

STEWARDSHIP CONNECTIONS

A Newsletter for Financial Connections

Legal Compliance and Registration

Information on Anabaptist Financial's Legal Status

From time to time, Anabaptist Financial receives client inquiries about our legal registration status, and whether we are properly licensed to engage in financial activities. This article outlines how Anabaptist Financial complies with legal regulations.

Anabaptist Financial must be properly registered to accept investment funds from individuals. In the world of finance, funds which are invested for the purpose of monetary return are called securities. In addition to the US Securities and Exchange Commission, the federal agency that regulates the securities markets in the United States, each state has its own agency which oversees the transfer of securities, regulating how an individual or organization may accept funds for investment purposes. These securities commissions, on both the federal and state level, exist to protect individual investors from being taken advantage of by insufficiently trained investment managers and from outright fraud.

Anabaptist Financial is registered on the state level, which means we secure registration with the Securities Commission in a given state before accepting investments from individuals within that state. We have engaged the services of a reputable law firm with specialized experience in faith-based

investment pools, and all our investment registration requirements are overseen by our legal counsel. Anabaptist Financial does not pursue registration in a new state without the oversight and guidance of our attorney.

Part of the state registration process involves submitting our Prospectus. In finance, a prospectus is a disclosure document which describes in detail the security or financial investment which an organization is offering. Anabaptist Financial obtained legal counsel and assistance in drawing up its Prospectus. The initial cost to form our Prospectus was about \$60,000. Additionally, there are ongoing costs each year to update and change the Prospectus as required by each state, although these ongoing costs are significantly less than the initial expense.

All our investment registration requirements are overseen by our legal counsel.

Anabaptist Financial's Prospectus outlines the parameters for our investment and loan program. Participation, both as an investor or borrower, is intentionally limited to members of conservative Anabaptist churches. Funds

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NEW Pooled Income Fund

Anabaptist Foundation is pleased to announce that our new Pooled Income Fund is now available. Individuals who wish to make a significant gift to charity, who desire to invest within conservative Anabaptist church circles, and who need a source of income until their death can use the Pooled Income Fund to achieve all three goals.

How does it work?

1. You make a non-refundable charitable gift to Anabaptist Foundation and designate it for the Pooled Income Fund.
2. Contributions to this specific fund are “pooled” together and invested in the AF loans program to fund loans within conservative Anabaptist circles.
3. Each quarter, the earnings from this “pooled” investment are paid out to the donors, based on their share of participation in the fund. Only the actual earnings are paid out—the gift principal remains in the fund. Earnings can fluctuate.
4. You will receive a charitable deduction for a portion of your gift in the year in which it is given to Anabaptist Foundation, which may be used to reduce your income taxes.
5. At the death of the donor, his or her original gift is removed from the fund and distributed to charities selected in advance by the donor.

Why does AF offer a Pooled Income Fund instead of a Charitable Gift Annuity?

Some nonprofit organizations offer charitable gift annuities, which are also charitable gifts to the organization in exchange for an income stream back to the donor for the rest of their lives. By contrast, annuity payment amounts must be fixed and generally require the sponsoring organization to invest the gift proceeds in the stock market to attempt to generate a sufficient return to avoid eroding too much of the principal. In the AF family of organizations, we strongly believe that God’s people are responsible for where they allow their funds to work, and that funds reinvested within conservative Anabaptist church circles, supporting likeminded families and churches, are a worthy and safe investment. Since we will not place held funds in the stock market, we do not offer fixed rate gift annuities. Our Pooled Income Fund assets can be invested within the AF loans program, generating a return, supporting our conservative church constituency, and preserving the entire gift principal for distribution to charity.

If you would like to evaluate if the *Pooled Income Fund* meets your needs and goals, please contact us for more information: **(800) 653-9817, ext 209** or **info@afweb.org**.

Anabaptist Financial BUSINESS SEMINAR

Sessions

- Simple Living in an Extravagant Age** | Timothy Stoltzfus
- Balance Sheet – A picture of where you are** | Galen Martin
- Income & Expense Statement – A picture of where you are going** | Galen Martin
- Using Ratios as a Management Tool** | Larry Troyer
- Where's the Money?** | Larry Troyer
- Preparing a Simple, But Effective Business Plan** | Richard Shank
- Family Business Agreements – Part 1** | Paul A. Miller
- Family Business Agreements – Part 2** | Paul A. Miller
- Christian Principles in Resolving and Preventing Partnership Conflicts** | Earl Martin
- Hot Legal Issues for Business – Are in you compliance?** | Jonathan R. Hofstetter
- Fair Market Value Analysis – A picture of the value of your business** | Galen Martin
- Introduction to Excel** | Nathaniel Gingrich
- Data Entry, Formulas & Charts** | Nathaniel Gingrich
- Preparing Financial Statements in Excel I** | Nathaniel Gingrich
- Preparing Financial Statements in Excel II** | Nathaniel Gingrich

Seminar Details

September 24th 2013 | 8:30 am – 4:30 pm

Shady Maple Banquet Facility – East Earl, PA

Seminar Fee: Before September 10, \$89 for the first person. Additional persons \$79, if from the same family or business. After September 10, \$99 for the first person. Additional persons \$89. Lunch is included with the cost.

**For a detailed program or to register, please contact Anabaptist
Financial at (800) 653-9817 or by email: info@afweb.org.**

LEARN ♦ CONNECT ♦ NETWORK

Borrower Story

This feature gives you the opportunity to read the first hand account of a borrower and co-signer and learn more about how the lending process works.

Anabaptist Financial does not accept a cosigner for the sole purpose of protecting AF when we feel that the loan request is not a good idea for the borrower. We do allow the use of a cosigner when it signifies a relational effort to provide the support and mentoring that a borrower may be lacking.

Anonymous Borrower

“Our woodworking business was growing, and we had been investing all our extra cash in getting it strong and stable. At the same time, our family was growing, and the double-wide trailer we were living in was becoming insufficient to meet our needs. We needed to think about building a house.

We found out about Anabaptist Financial through the Plain Communities Business Exchange, and decided to apply to them for a house loan. However, initially we were denied because our debt-to-income ratio was too high. We were advised to wait for a period of time and try again. At this time, a brother in the church heard about the situation and offered to co-sign. With his help, we reapplied, and were able to meet the needed criteria. Anabaptist Financial was also able to structure it in such a way that refinancing of other debt wasn’t needed.

Working with AF was different than working with a bank. They were interested in learning about the specific circumstances involved, not just playing a numbers game. It seemed that AF cared about a lot more than just doing a loan and expecting to foreclose if things didn’t work out. They were interested in our personal well-being and in building a relationship with us. I definitely felt more comfortable working with AF than with a bank—they understand the values and needs of the plain communities. Now the loan is in process, we did our first draw, the foundation is in, and the house is going up!”

“They were interested in our personal well-being and in building a relationship with us.”

Anonymous Co-signer

“[The borrower] felt that he was in a strait after having a loan application rejected by a local bank. After that, he submitted an application to Anabaptist Financial, and although he felt very well served as an applicant, he was rejected because of some of his financial numbers. At that point he felt like that he was basically at the end of his rope, without an option for moving forward. When I found out about the results through a family connection, I gave him a call and asked him what it would take to get things back on track. He didn’t see any options for moving forward, and I just asked him whether he felt like a co-signer would give him the thing that he needed. Although we hardly feel qualified to do that, at the same time we are sitting on a farm that I inherited from my grandfather, and we thought maybe that would be the collateral that he needed for me to be able to be a co-signer and for him to be able to move forward.

When I contacted Anabaptist Financial, things began moving forward quickly as they became aware that there was a support group behind the borrower that was confident of not only his work ethic but his business and his business standards, and were willing to support him in tangible ways. We quickly got the okay that the loan could be funded. The key factor at that point was the support group, consisting of myself as the co-signer and of other interested persons in the community, who could offer assurance that the borrower would not fall onto hard times--perhaps something such as a physical injury or a financial issue--and be left saddled with something that he could not handle alone, putting an unmanageable stress load on himself and his family.

I appreciated working with Anabaptist Financial, and the fact that it wasn’t just about crunching the numbers and coming up with the right formula, but more about understanding the people involved, and building relationships.”

Supporting Officer

Welcoming Paul A. Miller



Anabaptist Financial is happy to have Paul A. Miller join our team of officers. Paul and his wife Barbara Ann reside in Millersburg, Ohio and attend Crosspointe Mennonite church, where Paul serves as a minister. Paul comes with a good mix of experience in business and nonprofit organization work, having been employed at Holmes Lumber for 33 years and later at Christian Aid Ministries as Biblical Stewardship Services coordinator.

Paul will fill the role of Supporting Officer at Anabaptist Financial. He will head up stewardship education projects and work on charitable projects at Anabaptist Foundation.

Paul can be reached by phone at 330-473-8840, email at paulmiller@afweb.org, or mail at P.O. Box 100, Winesburg, OH 44690.

BUSINESS ADVISING

DO YOU NEED A Trusted Business Advisor?

Our business advising integrates Kingdom values and practical business counsel from experienced men within the Conservative Anabaptist Community.

AF's Business Advising services provide a confidential, safe place to address issues that are causing difficulty in your business. We help owners and their families communicate clearly about troublesome issues, work well together, and plan for another generation of faithfulness.

We will look at your business from your perspective and address your specific needs from Christian principles, rather than worldly ethics and philosophy.

Business Advising Expertise for

New Business **Financial Analysis**
General Problem Solving **Partnership and Family Issues**
Business Expansion **Business Transitions**

For more details call
David Sauder
Advising Administrator
(800) 653-9817 ext. 206

Tim Stoltzfus, Laura Beachy



Melissa Moyer [L], Laura Beachy [R]



Richard Shank [L], Merle Herr, Richie Lauer [R]



Office Staff



Tim Stoltzfus [L], Nevin Beiler, Justin Zimmerman [R]



Stewardship Education Committee: Richard Shank [Far L], Merle Herr, Richie Lauer, John Lapp, David Sauder, Tim Thomas, Paul Miller

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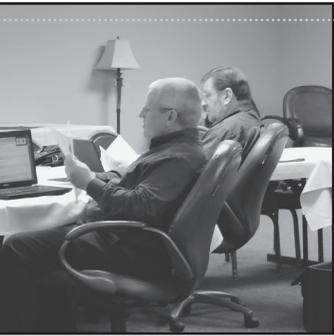
placed at Anabaptist Financial may only be reinvested within conservative Anabaptist circles in the form of loans to individuals, families, businesses, and nonprofit organizations. No funds are reinvested in secular investment options such as bonds, mutual funds, or the stock market.

Anabaptist Financial is currently registered with the securities commissions in the following states (given in order of registration): Pennsylvania, Maryland, Kansas, Virginia, and just recently, Ohio. We have submitted an application in South Carolina, and are awaiting approval there. The cost for opening in a new state varies depending on the legal

requirements, but often exceeds \$30,000. In the states where we are registered, Anabaptist Financial has relied on the local Anabaptist community to help cover the costs of initial registration. This approach is important in two ways: it fosters the brotherhood aspect of our organization by allowing local communities to actively commit to the program, and it provides for donated funds to cover startup costs so that the existing equity position of Anabaptist Financial is not jeopardized. Building and preserving the equity position of the organization is important to us and to the state securities commissions, because it provides protection and security for the investors.

The goal of Anabaptist Financial is slow, monitored growth. Rapid growth can bring challenges and endanger the program. The Anabaptist Financial Board of Directors has implemented a plan to limit and even halt the inflow of funds if our cash reserve rises too high. Our current viewpoint is that the recent registrations in new states (Ohio and soon South Carolina) will bring us all the growth that we can prudently absorb for now. Anabaptist Financial has no immediate plans to expand into new states. We will bring our investment program to conservative Mennonite, Amish, and Brethren communities in additional states only as local interest arises and organizational growth allows.

Anabaptist Financial is currently registered with securities commissions in Pennsylvania, Maryland, Kansas, Virginia, and Ohio.



David Sauder

Officers, Board, and Committee Members



Merle Herr [L], Ken Burkholder, Dennis Martin [R]

An additional requirement for state registration is an annual audit by an independent, licensed public auditor. Anabaptist Financial engages an auditor who has many years of experience, who demonstrates thoroughness, and who keeps abreast of changing laws and accounting requirements. Our auditor annually prepares our audited financial statement, which is reviewed by each state's securities commission and our Board of Directors. The audited financial statement is also sent annually as a separate mailing to each investor in the program.

Our organizational structure is an integral part of investor security. Anabaptist Financial and its programs are not privately controlled operations. No single person or small group has control or oversight of operations.

This aspect of accountability includes:

Five paid officers who work in day-to-day operations

A ten-member Board of Directors from a variety of conservative Anabaptist church groups who exercise oversight and are actively involved in the organization

An Advisory Group of 45 men selected from a broad range of business and church experience who review AF operations, give recommendations, and elect board members

Additionally, Anabaptist Financial is legally registered as a 501(c)(3) nonprofit organization, and files applicable returns, including an annual Form 990 with the Internal Revenue Service which details all of our activities.

It is our intention to carefully comply with all applicable federal and state legal requirements. This compliance requires significant investments in active board oversight, employee labor, legal expenses, and auditing costs, but we feel it is the only way to operate ethically and safely. Pray for us that we can exercise wisdom in our responsibilities as Christian stewards.

Stewardship Connections Personnel

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