

# 2018 ANNUAL REPORT

STEWARDSHIP CONNECTIONS

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## What is Anabaptist Financial?

Three separate, legal entities operate under the name Anabaptist Financial. Each separate organization works closely with the others to make stewardship connections among our people through brotherhood accountability and integrity.

**Anabaptist Financial** is our investment and loans organization. Investments are accepted state by state based on securities registrations or exemptions in each state. Investment funds are placed into a loans pool from which loans are made in compliance with lending regulations in each state. The purpose is to connect investors with borrowers within the conservative Anabaptist constituency, enabling them to invest their funds in a way that supports and perpetuates our values and lifestyle.

**Anabaptist Foundation** assists donors in supporting churches and charities. We enable donors to make anonymous, tax-deductible gifts through our Charitable Gift Fund program and assist with non-cash charitable gift planning. Anabaptist Foundation connects donors with churches and charities within our conservative Anabaptist constituency.

**Stewardship Resources** is our educational arm, offering seminars, workshops, individualized advising, and resources on business and family finances. These utilize experienced teachers and businessmen

from the community who speak from our values. These stewardship education services connect teachers with learners in our conservative Anabaptist constituency.

Anabaptist Financial, Anabaptist Foundation, and Stewardship Resources are approved as 501(c)(3) tax-exempt organizations by the Internal Revenue Service and are independently audited each year. All three are governed by the same ten-member board of directors.



# From the Board of Directors

As I reflect on the work and growth of Anabaptist Financial, my thoughts are drawn to 1 Samuel 7, where the Israelites faced the Philistines against what appeared to be insurmountable odds. Filled with fear and uncertainty, Israel appealed to Samuel, who cried out to the Lord for help. God heard his prayer and delivered them from the enemy. What seemed so impossible became possible by the hand of God. In response, Samuel set up a stone saying, "Hitherto hath the Lord helped us."

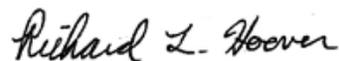
On November 17, 2003, a group of brethren with a vision for greater stewardship among our conservative Anabaptist church groups met for the first time to begin discussion. This eventually led to the founding of Anabaptist Foundation and Anabaptist Financial. The founders could not have pictured what these services would become today. The continuing growth of the investment and loans program, the charitable gift funds and gift planning, the seminars, workshops, business advising, and the growing number of dedicated staff far surpass the original vision.

What these brethren did see, however, was the kingdom of Christ benefiting as material resources are channeled among the brotherhood through increased stewardship. We are grateful for the original vision, the commitment of many to the work at hand, the support of the Anabaptist community,

and most of all the helping hand of the Lord! Truly we say, "Hitherto hath the Lord helped us!"

This annual report includes the financial statements for Anabaptist Financial, Anabaptist Foundation, and Stewardship Resources for the fiscal year ending June 30, 2018, as well as the auditor's report for Anabaptist Financial. We are pleased to note that our independent auditor has provided the board of directors with an unqualified opinion letter. It is his independent judgment that our financial records and statements are fairly and accurately presented, in accordance with Generally Accepted Accounting Principles (GAAP), without any deviations that must be reported.

It is also a blessing to note how investors and borrowers, donors and charities, and teachers and learners from the conservative Anabaptist community are connected through the ministry of Anabaptist Financial in mutually beneficial ways. If you have any questions about these financial reports or our operations, please contact our office at 800-653-9817.



Richard L. Hoover  
Board Chairman

From left to right:

Wayne Keim  
Berlin, OH

Ken Burkholder  
Gordonville, PA

Joel Martin  
New Holland, PA

Andrew Zimmerman  
Mifflintown, PA

Nathan Siegrist  
Narvon, PA

Richard Hoover  
Narvon, PA

Marvin Mast  
Nickerson, KS

Aaron Hurst, Jr.  
Lititz, PA

Ben Stoltzfus  
Morgantown, PA

Not pictured:

Jake Stoltzfus  
Myerstown, PA



# Anabaptist Financial Overall Mission

1

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

2

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



## Anabaptist Financial Three Aspects of One Stewardship Mission

Anabaptist Financial might be compared to a three-legged stool: Anabaptist Financial with its investment and loan services, Anabaptist Foundation with its donor and charitable giving services, and Stewardship Resources with its financial education services. Each works together to make stewardship connections among our people with brotherhood accountability and integrity.



# Who We Serve

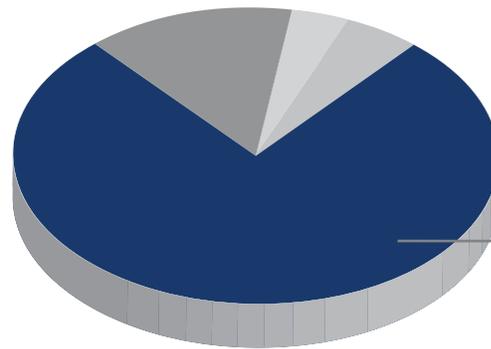
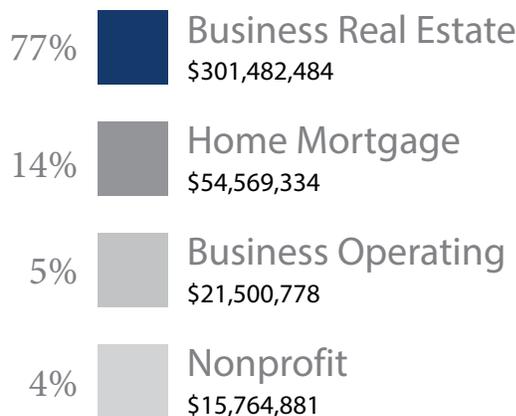
Anabaptist Financial serves a wide spectrum of conservative Anabaptist church groups. We believe that brotherhood accountability and mutual aid are foundational to our existence and operations. Our constituency is defined as churches who adhere to the *1963 Mennonite Confession of Faith* or earlier similar confessions, such as the *1921 Garden City Confession*, the *Dortrecht Confession of 1632*, and *Schleitheim Confession of 1527*.

Church affiliation matters because it is a valid reflection of whom we serve and the level of accountability that we value as essential to our operations. In our motto, *Stewardship Connections with Integrity*, the core value of **connections** assumes shared beliefs and practices, and the core value of **integrity** assumes accountability to others.

While the following list is not comprehensive, it represents the church community that we serve:

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

## Loans by Type As of October 10, 2018

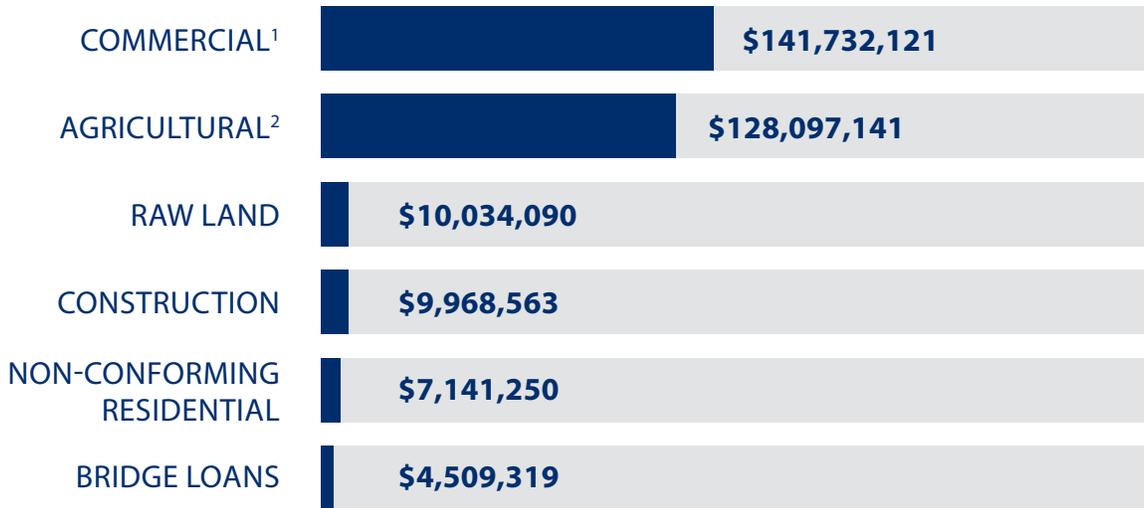


Total: \$393,317,477

see next page for  
**Subtypes**

I appreciate the simplicity of the loan servicing but also very much like the mutual aid brotherhood principle AF provides. —Borrower

## Business Real Estate Loans by Subtypes



### <sup>1</sup>COMMERCIAL

- **Other:** \$27,942,906
- **Wood Manufacturing:** \$24,008,640
- **Residential Rentals:** \$23,951,479
- **Retail:** \$19,478,930
- **Bulk Food/Grocery/Deli:** \$18,102,064
- **Commercial Rentals:** \$17,536,605
- **Construction Contractor:** \$5,941,705
- **Auto Service & Sales:** \$4,769,791

### <sup>2</sup>AGRICULTURAL

- **Cash Crop:** \$37,613,059
- **Other:** \$35,630,964
- **Dairy:** \$31,175,276
- **Poultry:** \$22,276,449
- **Hog:** \$1,401,393

## Loans by State

Alaska	4	Kansas	15	North Dakota	2	South Dakota	2
Arkansas	8	Kentucky	42	Nebraska	2	Tennessee	18
California	17	Massachusetts	2	New Jersey	7	Texas	13
Colorado	27	Maryland	41	New Mexico	4	Utah	3
Delaware	5	Maine	4	Nevada	11	Virginia	104
Florida	10	Michigan	88	New York	146	Washington	10
Georgia	29	Minnesota	31	Ohio	173	Wisconsin	11
Iowa	17	Missouri	90	Oklahoma	7	West Virginia	14
Idaho	36	Mississippi	7	Oregon	15	Wyoming	11
Illinois	12	Montana	56	Pennsylvania	902	<b>Total</b>	<b>2,107</b>
Indiana	46	North Carolina	34	South Carolina	29		

# Anabaptist Financial

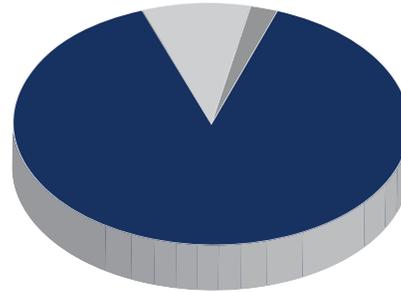
## INVESTMENTS

### Investments

Total: \$401,909,921

I greatly appreciate the brotherhood concept and giving our family of faith opportunities to pursue their dreams while working with Christ-minded lenders.

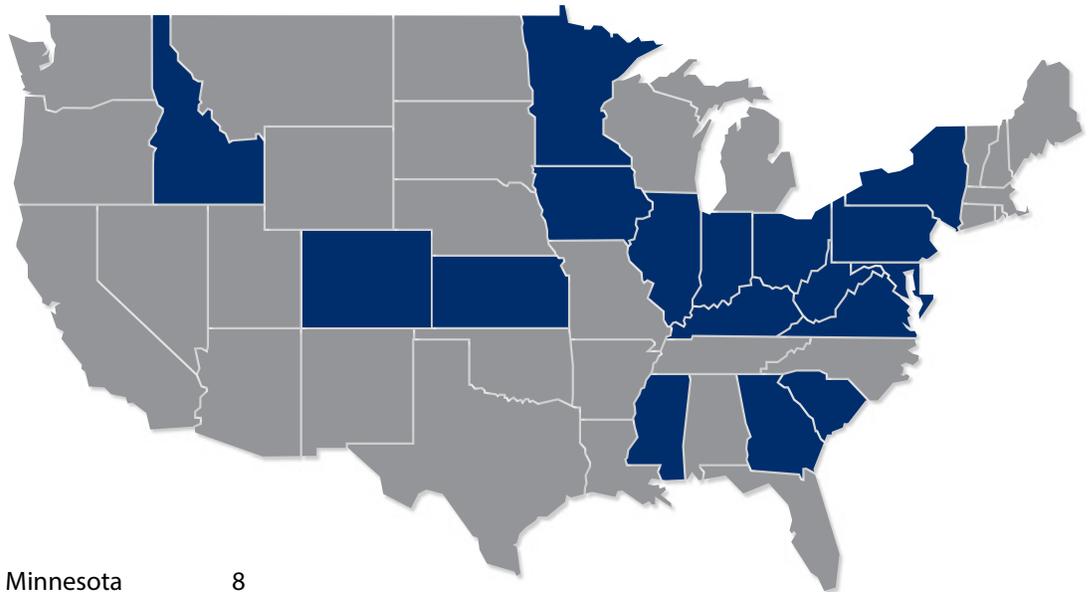
—Investor



89%  
Long-Term  
Investments  
\$355,702,441

9%  
IRA  
Accounts  
\$36,851,534

2%  
Short-Term  
Investments  
\$9,355,945

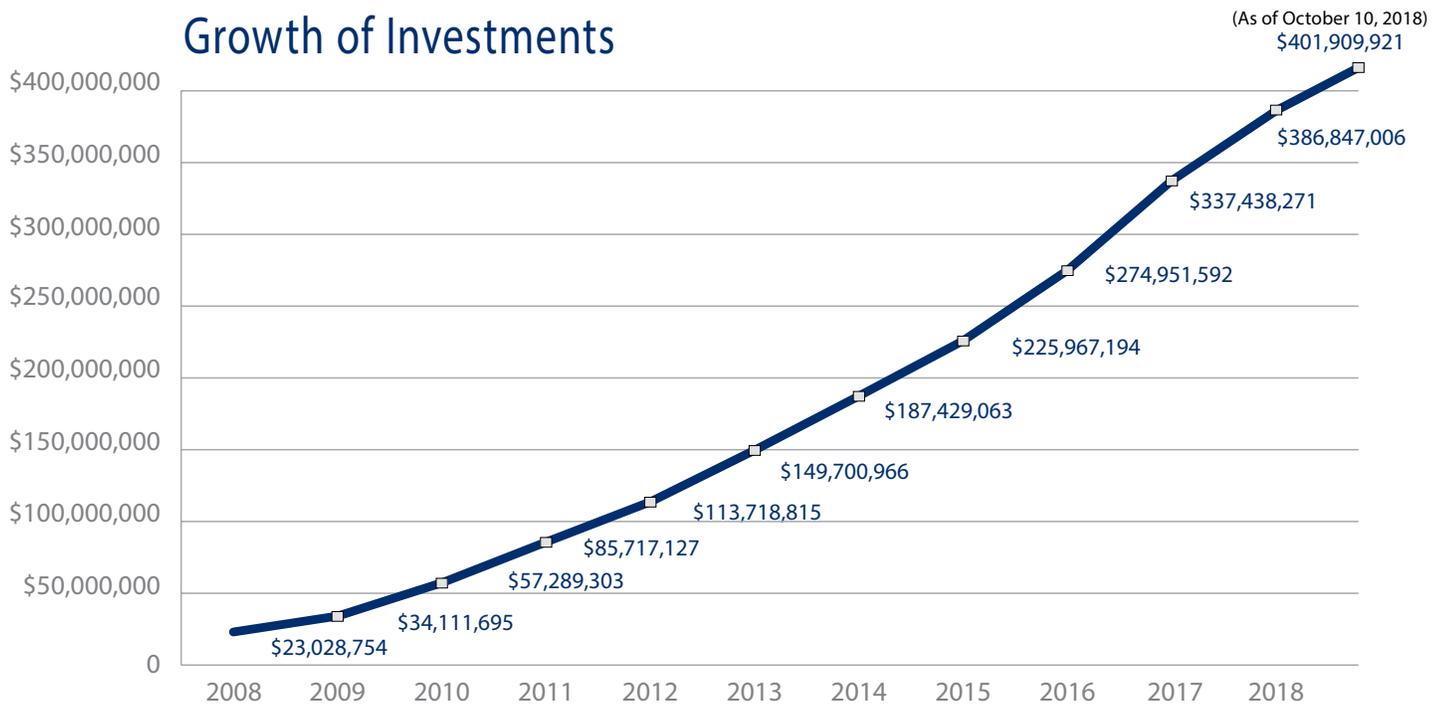


### Investments by State

Colorado	5	Minnesota	8
Georgia	14	Mississippi	1
Idaho	2	New York	50
Illinois	25	Ohio	439
Indiana	41	Pennsylvania	3479
Iowa	7	South Carolina	24
Kansas	85	Virginia	261
Kentucky	18	West Virginia	10
Maryland	306		

We plan to place our IRA accounts with you soon, as we have become convicted that the things they are currently invested in do not match our beliefs. —Investor

### Growth of Investments



Fiscal years ending June 30

## Conduit Loan Servicing

Anabaptist Financial assists with loan servicing for those who wish to privately offer a loan to someone in need. In this way, we become the “conduit” through which the funds flow, hence the name “conduit loans” often tagged to this service.

In helping others, the program can offer the added value of anonymity, financial evaluation, accountability, and other advice. Our goal for this service is to promote brotherhood assistance and good stewardship connections between lender and borrower.

As facilitator of the loan, Anabaptist Financial offers to:

1. Review the borrower’s loan application and provide an opinion of creditworthiness.
2. Coordinate the terms of the loan (interest rate, repayment length, etc.).
3. Draft the lender’s agreement and promissory note and obtain the required signatures.
4. File a mortgage or lien if requested by the lender.
5. Process loan payments.
6. Send quarterly account statements to the lender and borrower.

### Loan Application

Those wishing to participate in a private loan must fill out a loan application that fully discloses all assets, liabilities, and other applicable information, including tax returns from the previous two years.

### Mortgage and Liens

The lender assumes full risk of loss if the borrower is unable to repay the loan. Loans may be secured by filing a mortgage or a lien against other assets to protect the lender’s interests. The cost of filing a mortgage or lien will be assumed by the borrower.

### Interest Rates

The interest rate is set by mutual agreement of the lender and borrower. The lowest allowable rate is the Below Market Rate as set by the IRS, which is updated every month. If desired, the interest rate can be the same as the standard loan rate in Anabaptist Financial’s investment and loan pool.

MEMBER OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS



**PAYNE, WHITE & SCHMUTZ**  
— CERTIFIED PUBLIC ACCOUNTANTS, PA —  
114 West North 1st Street, Seneca, SC 29678 (864) 882-1937 (864) 882-0849

MARK A. PAYNE, CPA  
JASON S. WHITE, CPA/PFS, CFP®  
CHRISTIAN J. SCHMUTZ, CPA

### Independent Auditor's Report

The Board of Directors  
Anabaptist Financial  
New Columbia, Pennsylvania

We have audited the accompanying financial statements of Anabaptist Financial, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anabaptist Financial as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Payne, White & Schmutz, CPA, PA*

Payne, White & Schmutz, CPA, PA  
August 31, 2018

# Anabaptist Financial

## FINANCIAL STATEMENT

### STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2018 AND 2017

	Unrestricted			Unrestricted	
	2018	2017		2018	2017
<b>Assets:</b>			<b>Liabilities:</b>		
<b>Current Assets:</b>			<b>Current Liabilities:</b>		
Cash and Cash Equivalents	\$ 28,989,872	\$ 17,505,620	Accounts and Grants Payable	\$ 187,664	\$ 7,956
Accounts Receivable	17,518	22,541	Accrued Expenses	22,552	35,031
Interest Receivable	1,531,025	1,349,016	Deferred Commitment Fees	-	21,610
Prepaid Expenses	1,325	1,325	Demand Note Payable - Related Organization	18,040,339	-
Loans Receivable	43,015,689	31,923,386	Investment Agreements Payable	66,833,707	62,160,516
Less Unamortized Loan Origination Fees	-	(12,605)	<b>Total Current Liabilities</b>	<b>85,084,262</b>	<b>62,225,113</b>
Net Current Loans Receivable	43,015,689	31,910,781	<b>Noncurrent Liabilities:</b>		
<b>Total Current Assets</b>	<b>73,555,429</b>	<b>50,789,283</b>	Investment Agreements Payable	320,013,299	275,277,754
<b>Noncurrent Assets:</b>			<b>Total Noncurrent Liabilities</b>	<b>320,013,299</b>	<b>275,277,754</b>
Loans Receivable	340,793,609	294,062,094	<b>Total Liabilities</b>	<b>405,097,561</b>	<b>337,502,867</b>
Less Unamortized Loan Origination Fees	-	(116,109)	Unrestricted Net Assets	7,915,964	6,046,272
Less Allowance for Loan Losses	(1,381,002)	(1,241,002)	<b>Total Liabilities and Net Assets</b>	<b>\$ 413,013,525</b>	<b>\$ 343,549,139</b>
Net Noncurrent Loans Receivable	339,412,607	292,704,983			
Equipment, Net of Accumulated Depreciation of \$40,597 and \$18,606	45,489	54,873			
<b>Total Noncurrent Assets</b>	<b>339,458,096</b>	<b>292,759,856</b>			
<b>Total Assets</b>	<b>\$ 413,013,525</b>	<b>\$ 343,549,139</b>			

### STATEMENTS OF ACTIVITIES, FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted			Unrestricted	
	2018	2017		2018	2017
<b>Net Interest and Other Income:</b>			Grants and Assistance	274,000	39,357
Loan Origination Fees	\$ 295,030	\$ 223,063	Office and Communications	264,724	166,630
Commitment Fees	62,487	38,907	Professional Fees	72,339	96,866
Other Income	78,038	67,301	Travel	37,281	30,919
Bank Interest Income	45,863	13,578	Printing and Promotions	35,328	55,631
Interest Income - Loans	14,369,916	11,534,600	Filing and Search Fees	34,987	44,111
Interest Expense	(11,188,468)	(8,984,970)	Depreciation	21,990	12,833
<b>Total Net Interest and Other Income</b>	<b>3,662,866</b>	<b>2,892,479</b>	<b>Total Other Expenses</b>	<b>1,653,174</b>	<b>1,118,950</b>
Provision for Loan (Losses)/Loss Reductions	(140,000)	280,442	<b>Change in Net Assets</b>	<b>\$ 1,869,692</b>	<b>\$ 2,053,971</b>
<b>Net Interest and Other Income after Provision for Loan (Losses)/Loss Reductions</b>	<b>3,522,866</b>	<b>3,172,921</b>	<b>Statements of Changes in Net Assets</b>		
<b>Other Expenses:</b>			Unrestricted Net Assets, Beginning	\$ 6,046,272	\$ 3,992,301
Payroll and Related Expenses	912,525	672,603	Change in Net Assets	1,869,692	2,053,971
			<b>Unrestricted Net Assets, Ending</b>	<b>\$ 7,915,964</b>	<b>\$ 6,046,272</b>

### STATEMENTS OF CASH FLOWS, FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017		
<b>Cash Flows From Operating Activities</b>			<b>Cash Flows From Investing Activities:</b>		
Change in Net Assets	\$ 1,869,692	\$ 2,053,971	Acquisition of Capital Assets	(12,606)	(64,117)
Noncash Expenses Included in Change in Net Assets:			Principal Repayments on Loans	57,488,043	49,223,492
Interest Expense Added to Unsecured Debt Payable	8,160,005	6,417,164	Loans Proceeds Disbursed	(115,311,861)	(110,274,045)
Provision for Loan Losses/(Loss Reductions)	140,000	(280,442)	Net Cash Provided (Used) by Investing Activities	<b>(57,836,424)</b>	<b>(61,114,670)</b>
Depreciation	21,990	12,833	<b>Cash Flows From Financing Activities:</b>		
<b>Changes in Assets and Liabilities:</b>			Sale of Investment Agreements	97,286,150	107,757,569
(Increase) Decrease in Accounts Receivable	5,023	65,105	Redemption of Investment Agreements	(55,997,080)	(51,688,054)
(Increase) Decrease in Interest Receivable	(182,009)	(194,068)	Proceeds from Demand Note Payable	18,000,000	-
(Increase) Decrease in Prepaid Expenses	-	(581)	Net Cash Provided (Used) by Financing Activities	<b>59,289,070</b>	<b>56,069,515</b>
Increase (Decrease) in Accounts Payable and Accrued Expenses	167,229	(1,729)	Net Increase (Decrease) in Cash and Cash Equivalents	11,484,252	3,056,207
Increase (Decrease) in Unamortized Loan Origination Fees	(128,714)	15,034	Cash and Cash Equivalents, Beginning	17,505,620	14,449,413
Increase (Decrease) in Deferred Commitment Fees	(21,610)	14,075	Cash and Cash Equivalents, Ending	<b>\$ 28,989,872</b>	<b>\$ 17,505,620</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>10,031,606</b>	<b>8,101,362</b>	Supplemental Disclosure of Cash Flow Information		
			Cash Payments for Interest on Unsecured Debt Payable	\$ 3,033,371	\$ 2,567,806
			Schedule of Non-Cash Financing Activities:		
			Interest Expense Added to Unsecured Debt Payable	\$ 8,160,005	\$ 6,417,164

# Anabaptist Financial

## FINANCIAL STATEMENT

### NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2018 AND 2017

#### **Note 1 - Summary of Significant Accounting Policies:**

##### **Nature of Business**

Anabaptist Financial (AF) was incorporated September 16, 2005, under the Pennsylvania Nonprofit 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### **Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and savings accounts, and include funds held in an insured deposit account and money market fund which is used as a sweep account. 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.

##### **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.

##### **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 2.25% to 2.75% at the current year-end and 2.00% to 2.50% at the prior year-end depending upon the type of loan, with a minimum rate of 4.25% and 4.00% as of June 30, 2018 and 2017, respectively. Interest rates on loans cannot increase or decrease by more than .50% per calendar quarter. Loans may require either monthly principal and interest payments or quarterly or semi-annual interest payments with balloon payments at loan maturity. Loan terms can extend up to 25 years.

Loans are made available to individuals who might not possess the credit history required to qualify for bank financing; accordingly, AF's credit policies may be riskier than those traditionally used by banks and other financial institutions. A higher than average rate of loan losses may result from AF's adherence to such credit policies. AF's management evaluates the collectibility of the loan portfolio to determine the level of allowance for loan losses required. This evaluation includes using a four-point rating system to assess each loan's probability of default. Based on this rating system, each loan is placed into categories of acceptable, substandard, or doubtful.

An acceptable rating represents loans that are expected to be fully collectible and represent the highest quality. A substandard rating represents loans that exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan. A doubtful rating represents loans that exhibit similar weaknesses to a substandard rating. However, a doubtful rating has additional weaknesses in existing facts, conditions, and values that make collection in full highly questionable. Loans that receive a substandard or doubtful rating are further evaluated for impairment using additional qualitative and quantitative measures.

The credit risk rating methodology is a key component of AF's allowance for loan losses evaluation and is generally incorporated into AF's loan approval process. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of year-end. The allowance is increased by provisions charged to operating expense and decreased by charge-offs net of recoveries. A review of individual loans in AF's loan portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to AF has been identified. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss. AF considers such factors as credit risk classification, collateral values, risk concentrations, economic conditions, and prior loan loss experience when determining the allowance for loan losses. Loans determined to be uncollectible are charged to the allowance during the period in which such determination is made. The allowance for loan losses was \$1,381,002 and \$1,241,002 at June 30, 2018 and 2017, respectively. The provision for loan losses charged to operating expense was \$140,000 and (\$280,442) for the years ended June 30, 2018 and 2017, respectively. The current year provision represents an increase in the loan loss allowance based upon management's assessments. No loans were charged off for either audit year. Management considers that a loan is delinquent when a payment is ten days past due.

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

Loans are defined as impaired when, based on current information and events, it is probable that AF will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management does not consider an insignificant delay or insignificant shortfall in amount of payments to impair loans. Also, management does not consider a loan impaired during a period of delay in payment if it expects to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. Impaired loans are measured by the present value of expected future cash flows or the fair value of the collateral of the loan, if collateral dependent. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to fully meet the contractual interest obligation under the original loan agreement. Interest income is subsequently recognized only to the extent cash payments are received. If the financial condition of a borrower that has a loan on nonaccrual status significantly improves, management may decide to remove that loan from nonaccrual status. Management believes it had fourteen and eleven impaired loans as of June 30, 2018 and 2017, 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

# Anabaptist Financial

## FINANCIAL STATEMENT

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, 2018 and 2017.

### **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.

### **Capital Assets**

Capital assets consist of office equipment, software, and construction in progress. Equipment and software are capitalized when the cost is at least \$5,000 per unit item. AF uses straight line depreciation ranging from 3 to 5 years.

### **Net Assets**

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

- Unrestricted net assets are those that are available at the discretion of the board for use in AF's programs and supporting functions.
- Temporarily restricted net assets are those that are restricted by donors for specific operating purposes or for use in a future reporting period.
- Permanently restricted net assets are those that are restricted by donors in perpetuity as endowments or irrevocable trust.

AF had no restricted net assets at June 30, 2018 and 2017.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

### **Advertising Costs**

Advertising costs are expensed as incurred.

### **Income Taxes**

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

AF has adopted accounting principles related to accounting for uncertainty in income tax positions. AF's policy is to record a liability for any tax position taken that is beneficial to AF, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management has determined that it does not have any material unrecognized tax benefits or obligations as June 30, 2018 and 2017. Years ending on or after June 30, 2015 remain subject to examination by federal and state authorities.

### **Subsequent Events Evaluation**

Subsequent events have been evaluated through August 31, 2018, which is the date the financial statements were available to be issued.

### **New Accounting Standard Not Yet Adopted**

Recently, the Financial Accounting Standards Board (FASB) issued a new reporting standard that is applicable to all non-profit organizations. It becomes effective for AF in its fiscal year ending in 2019. This new reporting standard will reduce the classification of net assets from the current three classes to two classes. Next year, AF will report its net assets as either net assets with donor restrictions or as net assets without donor restrictions. The standard requires increased disclosures regarding an

organization's qualitative and quantitative information regarding how it manages its cash liquidity. The standard will also require an organization to describe the methods it uses to allocate costs among program and support functions and AF will need to include a statement or schedule of functional expenses in its financial statements. There are other provisions in the new reporting standard, but those provisions are expected to have little impact on AF's financial statements.

### **Note 2 – Cash and Cash Equivalents:**

AF maintains deposit accounts with a local bank and other financial institutions. At June 30, 2018 and 2017, \$19,892,935 and \$17,960,931, respectively, of AF's deposits were not covered by FDIC insurance. AF is required to maintain a cash balance that equals the lesser of 10% of the outstanding principal of the investment agreements payable or \$2,500,000. AF established this reserve to help meet the repayment obligations of the investment agreements payable. AF's cash and cash equivalents totaled \$28,989,872 and \$17,505,620 at June 30, 2018 and 2017, respectively.

### **Note 3 – Loans and Allowance for Loan Losses:**

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

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

Loans at June 30, 2018 and 2017, consist of the following:

	2018	2017
Business Real Estate	\$ 294,131,315	\$ 250,451,263
Business Operating	22,476,834	23,615,633
Home Mortgages	52,115,453	41,319,621
Nonprofit Entities	15,085,696	10,598,963
<b>Total</b>	<b>\$ 383,809,298</b>	<b>\$ 325,985,480</b>

Business real estate, home mortgage, and nonprofit 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, 2018 and 2017.

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, 2018 and 2017:

	Due Less than 1 Year	Due 1 thru 5 Years	Due after 5 Years	Total
<b>2018</b>				
Business Real Estate	\$ 29,874,241	\$ 78,037,332	\$ 186,219,742	\$ 294,131,315
Business Operating	5,487,005	11,102,326	5,887,503	22,476,834
Home Mortgages	3,704,448	10,505,585	37,905,420	52,115,453
Nonprofit Entities	3,949,995	5,927,203	5,208,498	15,085,696
<b>Total</b>	<b>\$ 43,015,689</b>	<b>\$ 105,572,446</b>	<b>\$ 235,221,163</b>	<b>\$ 383,809,298</b>
<b>2017</b>				
Business Real Estate	\$ 23,425,494	\$ 63,738,541	\$ 163,287,228	\$ 250,451,263
Business Operating	3,977,831	12,798,396	6,839,406	23,615,633
Home Mortgages	3,813,141	7,378,647	30,127,833	41,319,621
Nonprofit Entities	706,920	5,982,854	3,909,189	10,598,963
<b>Total</b>	<b>\$ 31,923,386</b>	<b>\$ 89,898,438</b>	<b>\$ 204,163,656</b>	<b>\$ 325,985,480</b>

# Anabaptist Financial

## FINANCIAL STATEMENT

The above maturities indicate that approximately 11.21% and 9.79% of loans had maturities of one year or less for years ended June 30, 2018 and 2017, respectively.

The following table shows loans and related accrued interest according to AF's credit quality rating system as of June 30, 2018 and 2017:

2018	Acceptable	Substandard	Doubtful	Total
Business Real Estate	\$ 289,009,048	\$ 4,613,363	\$ 1,623,631	\$295,246,042
Business Operating	20,672,038	740,343	1,280,182	22,692,563
Home Mortgages	51,732,236	532,165	-	52,264,401
Nonprofit Entities	15,137,317	-	-	15,137,317
<b>Total</b>	<b>\$ 376,550,639</b>	<b>\$ 5,885,871</b>	<b>\$ 2,903,813</b>	<b>\$385,340,323</b>

2017	Acceptable	Substandard	Doubtful	Total
Business Real Estate	\$ 245,507,432	\$ 4,400,330	\$ 1,467,399	\$251,375,161
Business Operating	21,940,839	603,759	1,305,564	23,850,162
Home Mortgages	41,227,796	184,503	-	41,412,299
Nonprofit Entities	10,696,874	-	-	10,696,874
<b>Total</b>	<b>\$ 319,372,941</b>	<b>\$ 5,188,592</b>	<b>\$ 2,772,963</b>	<b>\$327,334,496</b>

The following table provides an aging analysis of past due loans and the related accrued interest as of June 30, 2018 and 2017:

2018	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	\$ 703,408	\$ 1,167,615	\$ 6,380,084	\$ 8,251,107	\$386,994,935	\$295,246,042	\$ 5,946,956
Business Operating	333,391	-	1,655,200	1,988,591	20,727,172	22,692,563	687,650
Home Mortgages	64,397	267,455	305,505	637,357	51,627,044	52,264,401	572,960
Nonprofit Entities	126,569	166,764	35,510	328,843	14,808,541	15,137,317	35,510
<b>Total</b>	<b>\$ 1,204,498</b>	<b>\$ 1,601,834</b>	<b>\$ 8,376,299</b>	<b>\$ 11,182,631</b>	<b>\$374,157,692</b>	<b>\$385,340,323</b>	<b>\$ 7,237,076</b>

2017	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	\$ -	\$ -	\$ 6,069,362	\$ 6,069,362	\$345,305,799	\$251,375,161	\$ 3,899,881
Business Operating	-	-	1,678,481	1,678,481	22,171,681	23,850,162	642,455
Home Mortgages	-	-	297,775	297,775	41,114,524	41,412,299	297,775
Nonprofit Entities	-	-	-	-	10,696,874	10,696,874	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,045,618</b>	<b>\$ 8,045,618</b>	<b>\$319,288,876</b>	<b>\$327,334,496</b>	<b>\$ 4,840,111</b>

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

Nonaccrual Loans	2018	2017
Business Real Estate	\$ 1,723,179	\$ 2,169,481
Business Operating	989,363	1,036,027
Nonprofit Entities	166,764	-
<b>Total Nonaccrual Loans</b>	<b>\$ 2,879,306</b>	<b>\$ 3,205,508</b>

Nonaccrual loans as a % of Total Loans	0.72%	0.98%
Nonaccrual loans as a % of Net Assets	36.37%	53.02%

Accruing Loans 90 Days or More Past Due	2018	2017
Business Real Estate	\$ 5,940,956	\$ 3,899,881
Business Operating	687,650	642,455
Home Mortgage	572,960	297,775
Nonprofit Entities	35,510	-
<b>Total Accruing Loans 90 Days or More Past Due</b>	<b>\$ 7,237,076</b>	<b>\$ 4,840,111</b>

Accruing Loans as a % of Total Loans	1.89%	1.48%
Accruing Loans as a % of Net Assets	91.42%	80.05%

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

2018	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business Real Estate	\$ 1,740,067	\$ 1,598,415	\$ 285,000	\$ 1,742,637	\$ 648	7
Business Operating	1,301,995	1,146,885	518,604	1,319,386	12,062	6
Nonprofit Entities	166,764	166,764	-	171,227	597	1
<b>Total</b>	<b>\$ 3,208,826</b>	<b>\$ 2,912,064</b>	<b>\$ 803,604</b>	<b>\$ 3,233,250</b>	<b>\$ 13,307</b>	<b>14</b>

2017	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Number of Loans
Business Real Estate	\$ 1,199,967	\$ 1,069,838	\$ 270,000	\$ 1,210,487	\$ 2,761	5
Business Operating	1,136,377	1,158,140	480,000	1,337,341	14,571	6
<b>Total</b>	<b>\$ 2,336,344</b>	<b>\$ 2,227,978</b>	<b>\$ 750,000</b>	<b>\$ 2,547,828</b>	<b>\$ 17,334</b>	<b>11</b>

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

A summary of changes in the allowance for loan losses and the June 30, 2018, recorded investment in loans is as follows:

2018	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Total
Allowance for Credit Losses:					
Balance at June 30, 2017	\$ 614,362	\$ 535,400	\$ 89,188	\$ 2,052	\$ 1,241,002
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for Loan Losses	81,196	43,692	11,718	3,394	140,000
<b>Balance at June 30, 2018</b>	<b>\$ 695,558</b>	<b>\$ 579,092</b>	<b>\$ 100,906</b>	<b>\$ 5,446</b>	<b>\$ 1,381,002</b>

June 30, 2018, allowance ending balance:

Loans Individually Evaluated for Impairment	\$ 285,000	\$ 518,604	\$ -	\$ -	\$ 803,604
Loans Collectively Evaluated for Impairment	\$ 410,558	\$ 60,488	\$ 100,906	\$ 5,446	\$ 577,398

Recorded investment in loans outstanding at June 30, 2018, is as follows:

2018	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Total
Balance at June 30, 2018	\$ 295,246,042	\$ 22,692,563	\$ 52,264,401	\$ 15,137,317	\$385,340,323
Loans Individually Evaluated for Impairment	\$ 6,236,994	\$ 2,020,525	\$ 532,165	\$ -	\$ 8,789,684
Loans Collectively Evaluated for Impairment	\$ 289,009,048	\$ 20,672,038	\$ 51,732,236	\$ 15,137,317	\$376,550,639

A summary of changes in the allowance for loan losses and the June 30, 2017, recorded investment in loans is as follows:

2017	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Total
Allowance for Credit Losses:					
Balance at June 30, 2016	\$ 837,002	\$ 556,534	\$ 125,866	\$ 2,052	\$ 1,521,444
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for Loan Losses	(222,640)	(21,124)	(36,678)	-	(280,442)
<b>Balance at June 30, 2017</b>	<b>\$ 614,362</b>	<b>\$ 535,400</b>	<b>\$ 89,188</b>	<b>\$ 2,052</b>	<b>\$ 1,241,002</b>

June 30, 2017, allowance ending balance:

Loans Individually Evaluated for Impairment	\$ 270,000	\$ 480,000	\$ -	\$ -	\$ 750,000
Loans Collectively Evaluated for Impairment	\$ 344,362	\$ 55,400	\$ 89,188	\$ 2,052	\$ 491,002

Recorded investment in loans outstanding at June 30, 2017, is as follows:

2017	Business Real Estate	Business Operating	Home Mortgage	Nonprofit Entities	Total
Balance at June 30, 2017	\$ 251,375,161	\$ 23,850,162	\$ 41,412,299	\$ 10,696,874	\$327,334,496
Loans Individually Evaluated for Impairment	\$ 5,867,729	\$ 1,009,323	\$ 184,503	\$ -	\$ 7,961,555
Loans Collectively Evaluated for Impairment	\$ 245,507,432	\$ 21,940,839	\$ 41,227,796	\$ 10,696,874	\$319,372,941

#### Note 4 – Capital Assets:

At June 30, 2018 and 2017, AF had office equipment and software costing \$73,479. Depreciation totaled \$21,990 and \$12,833 in fiscal years 2018 and 2017. As of the current year-end, AF had construction in progress costs totaling \$12,606. The remaining book value of AF's capital assets totaled \$45,489 and \$54,873 at June 30, 2018 and 2017.

#### Note 5 – Disclosure about Fair Value of Assets and Liabilities:

The following methods were used to estimate the fair value of all financial instruments recognized in the accompanying statements of financial position at amounts other than fair value.

- Cash and Cash Equivalents – The fair value of cash and cash equivalents approximates carrying value.
- Accounts and Interest Receivable – The fair value of accounts and interest receivable approximates carrying value.
- Prepaid Expenses – The fair value of prepaid expenses approximates carrying value.
- Loans Receivable – Short-term notes and variable-rate mortgage loans re-price frequently and with no significant change in credit risk; therefore, fair values approximate carrying values.
- Capital Assets – The fair value of capital assets approximates carrying value.
- Accounts and Grants Payable and Accrued Expenses – The fair values of accounts and grants payable and accrued expenses approximate carrying values.
- Investment Agreements and Demand Note Payable – The fair values of interest-bearing investment agreements and demand note payable are equal to the amount payable on demand at the statements of financial position date which approximates carrying value.

#### Note 6 – 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, Indiana, and numerous other states. The minimum initial investment is \$2,500 (\$1,000 for minors) and each subsequent investment must be in the minimum amount of \$1,000 (\$500 for minors). The interest rate is based on the six-month Treasury Bill as of December 1, March 1, June 1, and September 1 plus 1.50%. The interest rate was 3.25% and 3.00% at June 30, 2018 and 2017, respectively. Rates are adjusted quarterly on January 1, April 1, July 1, and October 1. The interest rate cannot increase or decrease by more than .50% in any calendar quarter, unless the governing board determines otherwise. Interest is paid to investors on a quarterly basis with payments due on January 15, April 15, July 15, and October 15 of each calendar year. Except for South Carolina, a demand rate option exists. Interest is based upon the six-month Treasury Bill rate minus .75% adjusted quarterly in the same manner as mentioned previously. The demand rate was 1.50% and 1.25% at June 30, 2018 and 2017, respectively. Investors may elect to have their quarterly interest payments added to their outstanding investment in lieu of receiving cash payments. The majority of investors generally elect this option. The agreements are unsecured and will be due on demand plus 60 days and are redeemable by AF upon 30 days prior written notice, except for South Carolina where a 90-day maturity exists with

an option to automatically renew. Requests by investors to have their securities redeemed will be handled on a first-come, first-served basis, and AF provides no assurance to investors that sufficient funds will be available to redeem securities. Investment agreements payable totaled \$386,847,006 and \$337,438,270 at June 30, 2018 and 2017, respectively.

#### Note 7 – Demand Note Payable:

During the current year, Anabaptist Financial borrowed \$18,040,339 from Anabaptist Foundation, a related organization. The loan is due on demand and carries an interest rate of 3.25% as of June 30, 2018. Interest expense on this loan for the year totaled \$170,736.

#### Note 8 – 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. Open Hands is a related organization because some of Anabaptist Financial's board members serve on the board of Open Hands. These organizations paid \$401,673 and \$481,353 for payroll and related expenses during fiscal years ended June 30, 2018 and 2017, respectively. Also, Anabaptist Financial paid Anabaptist Foundation \$58,800 during the two reporting years for the use of office space. Anabaptist Foundation, Stewardship Resources, and Open Hands owed Anabaptist Financial \$8,189 and \$15,345 at June 30, 2018 and 2017, respectively. Anabaptist Financial contributed \$274,000 and \$39,357 to Stewardship Resources for operational purposes during the current and prior reporting periods.

At June 30, 2018 and 2017, AF had made loans to officers, board members, and their close relatives. These loans had outstanding principal balances totaling \$2,218,801 and \$1,932,364, respectively. Normal lending policies were followed in the issuance of these loans. Related-party interest income earned during the years ended June 30, 2018 and 2017, totaled \$64,384 and \$90,049 respectively.

At June 30, 2018 and 2017, AF owed to officers, board members, and their close relatives through investment agreements \$12,902,467 and \$14,205,911, respectively. Related-party interest expense incurred for the years ended June 30, 2018 and 2017, totaled \$399,290 and \$423,003, respectively.

During the last two years, Anabaptist Financial acquired a substantial portion of the loan portfolio of Anabaptist Foundation. The loans were transferred onto the books of Anabaptist Financial at book value in exchange for cash. Principal and interest receivable transferred totaled \$9,621,907 in fiscal year 2018 and \$22,084,050 in fiscal year 2017.

#### Note 9 – Commitments:

At June 30, 2018 and 2017, AF had loan commitments of \$36,135,364 and \$34,821,413, respectively.

#### Note 10 – Conditional Promises to Give:

Nine individuals have made five-year conditional promises to give AF a total of \$2,000,000 in the event of AF's dissolution and if AF was cash deficient to meet its financial obligations upon dissolution. These promises expire in fiscal year 2021.

#### 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, 2018 and 2017, AF made matching contributions totaling \$18,778 and \$15,506, respectively.

# Anabaptist Foundation

Caring for the soul of the donor, the gift itself, and the recipient charities.

## Charitable Gift Fund

The Charitable Gift Fund Program represents most of the assets held by Anabaptist Foundation. These funds are committed to support charity, pending distribution decisions. Strong cash reserves are maintained to process outgoing gifts to charity, with longer-term funds invested in the Anabaptist Financial loans program where they generate operating funds to support charitable services while blessing the broader AF church constituency. The Foundation also owns the current AF office building in New Columbia, PA. The Foundation does not carry any significant financial liabilities.

In its 2017-2018 fiscal year, Anabaptist Foundation

generated operating income of \$207,584. These funds support the free services the Foundation provides to churches and nonprofit organizations, the Charity Hardship Fund, and the Stewardship Education Fund.

### Calendar year 2017

Number of accounts managed =	333
New contributions =	\$18,808,231
Gifts issued to churches and charities =	2,060 gifts
Amount distributed =	\$13,651,611

## What assets were contributed?



**Cash**  
\$15,805,568



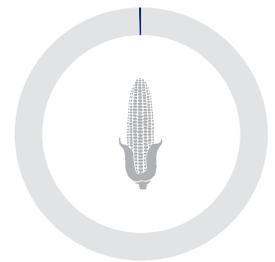
**Real Estate**  
\$1,507,856



**Stocks and Mutual Fund Shares**  
\$1,167,067



**Gifts of Business Interests**  
\$284,695



**Farm Commodities**  
\$43,045

Where were Charitable Gift Fund contributions sent?

**\$3.2**  
MILLION

to 198 churches and church districts

**\$10.3**  
MILLION

to 226 nonprofit organizations

**\$0.9**  
MILLION

to 35 schools

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

## Anabaptist Foundation's mission is twofold.

- First, we serve as a neutral channel for moving funds from conservative Anabaptist donors to support charities and churches. The desire to give generously while remaining anonymous is the primary motivation of our supporters.
- Second, we serve as a two-way channel for the flow of information. Donors need information about charities to evaluate gift options and to make informed giving decisions. Charities need feedback from donors and other advice in order to serve effectively.



## Charitable Gift Fund

Our primary program is the Charitable Gift Fund, an IRS-approved, donor-advised fund. Donors make tax-deductible contributions to the Foundation and then are permitted to recommend which charities and churches should benefit, within established parameters. This fund is a valuable tool for donors who wish to give anonymously while having access to confidential, objective counsel and professional service.

Gift Fund clients are able to donate cash or non-cash assets, such as real estate, securities, farm commodities, and gifts of business interests. Quarterly reports help donors keep tabs on their giving.

The Charitable Gift Fund program is growing steadily. Last year, the number of accounts managed increased by 21% and total contributions increased by 48%.



# CHARITABLE GIFT FUND

**A tool for simplified, tax-deductible giving to churches and charities.**

The Charitable Gift Fund enables donors to:

- Anonymously support the churches and charities of their choice (gifts to individuals are **not** permitted)
- Simplify their giving by writing one check to Anabaptist Foundation with disbursements to various charities
- Qualify for an immediate tax-deduction for their contribution and track their giving with quarterly statements

**For a FREE information packet, please contact Anabaptist Foundation.**

 **Anabaptist  
Foundation**

1245 Old Route 15 · New Columbia, PA 17856  
(800) 653-9817 · [giftfund@afweb.org](mailto:giftfund@afweb.org)

# Anabaptist Foundation

Caring for the soul of the donor, the gift itself, and the recipient charities.

## Special Gift Funds

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

- **Stewardship Education Fund**—this supports various initiatives to expand Biblical teaching on finances and stewardship within our church circles.
- **Charity Hardship Fund**—this supports church alms and deacon funds in congregations that face heavy brotherhood-assistance needs. Access to up-front funding in the form of low- or no-interest loans enables local congregations to negotiate significant discounts, while providing time to raise local support.

## Endowment Accounts

We also manage a number of endowment accounts established to benefit conservative Anabaptist ministries. At the end of our last fiscal year, we held almost \$1.5 million in endowment accounts and paid out \$43,000 to eight schools and organizations to support their ongoing operations.

## Endowment Accounts

Beyond the dollars and donations, the Foundation serves as an important resource for conservative Anabaptist charities and churches in ways such as helping a new charitable project get organized, advising a struggling nonprofit organization, or supporting a church alms fund with a temporary loan. The goal of the Foundation is to serve those who serve God's kingdom.

I am not sure what we would do if we would not have your help.

—Donor to Charitable Gift Fund



## 2018 TAX DEDUCTION REMINDER

If you wish to receive a tax-deductible contribution receipt for 2018, make sure your check is postmarked by December 31, 2018. The Internal Revenue Service stipulates that year-end receipt dates are determined by the postmark on the envelope, not by the date on the check.

We know of instances where machines postmarked envelopes without a date print or did not postmark at all. If it is essential that your contribution be receipted for 2018 and you are not able to mail your check prior to Monday, December 31, we suggest that you personally take the envelope to your post office and ask the clerk to handstamp it for you.

Make your contribution now to avoid the pressure of year-end events and ensure your 2018 tax deduction.



# Anabaptist Foundation

## FINANCIAL STATEMENT

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION, JUNE 30, 2018

Assets:		Liabilities:	
Cash and Cash Equivalents	\$ 306,745	Accounts Payable	\$ 2,052
Interest Receivable	238	Life Estate Liability	118,468
Investments	399,188	Discount for Future Interest - Pooled Income Fund	59,386
Demand Note Receivable - Related Organization	18,040,339	<b>Total Liabilities</b>	<b>179,906</b>
Charity Hardship Fund	1,699,650	<b>Net Assets:</b>	
Less Allowance for Loan Losses	(224,715)	Unrestricted	18,834,187
Net Loans Receivable	19,515,274	Temporarily Restricted	1,187,085
Future Interest in Real Estate	390,000	Permanently Restricted	723,260
Property and Equipment Net of Accumulated Depreciation of \$63,675	312,993	<b>Total Net Assets</b>	<b>20,744,532</b>
<b>Total Assets</b>	<b>\$ 20,924,438</b>	<b>Total Liabilities and Net Assets</b>	<b>\$ 20,924,438</b>

### CONSOLIDATED STATEMENT OF ACTIVITIES, FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, Gains, and Revenue:</b>				
Cash Contributions	\$ 15,338,500	\$ 463,910	\$ 4,000	\$ 15,806,410
Donated Real Estate	1,500,902	-	-	1,500,902
Donated Securities and Commodities	1,216,224	-	-	1,216,224
Donated Business Interest	284,695	-	-	284,695
Contributed Services from Related Organization	122,914	-	-	122,914
Interest Income from Loans	202,234	40,815	291	243,340
Charity Hardship Fund	37,976	-	-	37,976
Other Income	38,223	-	-	38,223
Investment Income	190,499	-	-	190,499
Gain/(Loss) on Sale of Donated Real Estate	(27,504)	-	-	(27,504)
Change in Value of Split-Interest Agreements	-	(19,668)	-	(19,668)
Net Assets Released From Restrictions - Satisfaction of Program Restrictions	486,682	(486,682)	-	-
<b>Total Support, Gains, and Revenue</b>	<b>19,391,345</b>	<b>(1,625)</b>	<b>4,291</b>	<b>19,394,011</b>
<b>Expenses:</b>				
Program Services	13,864,332	-	-	13,864,332
<b>Total Program Expenses</b>	<b>13,864,332</b>	<b>-</b>	<b>-</b>	<b>13,864,332</b>
<b>Supporting Activities:</b>				
General Administration	194,563	-	-	194,563
Fund Raising	35,245	-	-	35,245
<b>Total Supporting Activities</b>	<b>229,808</b>	<b>-</b>	<b>-</b>	<b>229,808</b>
<b>Total Expenses</b>	<b>14,094,140</b>	<b>-</b>	<b>-</b>	<b>14,094,140</b>
<b>Change in Net Assets</b>	<b>5,297,205</b>	<b>(1,625)</b>	<b>4,291</b>	<b>5,299,871</b>
<b>Net Assets, Beginning of Year</b>	<b>13,536,982</b>	<b>1,188,710</b>	<b>718,969</b>	<b>15,444,661</b>
<b>Net Assets, End of Year</b>	<b>\$ 18,834,187</b>	<b>\$ 1,187,085</b>	<b>\$ 723,260</b>	<b>\$ 20,744,532</b>

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

EPHESIANS 4:28



# Stewardship Resources

## Resources That Transform

Stewardship Resources is the educational arm of Anabaptist Financial. Several years ago, the board directed Anabaptist Financial to place more vision, energy, and resources towards personal and family financial stewardship education among the constituency we serve.

This resulted in Merle Herr being repositioned as our Resource Officer to focus solely on development and expansion of educational initiatives. Four full-time,

experienced staff people have been hired, including a managing editor—Rachel Mast, a graphic designer—Teresa Sommers, and two resource developers—Lyle Musser for family finances and Dale Savage for business education. As we develop our staff and educational infrastructure and processes, we are positioned to produce more and better family, business, and nonprofit resources to serve our people. Our goal is to produce resources that transform.

### Family Finance

*Young Family Finance & Budgeting Seminars:* Family Finance seminars are one of the newer initiatives of Stewardship Resources. Offered free of charge, the Bible-based teaching addresses many practical issues young families face in their finances. In 2018, we offered 15 Family Finance seminars and 8 Budgeting seminars.



# 4,000

*Family Finance Seminar attendees*

*Seminar for Deacons, Financial Advisors, and Trustees:* This seminar trains, equips, and prepares seasoned men (mostly ordained men) to assist those in financial distress. Turning around financially distressed situations is the Anabaptist alternative to bankruptcy and financial negligence. Such financial counsel is hard work, and deacons, financial advisors, and trustees need training to bear up under this burden. We offered two of these free seminars in 2018 with 235 attendees.



# 235

*Deacons, Financial Advisors, and Trustees Seminar attendees*

### Upcoming seminars for deacons, financial advisors, and trustees

**Thursday, June 6, 2019**

Holmes County, Ohio

**Saturday, June 8, 2019**

Nappanee, Indiana

## Upcoming Young Family Finance & Budgeting seminars

<b>Saturday, January 19</b> 9:30 AM – 3:30 PM	Finger Lakes Fellowship Center 3403 State Route 414, Seneca Falls, NY 13148	Young Family Finance Seminar Budgeting Seminar
<b>Monday, January 21</b> 6:30 – 9:00 PM	White Horse Fire Company 111 White Horse Road, Gap, PA 17527	Young Family Finance Seminar
<b>Tuesday, January 22</b> 6:30 – 9:00 PM	White Horse Fire Company 111 White Horse Road, Gap, PA 17527	Budgeting Seminar
<b>Tuesday, January 22</b> 6:30–9:00 PM	Community Care Center 3656 Old Philadelphia Pike, Gordonville, PA 17529	Young Family Finance Seminar
<b>Wednesday, January 23</b> 6:30– 9:00 PM	Hoffman Building (at Solanco Fairgrounds) 172 South Lime Street, Quarryville, PA 17566	Young Family Finance Seminar
<b>Tuesday, February 12</b> 6:30– 9:00 PM	Community Care Center 3656 Old Philadelphia Pike, Gordonville, PA 17529	Budgeting Seminar
<b>Friday, February 22</b> 3:30– 9:00 PM	Evona Fire Hall 467 Sloan Fork Road, Liberty, KY 42539	Young Family Finance Seminar Budgeting Seminar
<b>Saturday, February 23</b> 9:30 AM–3:30 PM	Kentucky Sorting Center 3330 Old Railroad Lane, Guthrie, KY 42234	Young Family Finance Seminar Budgeting Seminar

“We were looking at housing options and realized through the seminar that we are looking to pay more for a house than we could wisely afford. We purchased a less expensive house that was more reasonable for our situation.” —Seminar attendee

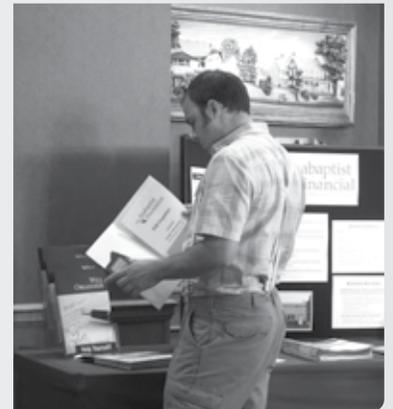
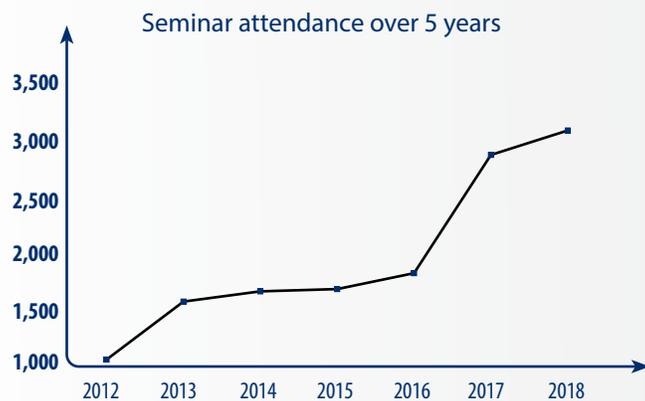


# Stewardship Resources

Resources That Transform

## Business Seminars

Business seminars have been the signature educational service of Stewardship Resources for the past ten years. We provide annual or biannual seminars in ten large Anabaptist communities. This year we added an eleventh location in Halsey, Oregon. The seminars enable business owners, managers, and employees to learn from our own seasoned businesspeople with shared values and beliefs.



## Business Workshops

We are developing a series of classroom-style, business workshops to complement our business seminars. Designed for owners, managers, and key employees, the workshops are built on a well-designed curriculum with an emphasis on kingdom-focused business practices.

We held our first two-day workshop in Pennsylvania in November 2018, which covered the topic of human resources and employee management.

Upcoming HR workshops:

Berlin, Ohio – January 2019

New Holland, PA – March 2019

“Excellent content, very practical.” –Workshop attendee

New in  
2018



HUMAN RESOURCES

# Stewardship Resources

Resources That Transform

## Business Advising

Business Advising offers kingdom-focused business counsel to help businesses achieve success on all fronts. In the past year, 15 seasoned business advisors served about 240 clients with 1,600 hours of business advising and consulting. We are dedicated to shaping business ideas and action from the mold of conservative Anabaptist faith and practice, and producing a rich stream of common sense business counsel.



## Business Articles and Management Tools

We currently have seven business booklets, each containing around 20 articles. We produce approximately 45 business articles a year, as well as business management tools. An example of a business management tool is our HR Management Toolbox that contains more than 25 documents, including an employee handbook template. Our vision is to develop management tools across all our Ten Blocks of Business Knowledge.



## STEWARDSHIP RESOURCES FINANCIAL STATEMENT

### BALANCE SHEET, AS OF JUNE 30, 2018

	Jun 30, '18
<b>Assets</b>	
Stewardship Resources Checking	49,901.45
Accounts Receivable	22,990.61
Grants Receivable	130,000.00
Undeposited Funds	5,289.11
<b>Total Current Assets</b>	<b>208,181.17</b>
<b>Liabilities &amp; Equity</b>	
<b>Liabilities</b>	
Accounts Payable	8,189.20
<b>Total Liabilities</b>	<b>8,189.20</b>
<b>Equity</b>	
Unrestricted Net Assets	9,525.18
Net Income	190,466.79
<b>Total Equity</b>	<b>199,991.97</b>
<b>Total Liabilities &amp; Equity</b>	<b>208,181.17</b>

### PROFIT & LOSS, JULY 2017 THROUGH JUNE 2018

	Jul '17 - Jun '18
<b>Income</b>	
Advance Funding from AF	130,000.00
Advising Income	228,891.32
Private Loan Servicing Income	26,938.44
Seminar Income	282,392.50
Resource Income	148,701.82
Family Finance Income	165,301.21
Workshops Income	51,850.00
<b>Total Income</b>	<b>1,034,075.29</b>
<b>Expense</b>	
Advising	229,299.94
Private Loan Servicing	1,605.70
Seminars	307,838.49
Business Resources	135,729.17
Family Finance	152,052.16
Workshops	17,083.04
<b>Total Expense</b>	<b>843,608.50</b>
<b>Net Income</b>	<b>190,466.79</b>

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

# AF Staff

Serving for the good of others

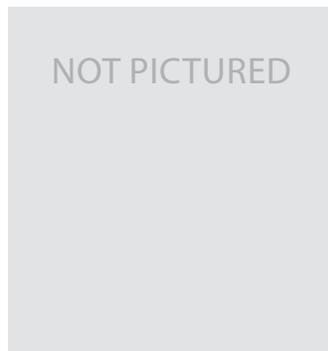
Anabaptist Financial's work involves many people joined in one mission—to channel material resources within the kingdom of Christ and to teach stewardship principles and practices in the conservative Anabaptist community. Together we carry out this mission through our various roles and programs. On the following pages, the staff are grouped in teams according to their responsibilities.



**Paul A. Miller**  
Executive Officer  
Planned Giving Manager  
Walnut Creek, OH



**Tim Stoltzfus**  
Operations Officer  
Watsonstown, PA



**Tim Thomas**  
Financial Officer  
Pickens, SC



**Floyd Miller**  
Office Manager  
New Berlin, PA



**Amos Kauffman**  
Loan Reviewer / Charitable  
Gift Fund Caseworker  
Watsonstown, PA



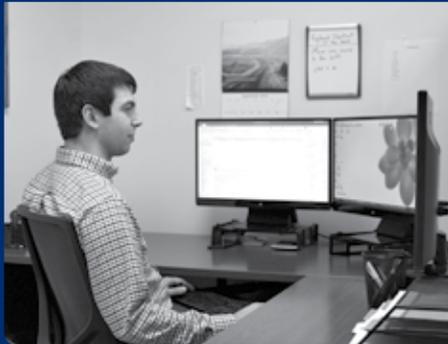
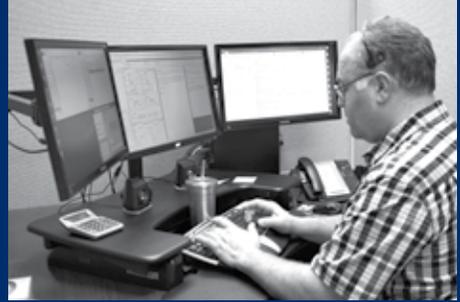
**Tim Lauver**  
Loan Reviewer  
Mifflintown, PA



**Glenn Miller**  
Loan Reviewer  
Lancaster, PA



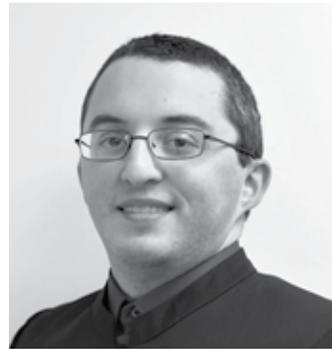
**Joel Landis**  
Loan Facilitator  
Richfield, PA



**Brian Stauffer**  
Loan Facilitator  
Liverpool, PA



**Friedrich Stoltzfus**  
Loan Closing Coordinator  
Watsonstown, PA



**Justin Zimmerman**  
Loan Closing Coordinator  
Danville, PA



**Benjamin Weaver**  
Loan Closing Coordinator  
Milton, PA



**Shania White**  
Loan Secretary  
Port Trevorton, PA



**Grant Ropp**  
Accountant  
Lewisburg, PA



**Kathy Stoltzfus**  
Secretary  
Lewisburg, PA



**Richie Lauer**  
Foundation Officer  
Gift Fund Manager  
Hillsville, VA



**Andrew Beachy**  
Foundation Account  
Manager  
Winfield, PA



**Mark Anthony Peachey**  
Charitable Gift Fund  
Caseworker  
McVeytown, PA



**Merle Herr**  
Resource Officer  
Guys Mills, PA



**David Sauder**  
Advising Administrator  
Mount Joy, PA



**Lyle Musser**  
Resource Developer  
Denver, PA



**Dale Savage**  
Business Resource Developer  
Arcanum, OH



**Teresa Sommers**  
Graphic Designer /  
Seminar Resources  
Coordinator  
Baltic, Ohio



**Rachel Mast**  
Managing Editor  
Millersburg, OH



**Sierra Herr**  
Seminar Receptionist  
Guys Mills, PA

Current office building



## New Office Building

Anabaptist Financial has outgrown its office building in New Columbia, Pennsylvania, where 12 of our staff currently work. These staff include our loan facilitating and closing team, accounting staff, a foundation support person, and secretarial staff. As the organization continues to grow, we will continue to add more staff to better serve you.

With few options for expansion at this location, the board of directors decided to purchase a property in Lewisburg and build a new office. The building should be under roof by winter, and we hope to move in sometime in 2019. We planned this expansion to meet our projected growth needs for the next 20-25 years.



Blueprint rendering of new office in 2019

## Upgraded Software

Due to the variety of our financial activities, Anabaptist Financial has been using several different accounting software systems that could not be interfaced. This setup required us to manually consolidate transactions between software programs. In June 2018, we upgraded our accounting software to DDI (Discipleship Data, Inc), a software that seamlessly connects all aspects of Anabaptist Financial into a single database. This upgrade will also make it possible for clients to access their accounts online if they wish.



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

**Reviewers:**  
Wayne Keim, Marvin Mast

## Business SEMINAR Spring Schedule

**Memphis, MO** • February 19, 2019  
*Business seminar*

**Versailles, MO** • February 21, 2019  
*Business seminar*

**Berlin, OH** • March 12, 2019  
*Business seminar*

**Berlin, OH** • March 13, 2019  
*Employee seminar*

