. AF recorded a provision for loan losses of $137,578 for the current year and recorded a $108,124 charge in the prior reporting period. Management believes the balance in the allowance for loan losses is sufficient to cover future loan losses. No loans were charged off for either audit year. Management considers that a loan is delinquent when a payment is sixty days past due.

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

Loans are defined as impaired when, based on current information and events, it is probable that AF will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management does not consider an insignificant delay or insignificant shortfall in amount of payments to impair loans. Also, management does not consider a loan impaired during a period of delay in payment if it expects to collect all amounts due, including interest accrued at the contractual interest rate for the period of delay. Impaired loans are measured by the present value of expected future cash flows or the fair value of the collateral of the loan, if collateral dependent. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to fully meet the contractual interest obligation under the original loan agreement. Interest income is subsequently recognized only to the extent cash payments are received. If the financial condition of a borrower that has a loan on nonaccrual status significantly improves, management may decide to remove that loan from nonaccrual status. Management believes it had thirteen impaired loans as of June 30, 2023 and 2022, respectively.

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

Loans and Allowances for Loan Losses (continued)

In cases where a borrower experiences financial difficulties and AF makes certain monetary concessions to the borrower through modifications to the contractual terms of the loan, the loan is classified as a restructured loan. A restructured loan constitutes a troubled debt restructuring if for economic or legal reasons related to the debtor's financial difficulties, AF grants a concession to the debtor that it would not otherwise consider. AF did not have any loans that met these conditions at June 30, 2023 and 2022.

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:

Description	Useful Life	Method
Buildings	40 years	Straignt line
Equipment	3-5 years	Straignt line

Fair Value Measurements

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

Interest Income on Loans

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

Loan Origination Fees

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

Commitment Fees

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

Net Assets

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

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

b) Net assets with donor restrictions are those restricted by donors for specific operating purposes or for use in a future reporting period. Also included in this category are net assets subject to donor-imposed restrictions to be held in perpetuity such as endowments or irrevocable trusts.

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

Revenue and Support with or without Donor Restrictions

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

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

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

AF has adopted accounting principles related to accounting for uncertainty in income tax positions. AF's policy is to record a liability for any tax position taken that is beneficial to AF, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2023 and 2022.

Functional Allocation of Expenses

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

Subsequent Events Evaluation

Subsequent events have been evaluated through September 14, 2023, which is the date the financial statements were available to be issued.

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, 2023 and 2022, $28,958,135 and $34,472,406, respectively, of AF's deposits were not covered by FDIC insurance. Management believes that any credit risk related to these uninsured deposits is minimal.

Note 2 – Financial Assets and Liquidity Resources (continued):

The following schedule reflects AF's financial assets as of its fiscal years ended in 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	$ 28,553,373	$ 34,028,319
Accounts receivable	7,830	28,900
Interest receivable	3,190,552	1,848,624
Investments	10,403,454	10,377,977
Loans receivable, net of allowance for loan losses	666,514,325	576,284,755
Total financial assets	708,669,534	622,568,575
Less those unavailable for general expenditures within one year due to:		
Estimated loan receivable principal expected to be received after one year	(585,628,605)	(494,255,846)
Financial assets available to meet cash needs for general expenditures within one year	$ 123,040,929	$ 128,312,729

Note 3 – Investments:

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

	2023	2022
Insured Deposit Account	$ 9,407,276	$ 10,377,977
Certificates of deposit	996,178	-
Total investments	$ 10,403,454	$ 10,377,977

Investment income consisted of the following:

	2023	2022
Interest income	$ 390,872	$ 86,900

Note 4 – Loans and Allowance for Loan Losses:

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

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

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

Loans at June 30, 2023 and 2022, consist of the following:

	2023	2022
Business real estate	$ 523,699,280	$ 456,379,971
Business operating	10,874,114	13,350,413
Home mortgages	110,095,697	90,100,576
Nonprofit entities	21,370,901	15,629,878
Community Assistance	2,391,767	2,593,772
Total	$ 668,431,759	$ 578,054,610

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, 2023 and 2022.

A significant source of AF's liquidity is the repayments and maturities of the loans. The following table presents the contractual maturity distribution of loans by loan type at June 30, 2023 and 2022:

2023	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Business real estate	$ 68,012,127	$ 140,738,791	$ 314,948,362	$ 523,699,280
Business operating	1,520,737	6,204,833	3,148,544	10,874,114
Home mortgages	10,518,347	17,832,834	81,744,516	110,095,697
Nonprofit entities	3,431,694	11,070,049	6,869,158	21,370,901
Community Assistance	1,772,884	2,845,788	225,730	4,844,402
Total	$ 85,255,789	$ 178,692,295	$ 406,936,310	$ 670,884,394
	Less discount on purchase of community assistance loans			(2,452,635)
				$ 668,431,759

2022	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Business real estate	$ 68,648,743	$ 136,722,005	$ 251,009,223	$ 456,379,971
Business operating	1,987,682	7,566,184	3,796,547	13,350,413
Home mortgages	11,159,504	18,528,515	60,412,557	90,100,576
Nonprofit entities	4,317,150	5,227,951	6,084,777	15,629,878
Community Assistance	138,320	4,084,828	823,259	5,046,407
Total	$ 86,251,399	$ 172,129,483	$ 322,126,363	$ 580,507,245
	Less discount on purchase of community assistance loans			(2,452,635)
				$ 578,054,610

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

The above maturities indicate that approximately 12.71% and 14.86% of loans had maturities of one year or less for years ended June 30, 2023 and 2022, respectively.

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2023 and 2022:

2023	Acceptable	Substandard	Doubtful	Total
Business real estate	$ 520,718,963	$ 4,392,516	$ 1,038,127	$ 526,149,606
Business operating	9,730,787	231,819	1,175,642	11,138,248
Home mortgages	109,801,645	538,061	55,954	110,395,660
Nonprofit entities	21,452,885	-	-	21,452,885
Community Assistance	2,485,911	-	-	2,485,911
Total	$ 664,190,191	$ 5,162,396	$ 2,269,723	$ 671,622,310

2022	Acceptable	Substandard	Doubtful	Total
Business real estate	$ 451,859,710	$ 4,216,857	$ 1,157,376	$ 457,233,943
Business operating	12,048,424	244,972	1,290,087	13,583,483
Home mortgages	90,268,626	451,098	57,154	90,776,878
Nonprofit entities	15,667,614	-	-	15,667,614
Community Assistance	2,641,317	-	-	2,641,317
Total	$ 572,485,691	$ 4,912,927	$ 2,504,617	$ 579,903,235

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2023 and 2022:

2023	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	$ 954,687	$ 1,248,077	$ 9,632,508	$ 11,835,272	$ 514,314,334	$526,149,606	$ 9,715,933
Business operating	-	286,274	1,838,912	2,125,186	9,013,062	11,138,248	934,742
Home mortgages	275,965	-	1,022,737	1,298,702	109,096,959	110,395,661	966,783
Nonprofit entities	-	-	-	-	21,452,885	21,452,885	-
Community Assistance	-	-	-	-	4,938,545	4,938,545	-
Total	$ 1,230,652	$ 1,534,351	$ 12,494,157	$ 15,259,160	$ 658,815,785	$674,074,945	$ 11,617,458
			Less discount on purchase of community assistance loans			(2,452,635)	
						$671,622,310	

2022	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	$ 2,516,714	$ -	$ 4,184,048	$ 6,700,762	$ 450,533,181	$457,233,943	$ 3,120,114
Business operating	-	132,587	1,855,851	1,988,438	11,595,045	13,583,483	681,189
Home mortgages	158,307	103,316	508,252	769,875	90,007,003	90,776,878	554,414
Nonprofit entities	-	-	-	-	15,667,614	15,667,614	-
Community Assistance	-	-	-	-	5,093,952	5,093,952	-
Total	$ 2,675,021	$ 235,903	$ 6,548,151	$ 9,459,075	$ 572,896,795	$582,355,870	$ 4,355,717
			Less discount on purchase of community assistance loans			(2,452,635)	
						$579,903,235	

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

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

Nonaccrual Loans	2023	2022
Business real estate	$ 1,164,651	$ 1,063,933
Business operating	1,190,444	1,307,249
Home Mortgage	55,954	57,154
Nonprofit entities	-	-
Total nonaccrual loans	$ 2,411,049	$ 2,428,336
Nonaccrual loans as a % of total loans	0.36%	0.42%
Nonaccrual loans as a % of net assets	11.45%	14.04%

Accruing Loans 90 Days or More Past Due	2023	2022
Business real estate	$ 9,715,933	$ 3,120,114
Business operating	934,742	681,189
Home mortgage	966,783	554,414
Nonprofit entities	-	-
Total accruing loans 90 days or more past due	$ 11,617,458	$ 4,355,717
Accruing loans as a % of total loans	1.74%	0.75%
Accruing loans as a % of net assets	55.19%	25.18%

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

2023	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	$ 1,038,127	$ 945,403	$ 350,000	$ 1,097,752	$ 545	7
Business operating	1,175,642	1,013,861	525,000	1,232,864	-	5
Home Mortgage	55,954	55,954	25,000	56,554	-	1
Total	$ 2,269,723	$ 2,015,218	$ 900,000	$ 2,387,170	$ 545	13

2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	$ 1,157,376	$ 1,063,830	$ 350,000	$ 1,223,401	$ 390	$ 7
Business operating	1,290,087	1,123,786	525,000	1,291,057	-	5
Home Mortgage	57,154	57,077	25,000	57,154	-	1
Total	$ 2,504,617	$ 2,244,693	$ 900,000	$ 2,571,612	$ 390	$ 13

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

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

A summary of changes in the allowance for loan losses and the June 30, 2023, recorded investment in loans is as follows:

2023	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Allowance for credit losses:						
Balance at June 30, 2022	$ 988,473	$ 604,260	$ 171,017	$ 15,613	$ 492	$ 1,779,855
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision for loan losses	107,779	2,282	22,614	4,395	509	137,579
Balance at June 30, 2023	$ 1,096,252	$ 606,542	$ 193,631	$ 20,008	$ 1,001	$ 1,917,434

June 30, 2023, allowance ending balance:

Loans individually evaluated for impairment	$ 350,000	$ 525,000	$ 25,000	$ -	$ -	$ 900,000
Loans collectively evaluated for impairment	$ 746,252	$ 81,542	$ 168,631	$ 20,008	$ 1,001	$ 1,017,434

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

2023	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Balance at June 30, 2023	$ 526,149,606	$ 11,138,248	$ 110,395,660	$ 21,452,885	$ 2,485,911	$ 671,622,310
Loans individually evaluated for impairment	$ 5,430,642	$ 1,407,461	$ 594,015	$ -	$ -	$ 7,432,118
Loans collectively evaluated for impairment	$ 520,718,964	$ 9,730,787	$ 109,801,645	$ 21,452,885	$ 2,485,911	$ 664,190,192

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

A summary of changes in the allowance for loan losses and the June 30, 2022, recorded investment in loans is as follows:

2022	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Allowance for credit losses:						
Balance at June 30, 2021	$ 928,221	$ 601,727	$ 129,091	$ 12,692	$ -	$ 1,671,731
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision for loan losses	60,252	2,533	41,926	2,921	492	108,124
Balance at June 30, 2022	$ 988,473	$ 604,260	$ 171,017	$ 15,613	$ 492	$ 1,779,855

June 30, 2022, allowance ending balance:

Loans individually evaluated for impairment	$ 350,000	$ 525,000	$ 25,000	$ -	$ -	$ 900,000
Loans collectively evaluated for impairment	$ 638,473	$ 79,260	$ 146,017	$ 15,613	$ 492	$ 879,855

Recorded investment in loans outstanding at June 30, 2022, is as follows:

2022	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Balance at June 30, 2022	$ 457,233,943	$ 13,583,483	$ 90,776,878	$ 15,667,614	$ 2,641,317	$579,903,235
Loans individually evaluated for impairment	$ 5,374,233	$ 1,535,059	$ 508,252	$ -	$ -	$ 7,417,544
Loans collectively evaluated for impairment	$ 451,859,710	$ 12,048,424	$ 90,268,626	$ 15,667,614	$ 2,641,317	$572,485,691

Note 5 – Capital Assets:

Property and equipment consisted of the following:

Description		2023		2022
Land	$	641,198	$	641,198
Buildings and improvements		2,885,362		2,885,362
Office equipment and software		139,257		126,954
Total		3,665,817		3,653,514
Less accumulated depreciation		(375,912)		(291,648)
Property and equipment, net	$	3,289,905	$	3,361,866

Note 6 – Fair Value Measurements:

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

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

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

There were no changes during the year ended June 30, 2023 and 2022, 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, 2023 and 2022. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AF's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of June 30, 2023

Description		Level 1		Level 2		Level 3		Total
Fixed income								
Insured Deposit Account	$	9,407,276	$	-	$	-	$	9,407,276
Certificates of deposit		-		996,178		-		996,178
Total	$	9,407,276	$	996,178	$	-	$	10,403,454

Note 6 – Fair Value Measurements (continued):

As of June 30, 2022

Description	Level 1	Level 2	Level 3	Total
Fixed income				
Insured Deposit Account	$ 10,377,977	$ -	$ -	$ 10,377,977
Certificates of deposit	-	-	-	-
Total	$ 10,377,977	$ -	$ -	$ 10,377,977

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, 2023 and 2022, $28,553,373 and $34,028,319, respectively, of cash and cash equivalents, money market account deposits, and certificates of deposit carried at cost are not included in the table.

Note 7 – Investment Agreements Payable:

AF has entered into issuing investment agreements to provide working capital and to fund its lending activities. These agreements are made available to qualified investors (members of the Anabaptist faith) whose bona fide principal residence is in Pennsylvania, Maryland, Ohio, New York and numerous other states. The minimum initial investment is $2,500 ($1,000 for minors) and each subsequent investment must be in the minimum amount of $1,000 ($500 for minors). The interest rate is based on the six-month Treasury Bill as of November 1, February 1, April 1, and August 1 plus 1.50%. The interest rate was 4.25% and 2.25% at June 30, 2023 and 2022, 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 .50% adjusted quarterly in the same manner as mentioned previously. The demand rate was 2.25% and 0.5% at June 30, 2023 and 2022, respectively. Investors may elect to have their quarterly interest payments added to their outstanding investment in lieu of receiving cash payments. The majority of investors generally elect this option. The agreements are unsecured and will be due on demand plus 60 days and are redeemable by AF upon 30 days prior written notice, except for South Carolina where a 90 day maturity exists with an option to automatically renew. Requests by investors to have their securities redeemed will be handled on a first-come, first-serve basis, and AF provides no assurance to investors that sufficient funds will be available to redeem securities. Investment agreements payable totaled $656,777,587 and $577,555,649 at June 30, 2023 and 2022, respectively.

Note 8 – Demand Note Payable:

Anabaptist Financial owed Anabaptist Foundation, a related organization, $34,000,000 and $31,000,000 as of June 30, 2023 and 2022, respectfully. The loan is due on demand with an interest rate of 4.25% and 3.00% as of June 30, 2023 and 2022, respectively. Interest expense on this loan for the current year totaled $1,094,418 and $659,863 for the prior year.

Note 9 – Related Party and Related Party Transactions:

Anabaptist Foundation and Stewardship Resources are related organizations due to common control, operating with the same Board of Directors as Anabaptist Financial. Anabaptist Financial contributed $275,000 and $162,000 to Stewardship Resources for operational purposes during the current and prior reporting periods, respectively, and also contributed an additional $350,694 to Anabaptist Foundation in the prior year, with no additional contribution made in the current year.

At June 30, 2023 and 2022, AF had made loans to officers, board members, and their close relatives. These loans had outstanding principal balances totaling $10,519,703 and $4,863,314, respectively. Normal lending policies were followed in the issuance of these loans. Related party interest income earned during the years ended June 30, 2023 and 2022, totaled $341,348 and $245,031 respectively.

At June 30, 2023 and 2022, AF owed to officers, board members, and their close relatives through investment agreements $15,380,013 and $13,457,504, respectively. Related party interest expense incurred for the years ended June 30, 2023 and 2022, totaled $415,752 and $252,161, respectively.

Note 10 – Commitments:

At June 30, 2023 and 2022, AF had loan commitments of $80,915,015 and $93,579,489, respectively.

Note 11 – Simple IRA Plan:

AF began offering its employees the opportunity to participate in a Simple IRA plan in a prior year. 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, 2023 and 2022, AF made matching contributions totaling $22,980 and $24,749, respectively.