Anabaptist Financial

Lewisburg, Pennsylvania

Financial Statements and Independent Auditor's Report
For the Years Ended June 30, 2024 and 2023

Anabaptist Financial

Lewisburg, Pennsylvania

June 30, 2024 and 2023

Table of Contents

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2024 and 2023, 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, 2024 and 2023, 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

October 7, 2024

Financial Statements

Anabaptist Financial

Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets:		
Cash and cash equivalents	$ 76,523,165	$ 28,553,373
Accounts receivable	69,584	7,830
Interest receivable, net of allowance for losses of $252,793 and zero	4,133,832	3,190,552
Investments	10,726,963	10,403,454
Loans receivable, net of allowance for loan losses of $1,721,869 and $1,917,434	709,347,867	666,514,325
Capital assets, net of accumulated depreciation of $463,851 and $375,912	3,216,419	3,289,905
Total assets	$ 804,017,830	$ 711,959,439
Liabilities:		
Investment agreements payable	$ 744,468,619	$ 656,777,587
Accounts payable	43,336	53,554
Accrued expenses	87,038	78,104
Demand note payable - related organization	34,000,000	34,000,000
Total liabilities	778,598,993	690,909,245
Net Assets:		
Net assets without donor restrictions	25,418,837	21,050,194
Total Net Assets	25,418,837	21,050,194
Total liabilities and net assets	$ 804,017,830	$ 711,959,439

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

Anabaptist Financial

Statements of Activities

For the Years Ended June 30, 2024 and 2023

	Without Donor Restrictions	
	2024	**2023**
Revenue:		
Interest income on loans	$ 43,357,614	$ 28,015,551
Investment income	3,107,891	390,872
Loan origination fees	549,600	699,331
Other income	250,661	272,154
Commitment fees	158,105	77,331
Total revenue	47,423,871	29,455,239
Expenses:		
Program	41,125,728	24,294,495
General administration	1,873,755	1,359,123
Fund raising	55,745	46,322
Total expenses	43,055,228	25,699,940
Change in net assets	4,368,643	3,755,299
Net assets, beginning of year	21,050,194	17,294,895
Net assets, end of year	$ 25,418,837	$ 21,050,194

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

Anabaptist Financial

Statements of Functional Expenses

For the Years Ended June 30, 2024 and 2023

	2024			
	Program Expenses	General Administration	Fund Raising	Total
Interest expense	$ 38,923,465	$ -	$ -	$ 38,923,465
Payroll and related expenses	1,208,221	1,118,952	8,479	2,335,652
Office and communications	672,425	522,474	26,555	1,221,454
Travel	59,864	79,330	-	139,194
Filing and search fees	130,335	-	-	130,335
Professional fees	2,053	92,002	-	94,055
Depreciation	43,970	43,969	-	87,939
Printing and promotions	28,167	17,028	20,711	65,906
Provision for loan losses	57,228	-	-	57,228
Total	$ 41,125,728	$ 1,873,755	$ 55,745	$ 43,055,228

	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

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

Anabaptist Financial

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 4,368,643	$ 3,755,299
Noncash expenses included in change in net assets:		
Interest expense added to investment agreements	32,249,841	18,327,098
Provision for loan losses	57,228	137,578
Depreciation	87,939	84,264
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(61,754)	21,070
(Increase)/decrease in interest receivable	(1,196,073)	(1,341,928)
Increase/(decrease) in accounts payable and accrued expenses	(1,284)	51,761
Net cash provided (used) by operating activities	35,504,540	21,035,142
Cash flows from investing activities:		
Acquisition of capital assets	(14,453)	(2,302)
Purchase of investments	(323,509)	(25,477)
Principal repayments on loans	123,276,413	122,585,815
Loans proceeds disbursed	(165,914,390)	(212,962,964)
Net cash provided (used) by investing activities	(42,975,939)	(90,404,928)
Cash flows from financing activities:		
Sale of investment agreements	148,549,175	138,936,959
Redemption of investment agreements	(93,107,984)	(78,042,119)
Proceeds from demand note payable	-	3,000,000
Net cash provided (used) by financing activities	55,441,191	63,894,840
Net increase (decrease) in cash and cash equivalents	47,969,792	(5,474,946)
Cash and cash equivalents, beginning	28,553,373	34,028,319
Cash and cash equivalents, ending	$ 76,523,165	$ 28,553,373
Supplemental disclosure of cash flow information		
Cash payments for interest on investments agreements	$ 6,673,624	$ 3,851,333
Schedule of non-cash financing activities:		
Interest expense added to investment agreements	$ 32,249,841	$ 18,327,098

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 7.00% and 5.25% as of June 30, 2024 and 2023, 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. 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 cosigner 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 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, 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 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 $1,974,662 and $1,917,434 at June 30, 2024 and 2023, respectively. AF recorded a provision for loan losses of $57,228 for the current year and recorded a $137,578 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.

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

Loans and Allowances for Loan Losses (continued)

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, 2024 and 2023, respectively.

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, 2024 and 2023.

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.

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, 2024 and 2023.

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 October 7, 2024, which is the date the financial statements were available to be issued.

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

New Accounting Standard Adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, commonly referred to as the Current Expected Credit Losses (CECL) model. The CECL model replaces the incurred loss model for the recognition of credit losses on financial assets. Under the CECL model, AF is required to estimate expected credit losses over the contractual term of financial assets, including their loan portfolio. The estimation of expected credit losses involves considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. AF adopted ASU 2016-13, which became effective for fiscal years beginning after December 15, 2022, as of July 1, 2023, with no material impact on the financial statements.

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, 2024 and 2023, $77,896,645 and $28,958,135, 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 2024 and 2023, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board of directors approved their use.

	2024	2023
Cash and cash equivalents	$ 76,523,165	$ 28,553,373
Accounts receivable	69,584	7,830
Interest receivable, net of allowance for losses	4,133,832	3,190,552
Investments	10,726,963	10,403,454
Loans receivable, net of allowance for loan losses	709,347,867	666,514,325
Total financial assets	800,801,411	708,669,534
Less those unavailable for general expenditures within one year due to:		
Estimated loan receivable principal expected to be received after one year	(632,443,403)	(585,628,605)
Financial assets available to meet cash needs for general expenditures within one year	$ 168,358,008	$ 123,040,929

Note 3 – Investments:

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

	2024	2023
Money Market Funds	$ 10,477,221	$ 9,407,276
Tradable CDs	249,742	996,178
Total investments	$ 10,726,963	$ 10,403,454

Investment income consisted of the following:

	2024	2023
Interest income	$ 3,107,891	$ 390,872

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.

Loans at June 30, 2024 and 2023, consist of the following:

	2024	2023
Business real estate	$ 551,703,647	$ 523,699,280
Business operating	10,583,000	10,874,114
Home mortgages	127,545,824	110,095,697
Nonprofit entities	19,209,464	21,370,901
Community Assistance	2,027,801	2,391,767
Total	$ 711,069,736	$ 668,431,759

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, 2024 and 2023.

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

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, 2024 and 2023:

2024	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
Business real estate	$ 60,781,307	$ 133,932,610	$ 356,989,730	$ 551,703,647
Business operating	3,304,490	5,061,549	2,216,961	10,583,000
Home mortgages	11,191,860	18,613,762	97,740,202	127,545,824
Nonprofit entities	4,689,953	7,607,114	6,912,397	19,209,464
Community Assistance	1,111,358	2,676,621	692,457	4,480,436
Total	$ 81,078,968	$ 167,891,656	$ 464,551,747	$ 713,522,371
	Less discount on purchase of community assistance loans			(2,452,635)
				$ 711,069,736

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

The above maturities indicate that approximately 11.36% and 12.71% of loans had maturities of one year or less for years ended June 30, 2024 and 2023, respectively.

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

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2024 and 2023:

2024	Acceptable	Substandard	Doubtful	Total
Business real estate	$ 545,512,643	$ 8,539,494	$ 920,414	$ 554,972,551
Business operating	9,165,589	522,356	1,172,692	10,860,637
Home mortgages	126,914,285	1,125,288	53,954	128,093,527
Nonprofit entities	19,354,939	-	-	19,354,939
Community Assistance	2,174,706	-	-	2,174,706
Total	$ 703,122,162	$ 10,187,138	$ 2,147,060	$ 715,456,360

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

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2024 and 2023:

2024	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	$ 771,434	$ 270,921	$ 14,331,856	$ 15,374,211	$ 539,598,340	$ 554,972,551	$ 13,555,426
Business operating	-	174,463	2,005,769	2,180,232	8,680,406	10,860,638	1,007,539
Home mortgages	287,644	265,243	1,438,251	1,991,138	126,102,389	128,093,527	1,649,540
Nonprofit entities	-	-	1,668,485	1,668,485	17,686,454	19,354,939	1,668,485
Community Assistance	-	-	-	-	4,627,340	4,627,340	-
Total	$ 1,059,078	$ 710,627	$ 19,444,361	$ 21,214,066	$ 696,694,929	$ 717,908,995	$ 17,880,990
			Less discount on purchase of community assistance loans			(2,452,635)	
						$ 715,456,360	

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	

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

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

Nonaccrual Loans	2024	2023
Business real estate	$ 1,047,351	$ 1,164,651
Business operating	1,172,692	1,190,444
Home Mortgage	53,954	55,954
Nonprofit entities	-	-
Total nonaccrual loans	$ 2,273,997	$ 2,411,049
Nonaccrual loans as a % of total loans	0.32%	0.36%
Nonaccrual loans as a % of net assets	8.95%	11.45%

Accruing Loans 90 Days or More Past Due	2024	2023
Business real estate	$ 13,284,505	$ 9,715,933
Business operating	833,077	934,742
Home mortgage	1,384,297	966,783
Nonprofit entities	1,668,485	-
Total accruing loans 90 days or more past due	$ 17,170,364	$ 11,617,458
Accruing loans as a % of total loans	2.41%	1.74%
Accruing loans as a % of net assets	67.55%	55.19%

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

2024	Recorded Investment	Unpaid Principal Balance	Related Loan Allowance	Related Loan Interest Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business real estate	$ 920,414	$ 826,902	$ 350,000	$ 93,512	$ 979,270	$ 788	7
Business operating	1,172,692	1,013,411	525,000	159,281	1,174,167	-	5
Home Mortgage	53,954	53,954	25,000	-	54,954	-	1
Total	$ 2,147,060	$ 1,894,267	$ 900,000	$ 252,793	$ 2,208,391	$ 788	13

2023	Recorded Investment	Unpaid Principal Balance	Related Loan Allowance	Related Loan Interest 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

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

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

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

Allowance on loans receivable	$	1,721,869
Allowance on interest receivable		252,793
Total allowance for loan losses	$	1,974,662

A summary of changes in the allowance for loan losses and the June 30, 2024, recorded investment in loans is as follows:

2024	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Allowance for credit losses:						
Balance at June 30, 2023	$ 1,096,252	$ 606,542	$ 193,631	$ 20,008	$ 1,001	$ 1,917,434
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision for loan losses	44,391	869	10,246	1,548	174	57,228
Balance at June 30, 2024	$ 1,140,643	$ 607,411	$ 203,877	$ 21,556	$ 1,175	$ 1,974,662

June 30, 2024, allowance ending balance:

Loans individually evaluated for impairment	$ 350,000	$ 525,000	$ 25,000	$ -	$ -	$ 900,000
Loans collectively evaluated for impairment	$ 790,643	$ 82,411	$ 178,877	$ 21,556	$ 1,175	$ 1,074,662

Recorded investment in loans outstanding at June 30, 2024, is as follows:

2024	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Community Assistance	Total
Balance at June 30, 2024	$ 554,972,551	$ 10,860,637	$ 128,093,527	$ 19,354,939	$ 2,174,706	$ 715,456,360
Loans individually evaluated for impairment	$ 9,459,908	$ 1,695,048	$ 1,179,242	$ -	$ -	$ 12,334,198
Loans collectively evaluated for impairment	$ 545,512,643	$ 9,165,589	$ 126,914,285	$ 19,354,939	$ 2,174,706	$ 703,122,162

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 5 – Capital Assets:

Property and equipment consisted of the following:

Description	2024	2023
Land	$ 641,198	$ 641,198
Buildings and improvements	2,885,362	2,885,362
Office equipment and software	153,710	139,257
Total	3,680,270	3,665,817
Less accumulated depreciation	(463,851)	(375,912)
Property and equipment, net	$ 3,216,419	$ 3,289,905

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, 2024 and 2023, 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, 2024 and 2023. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. AF's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of June 30, 2024

Description	Level 1	Level 2	Level 3	Total
Fixed income				
Insured Deposit Account	$ 10,477,221	$ -	$ -	$ 10,477,221
Certificates of deposit	-	249,742	-	249,742
Total	$ 10,477,221	$ 249,742	$ -	$ 10,726,963

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

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, 2024 and 2023, $76,523,165 and $28,553,373, 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, May 1, and August 1 plus 1.50%. The interest rate was 6.00% and 4.25% at June 30, 2024 and 2023, 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 4.00% and 2.25% at June 30, 2024 and 2023, 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 $744,468,619 and $656,777,587 at June 30, 2024 and 2023, respectively.

Note 8 – Demand Note Payable:

Anabaptist Financial owed Anabaptist Foundation, a related organization, $34,000,000 and $34,000,000 as of June 30, 2024 and 2023, respectfully. The loan is due on demand with an interest rate of 6.00% and 4.25% as of June 30, 2024 and 2023, respectively. Interest expense on this loan for the current year totaled $1,850,279 and $1,094,418 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 $0 and $275,000 to Stewardship Resources for operational purposes during the current and prior reporting periods, respectively.

At June 30, 2024 and 2023, AF had made loans to officers, board members, and their close relatives. These loans had outstanding principal balances totaling $12,101,586 and $10,519,703, respectively. Normal lending policies were followed in the issuance of these loans. Related party interest income earned during the years ended June 30, 2024 and 2023, totaled $730,358 and $341,348 respectively.

At June 30, 2024 and 2023, AF owed to officers, board members, and their close relatives through investment agreements $19,057,554 and $15,380,013, respectively. Related party interest expense incurred for the years ended June 30, 2024 and 2023, totaled $895,228 and $415,752, respectively.

Note 10 – Commitments:

At June 30, 2024 and 2023, AF had loan commitments of $99,903,074 and $80,915,015, 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, 2024 and 2023, AF made matching contributions totaling $26,745 and $22,980, respectively.