



A higher standard.  
A higher purpose.

## **MENNONITE BRETHREN LOAN FUND** **OFFERING OF DEBT SECURITIES**

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We—Mennonite Brethren Loan Fund (sometimes “**MBLF**”)—are offering up to \$125,000,000 of unsecured debt securities in the types listed below (“**Certificates**”). The primary purpose of our offering is to make loans mainly to churches, organizations and qualified individuals within the U.S. Conference of Mennonite Brethren Churches (“**U.S. Conference**”) or affiliated with a Mennonite Brethren (“**MB**”) organization, that subscribe to the Confession of Faith of the U.S. Conference, or that otherwise share our values, for the acquisition, construction, renovation, maintenance, operation and improvement of churches, real property, facilities and equipment. This offering runs from the date of this Offering Circular until the expiration of the periods of time authorized in the various states in which we offer, which is typically twelve months. All of our Certificates have variable interest rates that may change during the term of the Certificate, though we may on occasion be willing to agree on a fixed interest rate for a Negotiated Certificate. The enclosed rate sheet indicates our interest rates as of the date we sent you this Offering Circular. Please call us to obtain our current interest rates or visit our website at [www.mbfoundation.com](http://www.mbfoundation.com). Certificates are not available in all states, and may be subject to special terms in certain states described in “State Specific Information” below.

Type of Certificate	Available to	Minimum Investment	Maturity
Demand Certificate	Individuals and Organizations	\$100	On demand*
Advantage Certificate	MB churches and organizations and certain of their employees	\$100	On demand*
Term Certificate	Individuals and Organizations	\$1,000	Various
Negotiated Certificate	Individuals and Organizations	\$250,000	Negotiated
Preferred Certificate	Mennonite Brethren Foundation (“ <b>MB Foundation</b> ”)	\$5,000,000	On demand

\*Subject to minimum redemption of \$50 and maximum of two redemptions per month.

We do not use underwriters or outside selling agents to sell our Certificates. We will not pay any commissions for the sale of our Certificates. After paying the offering expenses, which we expect to be less than one percent (**1%**) of the total offering amount, we will receive 100% of the proceeds from the sale of Certificates.

You are encouraged to consider the concept of investment diversification when determining the amount of Certificates that would be appropriate for you to purchase in relation to your overall investment portfolio, risk tolerance and personal financial needs. You should make an independent decision about whether purchasing Certificates will aid you in accomplishing your investment objectives and whether the Certificates fit within your financial risk tolerance.

The information in this Offering Circular is not intended to be legal, investment or professional tax advice. Each investor’s unique circumstances—financial and otherwise—are important factors in determining the consequences of an investment with MBLF. For information about the legal, investment or tax consequences of investing in our Certificates, you should consult your own attorney, accountant, or investment advisor.

**THIS OFFERING IS SUBJECT TO CERTAIN RISKS. A DESCRIPTION OF THESE RISKS BEGINS ON PAGE 2.**

**This Offering Circular is dated April 30, 2023.**

THE CERTIFICATES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES IN WHICH THEY ARE OFFERED OR SOLD. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN THE STATES THAT REQUIRE THE FILING OF THIS OFFERING CIRCULAR FOR REGISTRATION OR EXEMPTION.

THE CERTIFICATES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933 AND SECTION 3(c)(10) OF THE FEDERAL INVESTMENT COMPANY ACT OF 1940. A REGISTRATION STATEMENT RELATING TO THE CERTIFICATES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

WHEN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF MBLF AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS AND RISKS INVOLVED.

THE CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION,

ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON OUR FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE U.S. CONFERENCE OF MENNONITE BRETHREN CHURCHES, MB FOUNDATION, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE U.S. CONFERENCE OF MENNONITE BRETHREN CHURCHES.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING THAT IS INCONSISTENT WITH THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY MBLF.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES MADE UNDER THIS OFFERING CIRCULAR SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF MBLF SINCE THE DATE OF THIS OFFERING CIRCULAR.

## STATE SPECIFIC INFORMATION

We only sell our Certificates in certain states. If you purchase a Certificate and then move to a state in which we are not registered to sell Certificates or are not exempt from registration, you will not be allowed to purchase another Certificate or add principal to an existing Certificate.

**California and Oregon.** Automatic renewal upon maturity of a Term Certificate, as provided in our Offering Circular (see “Description of Our Certificates—Term Certificates—Maturity” on page 9), is not available to investors who are California or Oregon residents. Like investors in other states, you will receive a maturity notice and—if you have not already received one—a copy of our current Offering Circular at least thirty days before the maturity date of your Certificate. But to renew your Certificate, you must sign and return the renewal instructions form included with the maturity notice. You must also sign and return the renewal instructions form to redeem your Certificate. If you fail to return your form, the Certificate’s outstanding principal and accrued interest as of the maturity date will be treated and earn interest as if they are invested in a Demand Certificate. Therefore, after the maturity date, your investment would be redeemable with appropriate notice on demand, and without penalty.

**Oregon.** We have registered an aggregate amount of \$1,200,000 in Certificates to be offered in Oregon.

**South Dakota.** These securities are offered pursuant to a claim of exemption from registration under SDCL 47-31B-201(7)(B) of the South Dakota Securities Act. Neither the South Dakota Division of Insurance nor the United States Securities and Exchange Commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved the offering, or passed upon the adequacy or accuracy of this Offering Circular. Any representation to the contrary is unlawful.

**Washington.** Automatic renewal upon maturity of a Term Certificate, as provided in our Offering Circular (see “Description of Our Certificates—Term Certificates—Maturity” on page 9), is not available to investors who are Washington residents. Like investors in other states, you will receive a maturity notice and—if you have not already received one—a copy of our current Offering Circular at least thirty days before the maturity date of your Certificate. But to renew your Certificate, you must sign and return the renewal

instructions form included with the maturity notice. If you fail to return your form, the Certificate’s outstanding principal and accrued interest will be promptly returned to you.

**California.** California requires the following copy of section 260.141.11 to be delivered to each issuee of our Certificates:

### 260.141.11 Restriction on Transfer

- (a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.
- (b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:
  - (1) to the issuer;
  - (2) pursuant to the order or process of any court;
  - (3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;
  - (4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;
  - (5) to holders of securities of the same class of the same issuer;
  - (6) by way of gift or donation inter vivos or on death;
  - (7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;
  - (8) to a broker-dealer licensed under the Code in a principal transaction, or as an

- underwriter or member of an underwriting syndicate or selling group;
- (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;
  - (10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
  - (11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;
  - (12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
  - (13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;
  - (14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state; or
  - (15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;
  - (16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;
  - (17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.
- (c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:
- ""IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

## SUMMARY OF THE OFFERING

We have provided this summary for your convenience. Before investing, you should read this entire document and the audited financial statements attached to this Offering Circular (“**Financial Statements**”).

**MB Foundation’s vision** is to encourage Biblical principles of financial stewardship and generosity, resulting in the gathering, management, and distribution of financial resources for Christ and His kingdom.

**Mennonite Brethren Loan Fund** achieves this by:

- Raising capital through the sale of Certificates
- Providing financing on favorable terms to qualified organizations and individuals.

**Certificate Program:** We sell five types of Certificates:

### ***Demand Certificates***

- Payable on demand
- Variable interest rate
- \$100 minimum initial investment
- \$50 minimum for each additional investment
- \$50 minimum for each redemption
- Limit of two redemptions per month

### ***Advantage Certificates***

- Same terms as Demand Certificates with higher interest rate
- Available only to MB churches, organizations, pastors and missionaries, and eligible employees of conference ministries

### ***Term Certificates***

- Payable at maturity of term
- Variable interest rate
- Interest compounds monthly unless paid
- Interest payable by ACH monthly at investor’s option
- \$1,000 minimum initial investment
- \$50 minimum for each additional investment
- Early redemption penalty

### ***Negotiated Certificate***

- Payable at maturity of negotiated term
- Negotiated interest rate
- \$250,000 minimum initial investment
- Early redemption penalty

### ***Preferred Certificate***

- Payable on demand
- Variable interest rate
- Available only to MB Foundation

### ***Individual Retirement Account (IRA) program***

Certificates are available for the IRA program described on page 7. *IRA additions and withdrawals are subject to IRS regulations.*

**Use of Proceeds:** We expect to use the proceeds from the sale of the Certificates to make loans primarily to MB churches, organizations and qualified individuals as well as other organizations that share our values, to make select grants, to maintain liquidity, to pay our operating expenses, including the expenses of this offering, to pay interest and principal on Certificates, and to make investments to the extent the proceeds are not immediately needed for these purposes.

**Loan Program:** While each of our borrowers has its own unique circumstances and loan terms, our loans typically include the following terms:

- Secured by a first mortgage
- Variable interest rate set by our Board of Directors
- 5- to 15-year term for Organization Loans, and 30-year term for Home Loans
- 1% interest premium during construction

**Summary Financial Information:** The following chart summarizes certain financial information as of and for the fiscal year ended December 31, 2022, and should be read in conjunction with our Financial Statements.

Cash and cash equivalents .....	\$ 495,075
Investments .....	25,794,308
Loans receivable, net* .....	127,325,746
Property and equipment, net.....	1,928,718
Other assets .....	899,649
<b>Total assets.....</b>	<b>\$ 156,443,496</b>
Certificates .....	\$ 141,033,824
Other liabilities .....	85,543
<b>Total liabilities .....</b>	<b>\$ 141,119,367</b>
Net Assets, beginning of year.....	\$ 14,561,327
Net Assets, end of year.....	15,324,129
<b>Change in net assets .....</b>	<b>\$ 762,802</b>
Proceeds from Certificates .....	\$ 27,078,252
Interest reinvested in Certificates .....	\$ 2,068,841
Matured Certificates reinvested.....	\$ 24,651,301
Redemptions of Certificates .....	\$ 24,275,228

\*As of December 31, 2022, we had one delinquent loan with a principal balance of \$546,081; our loan loss reserve was \$2,717,612; and we had one unsecured loan with a principal balance of \$20,000.

After reading this Offering Circular, if you want to purchase a Certificate, please complete and sign the appropriate Purchase Application and Agreements attached to this Offering Circular, and return it to us with payment. If purchasing a Certificate through an Individual Retirement Account, see “Description of Our Certificates – IRA Program” on page 7.

## RISK FACTORS

Purchasing Certificates involves certain risks. Please carefully consider the following risk factors before deciding to purchase a Certificate.

***Not FDIC or SIPC Insured.*** Our Certificates are not bank deposits. They are not issued by, and are not obligations of, a bank. They are not FDIC or SIPC insured.

***No Guarantee by the U.S. Conference or MB Foundation.*** Neither the U.S. Conference, MB Foundation nor any other MB organization has guaranteed the repayment of our Certificates. You must rely solely on MBLF for repayment.

***Your Inability to Demand Redemption.*** We are not obligated to redeem Term or Negotiated Certificates until they mature. Consequently, you may be unable to redeem your Certificate in the event of an emergency or for any other reason. If we choose to accommodate a request to redeem part or all of a Certificate before it matures, we may assess a penalty. See “Description of Our Certificates” on page 7.

***MB Foundation’s Fiduciary Responsibilities May Conflict with Our Interests.*** MB Foundation’s responsibilities include managing funds held in trust or in endowments on behalf of other MB organizations. MB Foundation allocates a portion of the principal balance of its Preferred Certificate to trusts or endowments that it manages. At some point, MB Foundation may decide that its duties as manager or trustee of these funds require it to demand payment of some or all of the principal of its Preferred Certificate even if doing so would have adverse consequences for us. See “Description of Our Certificates—Preferred Certificate” on page 10 for more information on the Preferred Certificate.

***Redemption Requests Could Exceed Available Funds.*** As of December 31, 2022, we had funds available in cash, cash equivalents and readily marketable securities in an amount equal to \$26,289,383. This amount represents 19% of the total principal amount we are obligated to pay on the outstanding Certificates (\$141,033,824 at December 31, 2022). A total of \$49,506,616 in outstanding Certificates are scheduled to mature in 2023 or are Demand or Advantage Certificates payable on demand based on Certificates outstanding as of December 31, 2022. In addition, MB Foundation has the right at any time to redeem its Preferred Certificate, which had a principal balance of \$54,407,613 as of December 31, 2022. If the

combined total of redemption requests exceeds our available funds, we might be required to sell or liquidate some or all of our assets. We cannot assure you that proceeds from selling our assets would be sufficient to fund all redemption requests. See “Certificate Program—Liquidity and Investments” on page 12.

***Unsecured Debt Obligations.*** The Certificates are unsecured general debt obligations of MBLF, and you will be dependent solely on our financial condition and operations for repayment. As a holder of an unsecured obligation, you will have a claim on our assets equal to those of our other unsecured creditors. But the claims of any secured creditors will have priority over your claim. See “Certificate Program—Possible Secured Debt” on page 13.

***Certificates May Be Subordinated.*** Our Certificates may in the future be subordinated to senior secured indebtedness. Although we have no senior secured indebtedness as of the date of this Offering Circular, we may pledge assets to secure loans we obtain from banks or other lenders in the future. Because our Certificates are unsecured, secured lenders that we may have in the future will have the right to be paid from our assets that are pledged to them before you and the rest of our Certificate holders. It is our current policy, however, subject to certain exceptions, to limit the amount of senior secured indebtedness to no more than 10% of our tangible assets on the date of the pledge. See “Certificate Program—Possible Secured Debt” on page 13.

***Not a Commercial Lender.*** WE CANNOT BE COMPARED TO A COMMERCIAL LENDER. We may make loans to borrowers that cannot get financing from commercial sources. In addition, because of our relationship with our borrowers, our loan policies may be less stringent than commercial lenders and we may accommodate partial, deferred or late payments from some of our borrowers. See “Loan Program—Loan Policies” on page 15.

***Regulatory Environment Could Change.*** If state or federal laws, rules, or requirements regarding the sale of debt obligations of charitable or other non-profit organizations change, it may become more difficult or costly to offer and sell Certificates. To the extent that we rely upon investors to renew

their outstanding Certificates, an end to our ability to sell Certificates or permit renewals in some or all states could lead to a situation in which we may have insufficient liquid funds to repay all investors at maturity or upon demand according to the terms of their Certificates.

***Automatic Reinvestment at Maturity.*** Our Term Certificates renew automatically when they mature, except for investors in certain states. See “State Specific Information” on page iii. Although we will notify you when your Term Certificate is about to mature, if you do not inform us in writing before it matures that you want to redeem the Certificate, the principal and accrued interest will automatically reinvest for another term equal to the original term at the interest rate then in effect for new Certificates of that term. You will not be able to redeem these reinvested funds without penalty or permission until the end of the new term. See “Description of Our Certificates—Term Certificates” on page 9.

***Informal Appraisals.*** We do not always require appraisals on our collateral as part of the loan application process. Even when we do, we do not always obtain *formal* appraisals. Therefore, the value of a specific secured property could be less than we believe. Similarly, the amount outstanding with respect to a specific loan could exceed the value of the property securing it. Although we typically do conduct a site inspection for loans of significant size, there can be no assurance that we will do so in all cases.

***Transfer of Certificates Prohibited.*** You may not transfer our Certificates without our consent; they are not negotiable and there is not now, nor will there be, a public market for them. Therefore, you should expect to hold a Certificate for its entire term.

***Our Right to Redeem Certificates.*** We may redeem any Certificate, in whole or in part, at any time upon 30 days’ prior written notice, without your consent. We may redeem Demand Certificates and Advantage Certificates with principal balances of less than the \$100 minimum initial investment. See “Description of Our Certificates—General Terms—Our Redemption Right” on page 8.

***Historical Reinvestment Rates May Change.*** In 2022, 2021, and 2020, investors in our Term Certificates reinvested approximately 89%, 84%, and 95% respectively, in principal amount of Certificates at maturity. We cannot assure that this rate of reinvestment will continue. A significant reduction in the rate of reinvestment could

negatively affect our ability to repay maturing Certificates when due.

***No Trust Indenture.*** We do not intend to arrange for a trust indenture to provide for the payment of principal on our Certificates. Therefore, no trustee will monitor our ongoing affairs on your behalf. There is no agreement providing for joint action by investors in the event we default on our Certificates. In addition, except as provided by law, our failure to pay the interest or principal on one Certificate will not be a default of other Certificates. Finally, you will have none of the other protections a trust indenture might provide.

***Individual Retirement Accounts.*** A self-directed IRA may invest in Certificates if permitted by the IRA trustee or custodian. A self-directed IRA is an individual retirement account that allows the holder the option of selecting investment vehicles for the IRA account. Investors who invest through their IRA should consider whether the investment is in accordance with the documents and instruments governing the IRA; whether there is sufficient liquidity in the IRA should the IRA’s beneficiary need to take a mandatory distribution; and whether the investment could constitute a non-exempted prohibited transaction under applicable law. Consultation with a competent financial and tax adviser is recommended. See “Description of Our Certificates – IRA Program” on page 7.

***No Sinking Fund or Escrow.*** We have not set up a sinking fund or escrow to help pay principal and interest on our Certificates; nor will we. Accordingly, we do not have funds set aside specifically for repayment of Certificates and offering proceeds will not be segregated from our other assets. Our ability to repay a Certificate will, therefore, be solely dependent on our financial condition and liquidity at the time the Certificate must be paid.

***Tax Consequences.*** There are no income tax benefits with respect to investments in the Certificates. Interest on your Certificate will be taxable as ordinary income to you regardless of whether accrued interest is paid to you or added to the principal of your Certificate, unless the Certificate was purchased for an IRA account. You cannot claim a charitable tax deduction for the purchase of your Certificate. If interest paid is below market interest, the Internal Revenue Service may, in some circumstances, impute income up to the market interest level. We may be subject to certain reporting and withholding requirements as are other interest

payers. See “Tax Aspects of Owning Certificates” on page 16.

***Nature of Borrowers.*** We make most of our loans to MB churches and organizations as well as organizations that share our values. Their ability to repay these loans often depends on contributions they receive from their members. If a borrower’s members make fewer contributions than expected, the organization may have difficulty repaying its loan. The inability of a borrower to make timely payments on its loan could adversely affect our ability to make interest and principal payments on Certificates. See “Loan Program” on page 13.

***Special Purpose Properties.*** The real property securing our loans is generally considered special purpose property and typically has a very limited market. If we were to foreclose on any real property securing a loan, we may not be able to sell the property at a price at least equal to the amount of the loan.

***Lack of Environmental Audits.*** We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, we could, in some cases, face environmental liability or our security for the loan could be impaired.

***Geographic Concentration of Borrowers.*** The aggregate amount of our loans receivable from borrowers in California, Washington, Utah, Kansas and Oregon is approximately 43%, 11%, 9%, 7% and 6%, respectively, of our total loans receivable as of December 31, 2022. Adverse economic conditions, a reduction in population, or the loss of purchasing power by residents in any of these states, or the Western region of the United States generally, could correspondingly reduce the amount of contributions borrowing churches and organizations receive from their members. This could, in turn, adversely affect the ability of these borrowers to repay their loans. In addition, if real estate values were to decline in these areas, it could adversely affect the value of the properties serving as collateral for our loans. See “Loan Program—Loans Receivable” on page 13.

***Geographic Concentration of Investors.*** As of December 31, 2022, approximately 61%, 18% and 7% of the outstanding principal amount of our Certificates were owned by investors in Kansas, California, and Oklahoma, respectively. This includes the Preferred Certificate held by MB Foundation in Kansas, which represented 39% of total outstanding Certificates. Adverse economic

conditions in any of these states could correspondingly result in increased redemptions of Demand Certificates, increased requests for redemptions of Term and Negotiated Certificates, and decreased reinvestment rates for maturing Term and Negotiated Certificates owned by investors in these states. This could, in turn, adversely affect our liquidity, our ability to operate our programs, and ultimately our ability to repay Certificates. See “Description of Our Certificates” on page 7.

***Concentration of Loans Receivable in Limited Number of Borrowers.*** Of our \$130,043,358 in total loans receivable at December 31, 2022, \$68,202,937 or approximately 52%, was owed by 15 borrowers. At December 31, 2022, there were three individually significant borrowers whose balances totaled \$33,114,704. If one or more of these borrowers is unable to repay their loans, our own ability to make interest and principal payments on Certificates could be adversely affected. It is our current policy, subject to certain exceptions, that no more than 50% of our net assets may be loaned to any one borrower. See “Loan Program—Loans Receivable” on page 13.

***Unsecured Loans.*** Typically, our loans are secured by real property or other collateral or by third party guarantees. However, we do make some unsecured loans. We may not be able to recover all of the principal and interest on an unsecured loan if a borrower defaults.

***Construction and Renovation Loan Risks.*** Our borrowers often use our loans to construct new facilities or renovate existing facilities. If any of the following risks associated with construction and renovation are realized, they, among other risks, could adversely affect a borrower’s ability to repay its loan by increasing construction costs or delaying or preventing completion:

- The borrower and its contractor may not sign a fixed-price construction contract.
- The contractor may not post a completion bond.
- Completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations or fuel or energy shortages.

In addition, we may disburse some construction payments without first obtaining architectural certification, relying instead on the representations of the borrower. If these representations are incorrect, we may advance more money than is



warranted by the state of construction completed. See “Loan Program—Loan Policies” on page 15.

***Liability for U.S. Conference and MB Foundation Debts.*** Because we are incorporated separately from the U.S. Conference and MB Foundation, we are generally not liable for claims against them or their affiliates. Nevertheless, our affiliation with them could lead to claims against us for matters involving them or their affiliates. If a claim like this were made, it would adversely affect our financial condition.

***Inability to Reinvest.*** While we intend to maintain all required registrations and exemptions in the states where we offer our Certificates for sale, we may not always be able to do so. If we are unable to maintain the appropriate registrations or exemptions in your home state, you may be unable to reinvest the proceeds of your Certificate, make additional investments in it, or purchase new Certificates. In addition, we are not registered or exempt from registration in all states, so if you move to another state you may be unable to reinvest the proceeds of your Certificate, make additional investments in it, or purchase new Certificates.

***Right to Change Policies.*** At various points in this Offering Circular, we describe our policies, such as our loan policies described on page 15, and our investment policies described on page 19. These descriptions are intended to help you understand our current operations. We reserve the right to change our policies, including our loan and investment policies and other policies and procedures in the future.

***We May Sell Additional Certificates in Other Offerings.*** We expect to sell additional Certificates and/or other types of debt securities in other offerings. The total amount of \$125,000,000 to be sold in this offering is not a limitation on the amount of Certificates or other debt securities we may sell in other offerings we may conduct at any time. We have sold our Certificates in other offerings in prior years and anticipate that we will continue to sell additional Certificates or other debt securities as part of this continuous offering process.

***Management of MBLF.*** Control of MBLF is exercised by our Board of Directors. You will not have voting rights or other rights to participate in the management of MBLF or any of its affiliates by virtue of an investment in the Certificates.

***Our Investments Are Subject to Market Risks.*** We may invest some of our liquid assets in marketable securities, which are subject to various

market risks that could result in losses if market values decline. In addition, our investments may exceed FDIC and SIPC limits and may not, therefore, be protected by those programs.

***Our Remedies as a Lender May Be Subject to Certain Limitations.*** Our remedies as a lender are subject to limitations and borrower protections imposed under applicable bankruptcy and other laws. Our remedies as a creditor upon default by any of our borrowers will be subject to various laws, regulations and legal principles that provide protections to borrowers. Our legal and contractual remedies, including those specified in our loan agreements and mortgages, typically require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our loan agreements and mortgages may not be readily available or may be limited. A court may refuse to order the specific performance of the covenants contained in the loan agreements and mortgages. In addition, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements.

In addition, the various security interests established under the loan agreements and mortgages with borrowers will be subject to other claims and interests. Examples of these claims and interests are:

- Statutory liens;
- Rights arising in favor of the United States, or any agency thereof;
- Constructive trusts or equitable liens otherwise imposed or conferred by any state or federal court, including the exercise of its equitable jurisdiction; and
- Federal bankruptcy laws or bankruptcy laws of another jurisdiction affecting amounts earned by the borrower after institution of bankruptcy proceedings by or against the borrower.

***We Could Experience Conflicts of Interest.*** Due to our close relationship with the U.S. Conference, MB Foundation and MB churches and organizations, we may be subject to conflicts of interest that potentially could be adverse to investors. See “Our Organization and Its History” on page 11 and “Financial Discussion and Analysis—Related Party Transactions” on page 18.

***Our Collateral May Be Uninsured or Inadequately Insured.*** As a result, if fire or other casualty damages our collateral, we may not be able to recover against it.

***We Utilize Digital Technologies in Our Operations.*** We utilize digital and cloud-based technologies and services in our operations, many of which are provided by third party vendors. We rely upon these vendors and these technologies and services for maintaining, processing, delivering, and storing proprietary data and other records related to our business. This data includes confidential customer information. Storing and delivering electronic data has inherent risks, including, without limit, unauthorized access to data, data theft, temporary or permanent loss of data, and hardware and software failure. While we and our vendors have taken steps to protect against these risks, there is no guarantee these measures will be 100% effective in safeguarding the electronic data we maintain or the services we utilize. If you choose to utilize our digital

services, including our online account access portal, we can offer no assurances or make any warranties as to the accuracy and availability of such technologies or the data contained therein.

***The COVID-19 Pandemic Could Adversely Impact Our Business.*** The coronavirus situation and related warnings, advice, guidance, and mandates of government authorities and infection disease experts, including restrictions on travel and in-person meetings and preferential or protective government actions, could have a material adverse impact on our operations, financial condition, compliance with loan covenants, and financial results. The coronavirus situation has resulted in significant financial market volatility and uncertainty, and we are exposed to the risks of an economic recession, market volatility, and economic and financial crisis, including any resulting decreased contributions to our borrowers. We have and may again make loan modifications to accommodate our borrowers.

This Offering Circular may contain forward-looking statements about our plans, strategies, objectives, goals, and expectations. These forward-looking statements are identifiable by words or phrases indicating that we “expect,” “anticipate,” “project,” “plan,” “believe,” or “intend” that a particular event may or will occur in the future or similarly stated expectations. These forward-looking statements are subject to many factors, including the above Risk Factors and the other information contained in this Offering Circular that could cause actual results to differ materially from the stated expectations. We undertake no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Offering Circular.

## DESCRIPTION OF OUR CERTIFICATES

We are offering up to \$125,000,000 in unsecured Certificates on a national basis. This section describes the terms of our Certificates, subject to any state-specific requirements set forth in “State Specific Information” on page iii.

### **General Terms**

Our Demand, Advantage, and Term Certificates share the features and terms described in this subsection. Our Negotiated Certificates share the features and terms described in this subsection unless otherwise agreed by us and the investor. For information on the terms of the Preferred Certificate, see “Preferred Certificate” below.

#### *Plan of Distribution*

We sell our Certificates only through our officers and employees, and only by this Offering Circular. We do not use underwriters or outside selling agents, and no direct or indirect commissions or other remuneration will be paid in connection with the offer and sale of the Certificates. If you wish to purchase a Certificate other than through an Individual Retirement Account (“IRA”), please complete the Purchase Application and Agreement attached to this Offering Circular and return it with payment in the amount of your investment. If purchasing a Certificate through an IRA, “IRA Program” below. We accept only cash, checks, money orders and similar cash payments in exchange for Certificates. We do not accept third party checks. Certificates are issued for 100% of the principal amount invested.

#### *IRA Program*

Certificates may be held as investments for IRAs. We do not represent that a Certificate is a permitted investment for an IRA and, therefore, you should consult with your tax advisor and IRA custodian before directing a purchase of a Certificate for your IRA. Responsibility for establishing an IRA that will qualify for tax deferral under provisions of the tax law dealing with IRAs rests with you; however, we have made arrangements with GoldStar Trust Company of Canyon, Texas. Under these arrangements, GoldStar Trust Company acts as the trustee or custodian of a self-directed IRA, and invests the IRA’s funds in the Certificates as directed by the investor. We do not regard these arrangements with GoldStar Trust Company, or the separate IRA accounts for which GoldStar acts as trustee or custodian, as securities, and no separate securities registration or filing has been made with respect to them. These arrangements are merely a method by

which you can provide for the investment of funds in the Certificates offered by this Offering Circular through your IRA. More information on these arrangements for IRAs and other IRA investment options is available upon request.

Please be aware that GoldStar Trust Company or another IRA custodian may assess fees, including a processing fee for annual distributions or closure of an IRA account, and you will need to enter into a separate and independent account agreement with GoldStar Trust Company or another IRA custodian.

No penalty will be assessed for early redemption of a Term Certificate held by an IRA if the early redemption is required to meet a required minimum disbursement of the IRA.

#### *Interest Rates*

Our Demand, Advantage, and Term Certificates have a variable interest rate, which is set by our Board of Directors from time to time based on market conditions, prevailing interest rates and other applicable indicators. Negotiated Certificates may have either a variable interest rate or a fixed interest rate, depending on the agreement made with the investor. You will be notified in writing of any change to the interest rate on your Certificate. Generally, no change will be effective earlier than 30 days after we have mailed you the notice though we may waive this limitation in the event of an increase in the interest rate that would benefit investors. A change in the interest rate of a Term or Negotiated Certificate will not give you any additional right to redeem the Certificate before it matures.

Interest on our Term Certificates accrues daily and is added to the principal balance (compounded) on the last day of each month, and at maturity if a Term Certificate is renewed for an additional term. Investors may elect to have accrued interest in excess of \$25 paid to them monthly by ACH transfer to the investor’s bank account. Currently, ACH transfers of interest are made on the third day of the applicable month. Principal and interest due at maturity is not paid by ACH transfer.

#### *General Debt Obligations*

The Certificates are our unsecured general debt obligations, and you will be dependent solely on our

financial condition and operations for repayment. As a holder of an unsecured obligation, you will have a claim on our assets equal to those of our other unsecured creditors. But the claims of any secured creditors will have priority over your claim. See “Certificate Program—Possible Secured Debt” on page 13.

#### *Transferability*

Our Certificates are not transferable without our consent. You may not sell them, pledge them as collateral, or give them away without our express written consent.

#### *Our Redemption Right*

We may redeem any Certificate, in whole or in part, at any time upon 30 days’ prior written notice, without your consent. We reserve the right to redeem Demand Certificates, Advantage Certificates, and Term Certificates with principal balances of less than the minimum initial investment.

#### *Ownership*

You may purchase and hold our Certificates in one of four ways:

- **Individually.** Owned by a single individual or entity.
- **Joint tenant with right of survivorship.** The surviving Certificate owner becomes the sole owner upon the death of the other owner.
- **Trusts.** Certificates may be purchased in the name of trusts, both revocable and irrevocable. When Certificates are purchased in this form, they will be issued in the name of the trust listed on the Purchase Application & Agreement. We reserve the right to request trust and other documents we deem necessary to confirm the identity and powers of the trustee(s).
- **IRAs.** Certificates may be purchased through IRAs. See “IRA Program” above.

If you hold your Certificate individually, you may designate that we pay the principal and any accrued interest to a specific individual or organization at your death. As a joint tenant, ownership of the entire Certificate would pass to you when the other owner dies.

To hold your Certificate as trustee of your own living trust, you must have set up a living trust. While we will facilitate the purchase of a Certificate in trust, you should contact a planned giving advisor at MB Foundation, an attorney, or a financial planner for assistance with setting up a living trust.

#### *Donations*

You may opt to donate the principal and accrued interest on your Certificate to a 501(c)(3) organization of your choice. However, we may refuse to honor a donation request, particularly if the donation is to an organization that we, in our discretion, determine to be contrary to our mission or that of the U.S. Conference.

The donation may be made effective immediately or upon your death. When a donation is effective, we will redeem your Certificate and donate the outstanding principal and accrued interest according to your written instructions. If your donation of a Certificate is effective immediately, we generally will redeem your Certificate immediately without penalty.

You may revoke a donation that is to be made effective at your death at any time. But your heirs, beneficiaries or personal representatives may not revoke a donation after you die. An immediately effective donation is not revocable.

If you would like to make a donation with regard to a Certificate, please contact us for the appropriate paperwork.

#### *Additions to Principal*

You may make additions of at least \$50 to the principal of your Certificate at any time. For Certificates that are not held in an IRA, simply send us payment for the additional amount and indicate the Certificate number that it is to be added to. Please contact us regarding additions to Certificates held in IRAs. Additions to Term and Negotiated Certificates will mature at the same time the initial investment matures.

#### *Direct Deposit*

Holders of Demand, Advantage, Term or Negotiated Certificates may authorize monthly investments of \$50 or more to be transferred electronically from their bank account or other account. You may choose to invest with direct deposit by completing an ACH authorization form and returning it to us for the account to be debited. An ACH authorization form is available upon request. You should allow 10 business days from the time we receive the form before the direct deposit will occur. This authority will remain in effect until we have received written notification from you to terminate or change the terms of the direct deposit. You should allow 30 days from the time we receive a notice for the change to take effect.

Direct Deposit is also available with Certificates held as IRA investments. Contact our office for details.

### *Book Entry System*

We currently use a book entry system to record ownership of all our Certificates. Therefore, we do not expect to send you a document representing your Certificate. We will, however, send periodic statements for each Certificate you own, showing the then outstanding balance on your Certificate.

### **Demand Certificates**

Our Demand Certificates give investors the opportunity to redeem all or part of the principal balance at any time subject to certain conditions discussed below.

#### *Redemption*

You may redeem all or part of the principal balance of a Demand Certificate at any time. However, when you do, you must redeem at least \$50. In addition, you may only redeem funds up to two times each month. We will pay any redemption of your Demand Certificate to you within 30 days after we receive your request, although we generally can honor requests much more quickly. All accrued interest will be paid if the Certificate is fully redeemed.

#### *Minimum Investment*

To purchase a Demand Certificate, you must initially invest at least \$100. Thereafter, you may make additions of at least \$50 to the principal of your Certificate at any time. We reserve the right to redeem a Demand Certificate when its principal balance and accrued interest fall below \$100.

### **Advantage Certificates**

Our Advantage Certificates differ from our Demand Certificates in two ways. First, they typically carry a higher interest rate. Second, only MB churches and organizations and the following individuals may purchase an Advantage Certificate:

- Current and retired MB pastors;
- Current and retired MB missionaries; and
- Current employees of Fresno Pacific University, MB Foundation, Multiply, Tabor College, U.S. Conference, MB district conferences, and MB churches.

Otherwise, the terms of an Advantage Certificate are the same as those of a Demand Certificate.

### **Term Certificates**

Our Term Certificates have various terms and may not be redeemed without our consent before they mature.

Like our Advantage Certificates, Term Certificates earn interest at a variable rate that is typically higher than that of Demand Certificates. At any particular time, the interest rate on new Term Certificates will exceed the interest rate then in effect for new Demand Certificates by at least—and often more than—one half of a percentage point.

#### *Minimum Investment*

To purchase a Term Certificate, you must invest at least \$1,000. Thereafter, you may make additions of at least \$50 to the principal of your Certificate at any time. We reserve the right to redeem a Term Certificate when its principal balance and accrued interest fall below \$1,000.

#### *Maturity*

At the end of your Term Certificate's term, you may redeem either all or a part of the then outstanding balance and accrued interest on the Certificate. We will send you a notice at least 30 days before your Term Certificate matures. Unless you have already received one, we will also send you a current Offering Circular.

To redeem your Certificate when it matures, you must notify us in writing before the maturity date that you wish to do so. If you want to redeem less than the entire outstanding balance, your notice should also include the amount you wish to redeem. Any unredeemed portion of your Certificate will be renewed for another term equal to the term just completed, as long as it still meets the minimum balance requirements. If the unredeemed portion is less than the then current minimum investment amount, we may return the entire outstanding balance of the Certificate to you. Investors are encouraged to process redemption requests at maturity with a renewal instructions form.

If you do not notify us as described above, the entire outstanding balance and accrued interest of your Term Certificate will renew for another term equal to the term just completed. There is no limit on the number of times a Term Certificate can renew in this manner.

#### *Early Redemption*

Generally, you may not redeem a Term Certificate prior to maturity. If we allow you to do

so, we reserve the right to charge you an early redemption penalty. Our current penalty as of the date of this Offering Circular is equal to the forfeiture of six months of interest calculated at the interest rate in effect on the date we receive notice of a request for early redemption. We may retain both accrued interest and outstanding principal to pay this penalty. We reserve the right to change the amount of the early redemption penalty applicable to outstanding Certificates at any time.

### **Negotiated Certificates**

If your total investment level in our Certificates is \$250,000 or more, the Certificates you purchase, subject to our agreement, may be designated as Negotiated Certificate(s). We will be amenable to negotiating the interest rate and term to maturity of Negotiated Certificates. All of the other terms of Certificates that are designated as Negotiated Certificates will be the same as the standard terms for Certificates of their respective type. Once the interest rate and term to maturity of a Negotiated Certificate are agreed upon between us, the terms of that Certificate will no longer be subject to further negotiation.

Your existing Certificates do not automatically convert to Negotiated Certificates and they will continue to be subject to all terms applicable to the standard Certificates of that type unless otherwise agreed.

Your “total investment level” includes the outstanding balance of all of your Certificates, including Negotiated Certificates. But only the funds held in Certificates designated as Negotiated Certificates will be subject to the negotiated terms. For purposes of determining your total investment level, we will consider Certificates held in the following ways to be counted as your Certificates:

- Certificates in your name, your spouse’s name, or the name(s) of your minor children;

- Certificates in the name of your trust or your spouse’s trust;
- Certificates in your IRA or your spouse’s IRA; and
- Certificates in the name of a business entity that you own and control, either wholly or together with your spouse.

We may, in our sole discretion, consider Certificates held in ways not described above for purposes of determining an investor’s total investment level. Certificates held jointly, in the name of a minor or in the name of a business may only be attributed to one of the parents or owners, as the case may be, in determining an investor’s total investment level.

If your total investment level falls below \$250,000, any Negotiated Certificate that you hold will earn interest at the standard interest rate then in effect for the applicable type of Certificate.

### **Preferred Certificate**

Our Preferred Certificate is available only to MB Foundation, which may invest in the Preferred Certificate on its own behalf, as the manager or trustee of donated funds, or in other fiduciary capacities. The Preferred Certificate is payable upon demand by the Foundation. As of December 31, 2022, this Preferred Certificate had an outstanding principal balance of \$54,407,613.

Like all our Certificates, we reserve the right to redeem the Preferred Certificate, in whole or in part, at any time upon 30 days’ prior written notice.

The interest rate on the Preferred Certificate is adjusted each month based on indicators including the average rate of return on our outstanding loans and other interest-bearing assets, and other factors in accordance with policies set by our Board of Directors from time to time. The interest rate ranged between 0% and 3.206% during 2022.

## **USE OF PROCEEDS**

We expect to use the cash proceeds from the sale of our Certificates in this offering for one or more of the following primary purposes:

- To make loans primarily to churches, organizations and qualified individuals within the U.S. Conference or affiliated with an MB organization, that subscribe to the Confession of Faith of the U.S. Conference, or that otherwise share our values, mainly for the acquisition, construction, renovation, maintenance,

operation and improvement of churches, real property, facilities and equipment.

- To make grants to qualified MB churches and organizations, including MB Foundation, as our Board of Directors may occasionally determine.
- To increase, maintain or support our liquidity.
- To pay operating expenses.
- To pay the expenses of this offering, which we anticipate to be less than one percent (1%) of the total offering amount.

- To pay interest or principal on any Certificates we have issued

- To the extent we do not immediately use funds for any of the above purposes; we may add them to our general fund.

## **OUR ORGANIZATION AND ITS HISTORY**

### **Our Organization**

MBLF is a religious not-for-profit corporation serving the financial needs of conferences, churches, institutions and agencies affiliated with the U.S. Conference, MB organizations, and other organizations that share our values, and their members. We were incorporated under the laws of the state of Kansas in 2002 and are exempt from federal income taxation under Section 501(c)(3) of the Code. Our principle business office is 200 East D St, Hillsboro, Kansas 67063.

Our primary purpose is to offer financial support through loans and grants to churches and organizations affiliated with the U.S. conference, MB organizations, and other organizations that share our values to help them achieve their established goals. To this end, we raise capital by soliciting donations and selling Certificates, including, but not limited to, the \$125,000,000 of Certificates offered on a national basis by this Offering Circular. These Certificates, which provide general obligation financing for us, are not specifically secured by particular loans to specific borrowers. However, with the capital raised through selling the Certificates, we are able to make loans with competitive rates and favorable terms to qualified churches, organizations and individuals for capital improvement projects. As with everything we do, we seek to manage funds consistent with our Christian faith—with accuracy and prudence.

### **Our Association with the U.S. Conference**

In addition to assisting churches, institutions and other agencies related to the U.S. Conference, we are closely tied to the U.S. Conference through our Board of Directors. Each of our directors was approved by the U.S. Conference.

The U.S. Conference can trace its roots to the Mennonite Brethren Conference, which began in 1879 with a vision for mission and education. Within five years, funds had to be gathered to send missionaries to India and to start a school. Later formalized as the General Conference of Mennonite Brethren Churches, the Conference included all

Mennonite Brethren church members within Canada and the United States.

In 1963, the U.S. Conference was incorporated in the state of Kansas. The vision of the U.S. Conference is (i) to provide Biblical guidance for the Mennonite Brethren Churches throughout the United States, (ii) to encourage an assertive program of evangelism and church planting, and (iii) to develop and affirm leadership in all levels of MB organization ministry. The mission of the U.S. Conference is to be an extension of and resource to the local church in fulfilling the Great Commission in disciple making, in evangelism and in planting and nurturing churches.

### **Our History**

Although MBLF was not incorporated until 2002, our functions originated with the General Conference of Mennonite Brethren Churches Board of Trustees in the early twentieth century. Our loan program was eventually passed to the U.S. Conference, then to MB Foundation, before coming to rest with us on December 31, 2002.

In the tradition of the organizations that previously handled the loan program, we continue to provide financing primarily to MB churches, organizations and qualified individuals as well as other organizations that share our values.

### **Relationship with MB Foundation**

We have a unique relationship with MB Foundation. MB Foundation is the “parent” organization of MBLF and exercises control over MBLF through common Boards of Directors. The members of our Board of Directors also serve on MB Foundation’s Board of Directors. MB Foundation also handled the Certificate and loan programs prior to our incorporation and is the sole investor in the Preferred Certificate. See “Description of our Certificates—Preferred Certificate” on page 10. MB Foundation and MBLF are separate corporations and neither is liable for the obligations and indebtedness of the other. MB Foundation is not the issuer of the Certificates and has not guaranteed repayment of the Certificates.

## CERTIFICATE PROGRAM

Our Certificate Program consists of our Certificate selling and repayment activities.

### Outstanding Certificates

As of December 31, 2022, we had Certificates outstanding in the aggregate principal amount of \$141,033,824, as follows:

Certificate Type	Principal Balance	Interest Rate at 12/31/22
Demand		
Advantage	\$ 16,136,987	1.05%
Demand	5,546,813	0.75%
Preferred	54,407,613	2.10%
	<u>76,091,413</u>	
Term		
One year	13,018,219	1.75%
Two year	7,010,659	1.90%
Three year	5,930,149	2.05%
Four year	2,540,253	2.20%
Five year	36,443,131	2.35%
	<u>64,942,411</u>	
	<u>\$ 141,033,824</u>	

These Certificates are scheduled to mature as follows:

Year of Maturity	Amount
Demand	\$ 76,091,413
2023	27,822,816
2024	12,383,899
2025	7,246,274
2026	8,227,967
2027	9,261,455
	<u>\$ 141,033,824</u>

At December 31, 2022, we had 210 investors with aggregate investment certificate balances of \$100,000 or more as follows:

Certificate Balances	Number of Investors	Amount	% of Certificate Balances Outstanding
\$100,000-\$200,000	93	12,658,144	9%
\$200,001-\$300,000	45	10,886,321	8%
\$300,001-\$500,000	40	14,794,198	10%
Greater than \$500,000	28	31,804,518	23%
Related parties	4	55,765,265	40%
	<u>210</u>	<u>125,908,446</u>	<u>90%</u>

As of December 31, 2022, approximately 61%, 18% and 7% of the outstanding principal amount of our Certificates were owned by investors in Kansas, California and Oklahoma, respectively. Investors from these three states aggregately represented 86% of the outstanding principal amounts of our Certificates, as of December 31, 2022.

Our coverage ratio of available cash to cash redemptions, for each of the most recent 3 years of December 31, was as follows:

	2022	2021	2020
Cash and equivalents, beginning of year	1,147,122	1,192,693	\$918,674
Investments, beginning of year	46,869,343	47,989,497	36,285,376
Net cash provided by operating activities	5,268,623	4,299,786	3,842,560
Loan advances	(35,924,774)	(19,849,533)	(26,205,173)
Loan principal received	10,594,097	14,458,483	11,957,013
Total proceeds from Certificates	27,078,252	39,781,900	63,678,329
Less denominational account proceeds from certificates	(16,247,554)	(30,199,747)	(42,779,839)
Total available cash	<u>\$38,785,109</u>	<u>\$57,673,079</u>	<u>\$47,696,940</u>
Total redemptions of certificates payable	24,275,228	40,764,912	\$41,565,640
Less denominational account redemptions not in excess of denominational account proceeds from Certificates	(14,913,681)	(24,026,879)	(32,395,423)
Cash redemptions	<u>\$9,361,547</u>	<u>\$16,738,033</u>	<u>\$9,170,217</u>
Coverage ratio of available cash to cash redemptions	4.14:1	3.45:1	5.20:1

### Sales, Redemptions and Reinvestments

In 2022, we received a total of \$27,078,252 in cash proceeds from sales of our Certificates, and experienced a total of \$24,275,228 in Certificate redemptions. Of the \$27,733,771 in principal amount of Term Certificates that matured in 2022, \$24,651,301 was reinvested at maturity, resulting in a reinvestment rate of 89%.

### Liquidity and Investments

As of December 31, 2022, we had \$495,075 in cash and cash equivalents, and \$25,794,308 in investments. Together, this represents 19% of the total principal amount we are obligated to pay on the outstanding Certificates (\$141,033,824 as of December 31, 2022).

Additional information with regard to all of our assets is set forth in the "Investing Activities" section on page 19 and in the Financial Statements.



## **Possible Secured Debt**

Currently, we have not pledged any assets as collateral for any of our outstanding indebtedness. If we did so, the assets pledged as collateral could not be used to pay off Certificates until the other indebtedness was paid in full. In other words, the Certificates would be “subordinated” to “senior secured indebtedness.”

Should we subordinate your Certificate to the claims of future creditors by creating, incurring or voluntarily permitting liens upon our assets or otherwise using our assets to secure a loan or other

obligation, it is our current policy that the senior secured indebtedness would not exceed 10% of our tangible assets, unless it is one of the following:

- A lien or charge for current taxes, assessments or other governmental charges that are not delinquent, that remain payable without penalty, or that are contested in good faith as invalid.
- A surety bond, an appeal bond, a bond for the release of an attachment or for stay of execution, or a lien made to secure a statutory obligation.
- A judgment lien.

## **LOAN PROGRAM**

We offer loans primarily to MB churches, organizations and qualified individuals as well as other organizations that share our values at competitive rates and on favorable terms to help them achieve their goals. We also sometimes offer home loans to qualified church, district, and conference employees. This section describes these lending activities.

### **Loans Receivable**

As of December 31, 2022, we had 167 loans outstanding totaling \$130,043,358 to 131 borrowers as follows:

<u>Loan Balance</u>	<u>Number of Borrowers</u>	<u>Principal Outstanding</u>	<u>% of Loan Portfolio</u>
\$0 - \$500,000	72	\$ 12,983,239	10%
\$500,001 - \$1,000,000	21	14,797,529	11%
\$1,000,001 - \$1,500,000	12	15,171,991	12%
\$1,500,001 - \$2,000,000	11	18,887,662	14%
\$2,000,001 - \$2,500,000	7	15,254,458	12%
\$2,500,001 - \$3,000,000	0	-	0%
Over \$3,000,000	8	52,948,479	41%
	<u>131</u>	<u>130,043,358</u>	<u>100%</u>
<b>Less loan loss allowance</b>		<u>(2,717,612)</u>	
<b>Loans receivable, net</b>		<u>\$ 127,325,746</u>	

Loans receivable at December 31, 2022, will mature as follows:

<u>Year</u>	<u>Amount</u>
2023	7,792,511
2024	9,758,301
2025	2,891,136
2026	23,080,479
2027	28,432,711
Thereafter	58,088,220
	<u>\$ 130,043,358</u>

The aggregate amount of our total loans receivable from borrowers in California, Washington, Utah, Kansas, and Oregon was approximately 43%, 11%, 9%, 7%, and 6%, respectively. These five states together represented 76% of our total loan portfolio at

December 31, 2022. No other state contained a concentration of greater than 5%.

Of our total loans receivable, \$123,939,050 (95%) was secured by mortgages or deeds of trust; \$6,084,308 (5%) was secured by collateral other than real property; none was secured by third party guarantees; and \$20,000 (0.02%) was unsecured.

### **Loan Commitments**

As of December 31, 2022, we had outstanding loan commitments totaling approximately \$31,240,000, which consisted of \$4,654,000 in approved but unfunded loan commitments, \$13,231,000 of undrawn lines of credit, and \$13,355,000 in existing but unfunded construction loan commitments. Of these commitments, \$580,000 would be unsecured if drawn upon. A portion of these commitments will likely expire without being fully drawn upon, so the total amount of commitments is not a direct representation of future cash requirements.

### **Organization Loans**

Under our loan program, we make loans primarily to churches and organizations within the U.S. Conference or affiliated with an MB organization, that subscribe to the Confession of Faith of the U.S. Conference, or that otherwise share our values (“**Organization Loans**”), mainly for the acquisition, construction, renovation, maintenance, operation and improvement of churches, real property, facilities and equipment.

For an MB church to qualify for a loan, we generally ask that it demonstrate fellowship and cooperation with the U.S. Conference and include

approved U.S. Conference ministries in its budget. Other organizations will typically qualify for Organization Loans if they are affiliated with the U.S. Conference or an MB organization, subscribe to the Confession of Faith of the U.S. Conference, or otherwise share our values.

Typically, we charge a 1% origination fee and an interest rate 50 basis-points higher than the standard rate on loans to non-MB organizations.

At December 31, 2022, we had \$130,043,358 in total loans receivable. Organization Loans generally earn interest at a variable rate. The maturity dates of these loans range from 2023 to 2043. The weighted average interest rate on these loans was 5.61% at December 31, 2022. These loans are secured by a mortgage or deed of trust.

### **Home Loans**

We also offer home loans for the refinancing, purchase or construction of primary residences in the United States for qualified church, district, conference, and MBLF employees (“**Home Loans**”).

As of December 31, 2022, we had 50 outstanding Home Loans with an aggregate principal outstanding of \$9,670,030, or 7% of our total loans receivable. These loans had maturity dates ranging from 2025 to 2057. Each of these loans is secured by a mortgage or deed of trust on the property. Home Loans generally have a 30-year term and earn interest at a 5-year adjustable rate. The weighted average interest rate on our outstanding Home Loans as of December 31, 2022, was 3.05%.

### **Loan Delinquency and Restructuring**

Due to the nature of our relationship with our borrowers, we are willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not, in our opinion, jeopardize the interests of our investors. A loan is considered impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue.

During 2020, we allowed 25 borrowers to make loan modifications due to the impact of the COVID-19 situation. These loans were not considered impaired, delinquent, past due, or restructured. As of December 31, 2020, all of these loans had returned to normal. We also provided a “Borrower Relief Grant” to all of our borrowers in April 2020, equal to one month’s interest.

As of December 31, 2022, we had one delinquent loan with a balance of \$546,081. As of December 31, 2021, and 2020, we had no delinquent loans and no impaired loans.

### **Allowance for Loan Losses**

We have established an allowance for loan losses which is maintained at a level that, in management’s judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. In 2022, management engaged in its usual analysis as well as consideration of the uncertainty of the ongoing coronavirus situation and its potential effect on our borrowers and determined to make no change to our loan reserve, which remained at \$2,717,612. See Note 4 of the Financial Statements.

### **Participations**

We may sell participation interests in our loans to third parties from time to time, including a pro-rata interest in the collateral securing the loan. When we do so, we continue to service the loans and remit a portion of each loan payment we receive from the borrowers to the buyers of the participation interest. The participations are non-recourse, which means that we will have no obligation to repurchase the portion of the loan we sold, and that the purchaser will assume the risk of loss on that portion of the loan. Accordingly, the portions of the loans we sell are not included in our outstanding loans receivable figures. It is our practice not to securitize any portion of our loan portfolio, and as of the date of this Offering Circular no portion of our loan portfolio was securitized.

We may also purchase participation interests in individual loans from third party lenders. Under these loan participation agreements, the third-party lenders maintain all records, collect all payments and remit monthly the appropriate pro rata share of both interest and principal collected on the loans. These agreements typically provide that we will share ratably with the third-party lenders in the event of any extraordinary expenses required to preserve the collateral or enforce the lender’s rights with respect to the loan. Similarly, we share ratably in the costs and proceeds in the event of any foreclosure, sale of collateral or other collection action. Our right to take any enforcement action with

respect to the borrower or collateral of any of these loans is subject to the cooperation of the third-party lender who originated the loan. These purchased participation interests are included in loans receivable in the Financial Statements.

At December 31, 2022, we owned \$5,944,422 of participation interests in three loans originated by other lenders. These purchased participation interests were purchased without recourse, are secured by real property, and are included in loans receivable in the Financial Statements. As of that same date, we had \$1,605,665 outstanding in participation interests in one loan we made and service, but participated to another lender.

### **Loan Policies**

Our Board of Directors has set certain policies that govern which borrowers we lend to and the terms of our loans. In addition, the Board of Directors generally reviews and must approve each loan application and its terms. However, our current policy allows an administrative committee composed of officers and directors to approve Organization Loans up to \$2,000,000 and Home Loans up to \$500,000 to borrowers that meet certain criteria, though our Board of Directors may change this policy in its discretion.

Each loan application we receive represents a unique borrower in unique circumstances. Our Board of Directors recognizes that certain policies may not be appropriate for every borrower or every circumstance. Therefore, it may, in its discretion, decide not to follow all the loan policies described in this Offering Circular when determining whether to make a loan to a particular borrower. Due to the unique nature of each borrower and its circumstances, we cannot predict which of the following policies, if any, our Board of Directors may choose not to follow.

#### *General Policies*

We typically require borrowers to secure our loans with a first mortgage or deed of trust on the borrower's real estate. To protect this interest in the real estate, it is our policy to require borrowers to provide title insurance to us from an approved underwriter and to maintain property insurance payable to us protecting against the loss of or damage to the real estate by fire, flood or other common disaster. In addition, we often will not close on the loan or advance funds until the property has been inspected by one of our representatives.

We also may accept collateral in the form of equipment or similar property; automobiles; cash, cash equivalents and investments; and third-party

guarantees. We may on occasion make loans that are not secured.

Most of our loans have a variable interest rate, which is set by our Board of Directors. The Board reviews the interest rates on these loans at least twice a year and may raise or lower them as it sees fit in light of market conditions and other factors, such as the prime rate and our operational needs and financial condition. We may also adjust a borrower's monthly payments to reflect a change in the interest rate.

We rarely make Organization Loans with a term longer than 15 years. But we may allow payments on a 25-year amortization schedule with a balloon payment of the balance due at the end of the 15-year period. Generally, borrowers may make prepayments on the principal of the loan without penalty. If a borrower defaults on a payment and fails to make the payment after receiving an overdue notice, we may accelerate the loan, making the principal and accrued interest immediately due and payable.

When we provide loans to construct new buildings, generally the borrower may not begin construction until the loan has been closed. Before we release any funds, one of our representatives typically inspects the site to confirm that the work for which the draw on the loan is being made has been completed. Finally, during construction, we often assess a one percent (1%) interest rate premium on the loan. When the borrower makes the final draw and the loan is amortized, interest on the loan begins to accrue at the then current rate.

#### *Organization Loan Policies*

When we make Organization Loans, we may request a meeting with appropriate church committees or institutional boards. We use these meetings to discuss the building plans and specifications, the church or institution's role in the loan process, and our purposes and obligations in the administration of our loan program.

We typically ask a borrowing organization to provide us with financial information that demonstrates its ability to service the debt. Examples of financial information we often consider include financial statements, written budgets and other adopted financial plans. We also examine this information for evidence that the borrowing organization has consistently supported other MB organizations such as conferences and ministries, if applicable.

We typically will not make a loan to an organization if the loan would cause payments on its overall debt to exceed 40% of its annual receipts. Organizations may also have to agree that they will not

incur additional debt that would cause them to exceed this limit without our written permission.

Generally, Organization Loans are not for more than 75% of the lower of aggregate cost or value of the property securing the loan. We typically obtain an appraisal or broker price opinion to verify the fair market value. If an approved guarantor guarantees the loan, we often waive this 75% limitation. We usually also consider whether a church applying for a loan is located in a community where it can realistically be maintained.

#### *Home Loan Policies*

Applications for Home Loans generally must include a credit report and a property appraisal.

A base interest rate is calculated by taking the Enterprise 11<sup>th</sup> District COFI Replacement Index plus a margin. Adjustments are calculated off of the borrower's credit score and down payment or loan to value ratio.

Interest rates will not be lower than the rate offered on the 5-year Term Certificates at the time the loan is made, and are adjustable every five (5) years. Standard amortization is 30 years.

A Home Loan is generally not transferable. Therefore, it may not be assigned to or assumed by a party other than the borrower without our written consent. In addition, when the borrower sells the property, the loan often becomes immediately due and payable.

## **TAX ASPECTS OF OWNING CERTIFICATES**

By purchasing a Certificate, you may be subject to certain income tax provisions of the Internal Revenue Code ("Code"). Some of the significant federal income tax aspects of purchasing a Certificate include the following:

- Although MBLF is a 501(c)(3) organization, you will not be entitled to a charitable deduction for the Certificate you purchase.
- Any interest on your Certificate will be taxed as ordinary income in the earlier of the year it accrues or the year in which it is paid to you.
- If required, we will provide you with a Federal Income Tax Form 1099-INT or the comparable form by January 31st of each year indicating the interest earned on your Certificate(s) during the previous year.

You will not be taxed on the return of any principal amount of your Certificate or on the payment of interest that was previously taxed. In addition, if you (or you and your spouse together) have invested or loaned more than \$250,000 in the aggregate with or to MBLF and other charitable organizations that control, are controlled by, or are under common control with MBLF, you may be deemed to receive additional taxable interest under Section 7872 of the Code if the interest actually accruing on your Certificate is less than the applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

If the laws creating the tax aspects described in this summary change, this summary could become

inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this Offering Circular. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in our Certificates after the date of this Offering Circular.

In addition, this summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. It also does not address Certificates purchased through an IRA, SEP, or 403(b) plan or other retirement plan. Nor does it address any aspect of state or local tax law that may apply to you.

This discussion of federal income tax consequences was written to support the promotion or marketing of the Certificates and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Each prospective investor is advised to consult the investor's own tax counsel or advisor as to the federal, state, local, or foreign income or other tax consequences of an investment in our Certificates.

## SELECTED FINANCIAL DATA

The tables below set forth selected financial information as of and for the years ended December 31, 2018, 2019, 2020, 2021, and 2022.

	2022	2021	2020	2019	2018
<b>Assets</b>					
Cash and cash equivalents	\$ 495,075	\$ 1,147,122	\$ 1,192,693	\$ 918,674	\$ 739,313
Investments	25,794,308	46,869,343	47,989,497	36,285,376	20,212,996
Loans receivable, net	127,325,746	99,872,448	96,361,655	82,039,932	87,179,641
Property and equipment, net	1,928,718	2,093,649	1,975,929	2,027,315	2,078,701
Other assets	899,649	814,886	791,110	753,165	650,182
<b>Total Assets</b>	<b>\$ 156,443,496</b>	<b>\$150,797,448</b>	<b>\$148,310,884</b>	<b>\$ 122,024,462</b>	<b>\$110,860,833</b>
<b>Liabilities</b>					
Investment certificates	\$ 141,033,824	\$136,161,959	\$134,314,489	\$109,306,944	\$99,487,277
Other liabilities	85,543	74,162	44,638	21,467	7,240
<b>Total Liabilities</b>	<b>\$ 141,119,367</b>	<b>\$136,236,121</b>	<b>\$134,359,127</b>	<b>\$109,328,411</b>	<b>\$ 99,494,517</b>
<b>Net Assets, end of year</b>	<b>\$ 15,324,129</b>	<b>\$ 14,561,327</b>	<b>\$ 13,951,757</b>	<b>\$ 12,696,051</b>	<b>\$ 11,366,316</b>
Revenues	\$ 4,529,874	\$ 5,363,919	\$ 5,999,356	\$ 5,708,819	\$ 4,378,446
Less Expenses	3,767,072	4,754,349	4,743,650	4,379,084	3,330,119
<b>Change in Net Assets Without Donor Restriction</b>	<b>\$ 762,802</b>	<b>\$ 609,570</b>	<b>\$ 1,255,706</b>	<b>\$ 1,329,735</b>	<b>\$ 1,048,327</b>
	2022	2021	2020	2019	2018
<b>Supplemental Data:</b>					
Proceeds from issuing certificates	\$ 27,078,252	\$ 39,781,900	\$ 63,678,329	\$ 56,422,550	\$ 41,933,210
Interest reinvested in certificates	\$ 2,068,841	\$ 2,830,482	\$ 2,894,856	\$ 2,931,096	\$ 2,123,361
Matured certificates reinvested	\$ 24,651,301	\$ 34,887,495	\$ 22,107,465	\$ 17,189,842	\$ 19,477,641
Redemptions of certificates	\$ 24,275,228	\$ 40,764,912	\$ 41,565,640	\$ 49,533,979	\$ 35,602,548

	Unsecured Loans		Delinquent Loans	
	Amount	% of Total Loans	Amount	% of Total Loans
2022	\$20,000	0.02%	\$546,081	0.43%
2021	--	--	--	--
2020	--	--	--	--
2019	--	--	\$1,551,221	1.83%
2018	--	--	--	--

## FINANCIAL DISCUSSION AND ANALYSIS

### Certificates

As of December 31, 2022, our outstanding Certificates totaled \$141,033,824. This represents an increase of \$4,871,865 or 4% above our Certificates outstanding of \$136,161,959 as of December 31, 2021, which represented an increase of \$1,847,470 or 1% above our Certificates outstanding of \$134,314,489 as of December 31, 2020. This change in outstanding

Certificates is attributable to standard investment and reinvestment activity in our Certificates, as well as our enhanced sales activity in order to meet increased loan demand.

As of December 31, 2022, the weighted average interest rate being paid to investors in our Certificates was 1.95%. This compares to weighted averages of 1.69% as of December 31, 2021, and 2.40% as of December 31, 2020. Interest rates offered on

Certificates are based upon a number of factors, including market conditions, prevailing interest rates and other applicable indicators. Our total interest expense on our Certificates in 2022 was \$2,202,812, compared to \$2,972,930, in 2021, and \$3,070,473 in 2020.

### **Other Borrowed Indebtedness**

We have a \$5,000,000 unsecured line of credit from Emprise Bank. As of December 31, 2022, we had an outstanding balance of \$250 on this line of credit, which matures December 19, 2025.

### **Loans**

During 2022, we approved \$35,025,482 in new loans, compared with \$31,269,299 in 2021, and \$19,314,948 in 2020. We made loan advances of \$35,924,774 in 2022, representing an increase of \$16,075,241 or 81% compared to loan advances of \$19,849,533 in 2021, which represented a decrease of \$6,355,640 or 24% compared to loan advances of \$26,205,173 in 2020. Our loan principal received was \$10,594,097 in 2022, representing a decrease of \$3,864,386 or 27% compared to \$14,458,483 in 2021, which represented an increase of \$2,501,470 or 21% compared to \$11,957,013 in 2020.

During April 2020, to assist our borrowers during the coronavirus situation, we provided a “Borrower Relief Grant” to all of our borrowers equal to that month’s interest. The total amount of Borrower Relief Grants we made was \$340,464.

As of December 31, 2022, we had one delinquent loan with a balance of \$546,081. As of December 31, 2021 and 2020, we had no delinquent or impaired loans.

We had no loan foreclosures during 2022, and had no real estate held for sale as of December 31, 2022.

During 2022, 2021, and 2020, we made no additional provision for losses.

In 2022, our loan portfolio increased by \$27,453,298 from \$102,590,060 on December 31, 2021, to \$130,043,358 on December 31, 2022. This represented an increase of 27%.

As of December 31, 2022, we had 23 loan commitments totaling \$31,240,224, compared to loan commitments of \$34,532,732 in 2021, and \$24,358,856 at December 31, 2020.

As of December 31, 2022, the interest rates on our loans receivable ranged from 2.47% to 6.75% and had a weighted average of 5.43%, compared with weighted averages of 4.69% and 4.88% as of December 31, 2021

and 2020, respectively. Our interest income on loans receivable in 2022 was \$5,868,518, representing a 26% increase from \$4,673,160 in interest income on loans receivable in 2021, which represented a 1% increase from \$4,648,858 in interest income on loans receivable in 2020.

### **Net Assets**

During 2022, we experienced an increase in net assets of \$762,802. This compares to increases of \$609,570 and \$1,255,706 in 2021 and 2020, respectively. As of December 31, 2022, net assets were \$15,324,129.

### **Related Party Transactions**

Our Board members are also MB Foundation Board members. Currently, some of our Board members also serve on the board of U.S. Conference. In addition, some of our Board members and officers may serve on boards or as pastors of their local churches, although we do not consider these affiliations to be strong enough to constitute related party transactions in either our Certificate or loan programs when dealing with those organizations. Our Board members are required to abstain from discussing or deliberating (other than to present factual information or to answer questions), affecting, and voting on any transaction that could possibly be an affiliate transaction with respect to that Board member, and any transaction in which a Board member has a conflict of interest is entered into only after approval by a majority of the Board members who do not have an interest in the transaction. See “Our Organization and Its History” on page 11, and “Management” on page 20 for more detailed discussions of these relationships. Future transactions with our Board members or officers will be on terms no less favorable to us than could be obtained from an independent third party.

We may periodically have loans or Certificates outstanding with the U.S. Conference, MB Foundation, MB churches and organizations with whom Board members or officers are affiliated, or with Board members or officers themselves. We believe that these loans are extended and Certificates are offered on the same terms and conditions as other loans and Certificates, with the exception of the Preferred Certificate which is only available to MB Foundation on the terms discussed in the section entitled “Description of Our Certificates—Preferred Certificate” on page 10.

As of December 31, 2022, we had four loans outstanding to four of our officers, with an aggregate

outstanding balance totaling \$618,283 and a weighted average interest rate of 2.71%. As of that same date, we had three loans outstanding to three other employees with an outstanding balance of \$129,199 and a weighted average interest rate of 2.95%.

At December 31, 2022, we had seven Certificates totaling \$840,614, with a weighted average interest rate of 1.58%, outstanding to an MB conference who has a board member who is also on our board. At December 31, 2022, we also had a line of credit loan commitment to an MB conference for a total of \$200,000 with an interest rate of 5.75%, of which \$180,000 was unfunded. At December 31, 2022, we also had a loan with an outstanding balance of \$34,691, and an interest rate of 5.25%, to an organization that has a board member who is also one of our officers. Details on the Preferred Certificate held by MB

Foundation can be found in the section entitled “Description of Our Certificates—Preferred Certificate” on page 10.

At December 31, 2022, we had 14 certificates totaling \$473,787, with an average interest rate of 1.68%, outstanding to churches who have board members on our board or are our officers, and four certificates totaling \$113,741, with an average interest rate of 1.43%, to a ministry who has a board member that is also one of our officers.

We made grants to the MB Foundation of \$350,000, \$700,000, and \$350,000 in 2022, 2021, and 2020, respectively. We also paid MB Foundation \$65,628, \$54,240, and \$46,248 during 2022, 2021, and 2020, respectively, in exchange for management and accounting services.

## INVESTING ACTIVITIES

Our investment policy has been established by our Board. Our general investment objectives under that policy include (1) the preservation and protection of our assets, (2) the provision of funding for our loan program, (3) the minimization of risk with regard to the investment of our liquid assets while seeking a rate of return commensurate with that of intermediate term government bonds, (4) the control of investment administration costs, (5) the maintenance of liquidity necessary to meet regulatory, short-term and emergency needs, and (6) the satisfaction of all requirements of the North American Securities Administrators Association and related state agency requirements. To this end, we seek to invest the majority of our assets in our loan program, while maintaining sufficient liquid assets (cash, interest-bearing and readily marketable securities) to provide short-term liquidity.

We believe that the liquidity necessary for ordinary operations may be facilitated through a cash management system utilizing multiple investment pools each maintaining a specified balance, risk, and maturity structure. Each of the investment pools represent progressively decreasing levels of liquidity, increased risk, and potentially increased return. The pools consist of interest bearing bank accounts (Pool I), money market mutual funds (Pool II), bank and credit union certificates of deposit (Pool III) and a mixed debt and equity account (Pool IV).

Pool IV is limited to fixed income securities in the form of U.S. treasuries, U.S. agencies, corporate bonds and other asset backed securities, as well as up to 30% in church extension fund certificates, and up to 10% in equities. These securities must be investment grade at the

time of purchase, except up to 10% of Pool IV may be in securities that are not investment grade. We seek to maintain an average maturity of 3-6 years and an average duration of 2-4 years on the fixed income securities in Pool IV.

We endeavor to invest in companies whose business is consistent with MB values and beliefs. Accordingly, we seek to avoid companies associated or identified with alcoholic beverages, tobacco products, abortion, pornography, the gaming industry or the defense industry. This may impact the relative financial performance of the investment portfolio compared to performance that may have been achieved if we had not made any socially conscious investments.

Our Board has authorized our officers to carry out our financial affairs, including our investing activities. The names and background information on those individuals can be found in the section entitled “Management” on page 20. As of December 31, 2022, approximately \$18 million of our investment portfolio was held at the full-service brokerage firm Charles Schwab & Co., Inc.

We had investment losses of \$1,479,023 for the year ended December 31, 2022, and investment income of \$530,710 and \$1,149,792 for the years ended December 31, 2021 and 2020, respectively. This investment income consisted of interest and dividends of \$977,292, \$1,333,310, and \$805,178 in each of these years, respectively, decreased by realized and unrealized losses of \$2,456,315 and \$802,600 in 2022 and 2021, respectively, and increased by realized and unrealized gains of \$344,614 in 2020.

As of December 31, 2022, our investments consisted of the following:

At fair value:	
Money market funds	\$ 3,501,422
U.S. Government bonds	2,601,261
Corporate bonds	4,129,533
Equities	1,772,087
Certificates of deposit	1,692,437
Mutual funds	3,503,283
	<hr/>
	\$ 17,200,023
At cost:	
Cash	\$ 771,419
Certificates of Deposit	254,375
Denominational loan fund certificates	7,568,491
	<hr/>
	\$ 8,594,285
	<hr/>
	\$ 25,794,308

The growth in our Certificate balance relative to our loan portfolio has afforded us the opportunity to have larger cash balances during difficult economic times. Historically, our liquid assets have been sufficient to meet normal Certificate repayment requests and loan commitment requirements.

## MANAGEMENT

### **Board of Directors**

Our Board of Directors consists of the members of MB Foundation's Board of Directors. MB Foundation's Board may have between eight and 15 members. Directors of MB Foundation are nominated by its current Board of Directors and must be approved by the U.S. Conference. The U.S. Conference Treasurer is automatically a member of our Board by virtue of holding that position. As of the date of this Offering Circular, we have eleven directors.

Each year, our Board has at least two regularly scheduled meetings. In addition, the directors may meet as needed via telephone or otherwise.

*Randy Hamm, Chairman*

Mr. Hamm, age 66, graduated from Tabor College in Hillsboro, Kansas. Mr. Hamm was born and raised in Enid, Oklahoma, where he still resides. Since 1984, Mr. Hamm has owned and managed his own auto dealership in Enid, Stuart Nissan. He is active in the Enid community, and has served on the Board of Directors for the Enid United Way. Mr. Hamm has served on the MB Foundation board since 2004. His current term expires in 2024.

*Mike Bernardoni, Vice Chairman*

Mr. Bernardoni, age 44, received a B.S. degree from California State University Fresno. He currently serves as President of a medical supply company in Fresno that specializes in meeting the needs of patients residing in Skilled Nursing Facilities. Mr. Bernardoni currently attends Reedley Mennonite Brethren Church with his wife

and three children, where they have attended more than 15 years. His current term expires in 2026.

*Gaven Banik, Secretary*

Mr. Banik, age 71, is the Fixed Operations Manager at Luxury Auto Mall of Sioux Falls in Sioux Falls, SD. He has been with the company for over 25 years. He currently attends Lincoln Hills Bible Church in Sioux Falls and serves on the elder board. His leadership board service has included Sunshine Bible Academy (Miller, SD) and the Central District Conference of Mennonite Brethren Churches Board of Trustees. His current term expires in 2026.

*Mike Wall, Assistant Secretary*

Mr. Wall, age 73, is a Certified Financial Planner and owns an independent financial planning business. He has been active in the local FPA chapter since 1995. He currently attends Stony Brook Church in Omaha, Nebraska and has served as an elder for 8 years. Mr. Wall has been involved with church planting and building projects in churches since 1990. He has served several terms with the Central District Conference on Board of Trustees, Faith & Life and presently Church Planting Board. His current term expires in 2024.

*Aaron Erickson*

Mr. Erickson, age 46, has worked in the technology industry in numerous capacities, including sales, business development, marketing, and social media. He has also provided computer software training and business research for Christian radio stations in many parts of the world. A graduate in Global Studies from the University of Northwestern - St. Paul, Mr. Erickson



is currently pursuing a Masters of Biblical and Theological Studies from Dallas Theological Seminary. He is a member of South Mountain Community Church in Utah. His current term expires in 2024.

*Brent Goertzen*

Mr. Goertzen, age 50, is a faculty member within the Department of Leadership Studies at Fort Hays State University (“FHSU”) since 2003. He earned his doctoral degree in Community and Human Resources with a specialization in Leadership from the University of Nebraska - Lincoln in 2003. Mr. Goertzen has facilitated numerous leadership workshops, seminars and retreats for organizations such as the FHSU Alumni Board, Northwest Kansas Mayors' Association, Kansas Environmental Leadership Program, Small Business Development Center, Garrison Workforce at Fort Riley, and his local church. He and his family are members of North Oak Community Church in Hays, Kansas where he serves on the elder board. His term expires in 2026.

*Jesse Hohm*

Mr. Hohm, age 39, earned his B.S. degree from Dakota State University. He was a software and systems engineer at numerous companies he owned in the agriculture industry until his retirement in 2022. He is a member of Bethel MB Church in Yale, South Dakota. Mr. Hohm’s term expires in 2026.

*Eyasu Lemma*

Mr. Lemma, age 44, is a licensed architect and is employed at the U.S. Army Corps of Engineers, Kansas City District. He was born in Addis Ababa, Ethiopia. He received his bachelor's degree from the University of Kansas in 2005 and has worked for private companies on various commercial projects. Mr. Lemma and his family attend Ethiopian Christian Fellowship Church in Olathe, Kansas where he serves on the building committee board and in music ministry. His current term expires in 2026.

*Jonathan Lightner*

Mr. Lightner, age 47, earned his B.A. degree from Wheaton College. He currently serves as a commercial banker for Commerce Bank. He previously was a field director for Christ for Children, International for nine years, and then a farmer for three years. Mr. Lightner’s current term expires in 2026.

*Philip Daniel Ray*

Mr. Ray, age 60, received a B.S. degree from California State University Fresno. He is a Certified Financial Planner, and is the President and shareholder of Regency Investment Advisors, Inc., a U.S. Securities and Exchange Commission Registered Investment Advisory

firm in Fresno, California. He brings to our board 20 plus years of professional investment experience. His history of volunteer service includes: Ten years serving as a citizen advisory member on the investment committee of the City of Fresno Retirement Systems; Past President of the Fresno Estate Planning Council; Board member and Chairman, Central California Mennonite Residential Services; and Past President, Exceptional Parents Unlimited Board of Directors. Dan currently serves on the Fresno Pacific Biblical Seminary Committee. Mr. Ray has served on the MB Foundation board since July 2000. He is an appointed member of the Board and thus serves without a term expiration.

*Lynn V. Schneider*

Mr. Schneider, age 75, holds a B.S. degree in Business Administration from Huron University in Huron, South Dakota, and attended the American Bankers Association and Graduate School of Banking at the University of Delaware, Newark, Delaware. He was a loan officer and branch manager for the Farm Credit System Production Credit Association for ten years and was president of the Marquette Bank of Huron, South Dakota for 15 years. He retired as President & CEO of American Bank & Trust in Huron where he had been employed since January 2002 and now serves as a Member of the South Dakota House of Representatives. He was also Vice-President and a director of Leackco Bank Holding Company, Inc., and Secretary of American Trust Insurance, LLC. Mr. Schneider has been a director and board chairman of the Greater Huron Development Corporation, the Huron Regional Medical Center Hospital, the James Valley Christian School and the Griffith Foundation. He has also served as a director for the South Dakota State University Foundation and a director and president of the South Dakota Bankers Association. He has served as director of the Federal Home Loan Bank of Des Moines. Mr. Schneider has served on MB Foundation’s Board since July 2000, and as chairman from 2007 to 2014. He is an appointed member of the Board and thus serves without a term expiration.

**Officers**

*Jon C. Wiebe, President and CEO*

Mr. Wiebe, age 59, earned a B.A. degree from Tabor College, Hillsboro, Kansas and an M.B.A. from the University of Denver, Denver, Colorado. He was a youth pastor for four years at Bellevue Acres Mennonite Brethren Church before joining Andersen Consulting as a Staff Consultant and then Norwest Bank as a Financial Analyst. Mr. Wiebe has served in a number of positions within the local church and, while in Denver, was on the Board of More For Less,

a local self-help retail store. His involvement included several years as Chair. Mr. Wiebe is currently a member of Parkview Mennonite Brethren Church and has formerly served as Sunday school teacher, youth sponsor, Council Chair, Elder Chair, Moderator and as Chair of Southern District Conference and currently serves on the board of Salem Home (Hillsboro, KS) as Vice Chair. Mr. Wiebe started with MB Foundation as a Vice President in 1996 and was promoted to President on January 1, 1998, where he continues to serve.

*Tracy Halydier, Chief Operations Officer*

Mr. Halydier, age 59, earned a B.S. degree from Howard Payne University, Brownwood, Texas, and an M.A. from Southwestern Baptist Theological Seminary, Fort Worth, Texas. He is a licensed and ordained minister who has served as Associate Pastor of Administration and Evangelism, as well as a Church Financial Administrator at several Southern Baptist churches. While serving as Vice President for Consumer Credit Counseling Service in Fort Worth, Tracy oversaw an aggressive expansion project expanding their reach in Texas, New Mexico and into the Country of Mexico. In 2007, he became Senior Business administrator at an engineering firm in Houston, Texas, and oversaw the merger of this company with another engineering firm located in Georgia. Mr. Halydier joined the MBLF staff in December of 2018. He is also co-founder and volunteer business administrator of Abiding Truth Ministry, Inc., a non-profit Christian organization.

*Bruce Jost, Chief Development Officer*

Mr. Jost, age 48, received a B.A. in Business Administration from Tabor College in Hillsboro, Kansas, in 1997. Mr. Jost worked at Tabor College as the Director of Student Financial Assistance prior to

joining the MBLF team in December 2006. He was promoted to Vice President in January 2015 and to Chief Development Officer in October 2022. Mr. Jost is a member of Ebenfeld Mennonite Brethren Church, where he currently serves as a member of the Board of Trustees and served as the church moderator from 2014-2016. Mr. Jost also serves on the Board of Directors for Main Street Ministries in Hillsboro, KS.

*Joel D. Soo Hoo, Vice President and Treasurer*

Mr. Soo Hoo, age 46, received a B.A. in Business Administration from Tabor College in Hillsboro, Kansas, in 1999. After graduation, Mr. Soo Hoo worked at Midland National Bank in the operations department and as a Staff Accountant for Claassen Financial Services prior to joining the staff of MB Foundation and MBLF as a Staff Accountant in March of 2001. Mr. Soo Hoo was promoted to Treasurer of both organizations in August of 2003, and to Vice President on January 1, 2007. Mr. Soo Hoo has served on the Leadership Marion County Board. He is a member of Parkview Mennonite Brethren Church, where he serves as a Deacon. He has also served as member of the Board of Trustees, treasurer, and high school youth sponsor. Mr. Soo Hoo also serves as Treasurer for Advocates Reach.

**Compensation**

Members of our Board of Directors are reimbursed for their out-of-pocket expenses for attending meetings, but receive no other compensation. As officers of both MB Foundation and MBLF, our officers received compensation, including health and retirement benefits, from both organizations. During 2022, we paid total officer and director compensation of \$372,804.

**LEGAL MATTERS**

As of the date of this document, there were no suits, actions or other legal proceedings or claims pending or, to our knowledge, threatened against us or any individual in his or her capacity as our officer or director.

**AUDITORS**

Our Financial Statements for December 31, 2022, have been audited by Capin Crouse LLP, independent auditors, whose address is 55 Shuman Blvd, Suite 300, Naperville, IL 60563.

## **ADDITIONAL INFORMATION**

It is our policy to provide current investors with our Financial Statements each year within 120 days of our fiscal year end or upon written request.

From time to time, we may distribute advertising materials through churches or other organizations, make audio and video presentations in churches or other organizations, publish advertisements in national publications, and distribute literature to potential investors. We may also include information on a website about our Certificates, including current interest rates.

We have not, however, authorized anyone to give any information or make any representations with regard to the offering of our Certificates that are inconsistent with the information in this Offering Circular. Therefore, you should not rely on any information or representations that are contrary to the information in this Offering Circular. Except for the Offering Circular, Offering Circular Supplements and interest rate sheets posted on our website, the information available on our website is not part of the Offering Circular.

## GENERAL INFORMATION

### Our Team

Jon C. Wiebe  
*President and CEO*

Tracy Halydier  
*Chief Operations Officer*

Bruce Jost  
*Chief Development  
Officer*

Joel D. Soo Hoo  
*Vice President and  
Treasurer*

Sarah Burton  
*Administrative Assistant*

Aleya Ediger  
*Administrative Assistant*

Rick Eshbaugh  
*Director of Financial  
Discipleship*

Pam Franz  
*IT, Database &  
Compliance Coordinator*

Brenda Hamm  
*Director of Marketing*

Tracy Hefley  
*Administrative Assistant*

Roman Hofer  
*Account Administrator*

Lyle Isaac  
*Loan Officer*

Jeff Jorgenson  
*Director of Financial  
Services*

Stacie Myers  
*Staff Accountant*

Jonathan Reimer  
*Account Administrator*

Sherry Rempel  
*Executive Assistant*

Garvie Schmidt  
*Planned Giving Advisor*

Andy Shewey  
*Planned Giving Advisor*

Heather Silhan  
*Charitable Gift Coordinator*

Shawna L. Vogt  
*Account Administrator*

Ken Warkentin  
*Planned Giving Advisor*

### Regular Hours

- You may contact our office during the following regular business hours:  
**Monday through Friday  
8:00 a.m. to 5:00 p.m.**
- Investments received at our main office by noon will generally be credited to the investor that day.
- Redemption requests received at our main office before 2:00 p.m. generally will be honored the same day.

### Offices

#### ***Corporate Headquarters***

200 East D St  
PO Box 220  
Hillsboro, Kansas 67063  
*Phone* 620.947.3151  
*Fax* 620.947.3266  
*Toll-free* 800.551.1547

#### ***California Office***

1318 E Shaw Ave  
Ste 140  
Fresno, California 93710  
*Phone* 559.458.7208  
*Toll-free* 800.551.1547

### Upcoming Holidays

Our offices will be closed on the following days:

*Memorial Day* ..... May 29, 2023

*Independence  
Day* ..... July 4, 2023

*Labor Day* ..... Sept. 4, 2023

*Thanksgiving* ..... Nov. 23 & 24, 2023

*Christmas* ..... Dec. 25, 2023

*New Year's* ..... Jan. 1, 2024

*Good Friday* ..... March 29, 2024

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### **Attachments**

Audited Financial Statements  
Purchase Application and Agreement



*A higher standard.  
A higher purpose.*

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# MENNONITE BRETHREN LOAN FUND

Financial Statements  
With Independent Auditors' Report

December 31, 2022, 2021 and 2020

# MENNONITE BRETHREN LOAN FUND

## Table of Contents

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mennonite Brethren Loan Fund  
Hillsboro, Kansas

### ***Opinion***

We have audited the accompanying financial statements of Mennonite Brethren Loan Fund, which comprise the statements of financial position as of December 31, 2022, 2021, and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Brethren Loan Fund as of December 31, 2022, 2021, and 2020, 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. 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 Mennonite Brethren Loan Fund 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 these 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 Mennonite Brethren Loan Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors  
Mennonite Brethren Loan Fund  
Hillsboro, Kansas

***Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Mennonite Brethren Loan Fund'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 Mennonite Brethren Loan Fund'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.

*Capin Crouse LLP*

Naperville, Illinois  
March 15, 2023

# MENNONITE BRETHREN LOAN FUND

## Statements of Financial Position

	December 31,		
	2022	2021	2020
ASSETS:			
Cash and cash equivalents	\$ 495,075	\$ 1,147,122	\$ 1,192,693
Investments	25,794,308	46,869,343	47,989,497
Interest receivable	524,543	440,691	416,198
Prepaid expenses and other assets	375,106	374,195	374,912
Loans receivable, net	127,325,746	99,872,448	96,361,655
Property and equipment, net	1,928,718	2,093,649	1,975,929
Total Assets	<u>\$ 156,443,496</u>	<u>\$ 150,797,448</u>	<u>\$ 148,310,884</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued expenses	\$ 85,293	\$ 74,162	\$ 44,638
Note payable	250	-	-
Investment certificates	141,033,824	136,161,959	134,314,489
Total Liabilities	<u>141,119,367</u>	<u>136,236,121</u>	<u>134,359,127</u>
Net assets:			
Net Assets without donor restrictions	<u>15,324,129</u>	<u>14,561,327</u>	<u>13,951,757</u>
Total Liabilities and Net Assets	<u>\$ 156,443,496</u>	<u>\$ 150,797,448</u>	<u>\$ 148,310,884</u>

See notes to financial statements

# MENNONITE BRETHREN LOAN FUND

## Statements of Activities

	Year Ended December 31,		
	2022	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Revenues:			
Interest on loans receivable	\$ 5,868,518	\$ 4,673,160	\$ 4,648,858
Investment income	(1,479,023)	530,710	1,149,792
Other	140,379	160,049	200,706
	<u>4,529,874</u>	<u>5,363,919</u>	<u>5,999,356</u>
Expenses:			
Program services:			
Interest on investment certificates	2,202,812	2,972,930	3,070,473
Grant to Mennonite Brethren Foundation	350,000	700,000	350,000
Grants to others	-	-	340,464
Other operating expenses	607,680	539,914	484,320
	<u>3,160,492</u>	<u>4,212,844</u>	<u>4,245,257</u>
Management and general	606,580	541,505	498,393
	<u>3,767,072</u>	<u>4,754,349</u>	<u>4,743,650</u>
Change in Net Assets Without Donor Restrictions	762,802	609,570	1,255,706
Net Assets, Beginning of Year	<u>14,561,327</u>	<u>13,951,757</u>	<u>12,696,051</u>
Net Assets, End of Year	<u>\$ 15,324,129</u>	<u>\$ 14,561,327</u>	<u>\$ 13,951,757</u>

See notes to financial statements

# MENNONITE BRETHREN LOAN FUND

## Statements of Cash Flows

	Year Ended December 31,		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Change in net assets	\$ 762,802	\$ 609,570	\$ 1,255,706
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	54,297	51,386	51,386
Net losses (gains) on investments	2,456,315	802,600	(344,614)
Interest reinvested in investment certificates	2,068,841	2,830,482	2,894,856
Changes in:			
Interest receivable	(83,852)	(24,493)	(26,448)
Prepaid expenses and other assets	(911)	717	(11,497)
Accounts payable and accrued expenses	11,131	29,524	23,171
Net Cash Provided by Operating Activities	<u>5,268,623</u>	<u>4,299,786</u>	<u>3,842,560</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(29,563,982)	(86,531,110)	(56,548,939)
Proceeds from sales and maturities of investments	48,315,878	86,876,362	45,189,432
Purchase of real estate	(22,542)	(196,804)	-
Loan advances	(35,924,774)	(19,849,533)	(26,205,173)
Loan principal received	10,594,097	14,458,483	11,957,013
Net Cash Used by Investing Activities	<u>(6,601,323)</u>	<u>(5,242,602)</u>	<u>(25,607,667)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from sale of loan participation interest	-	2,000,000	-
Principal payments on loan participation interest	(2,122,621)	(119,743)	(73,563)
Proceeds from issuance of investment certificates	27,078,252	39,781,900	63,678,329
Proceeds from note payable	250	-	-
Redemptions of investment certificates	(24,275,228)	(40,764,912)	(41,565,640)
Net Cash Provided by Financing Activities	<u>680,653</u>	<u>897,245</u>	<u>22,039,126</u>
Change in Cash and Cash Equivalents	(652,047)	(45,571)	274,019
Cash and Cash Equivalents, Beginning of Year	<u>1,147,122</u>	<u>1,192,693</u>	<u>918,674</u>
Cash and Cash Equivalents, End of Year	<u>\$ 495,075</u>	<u>\$ 1,147,122</u>	<u>\$ 1,192,693</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Matured investment certificates reinvested	<u>\$ 24,651,301</u>	<u>\$ 34,887,495</u>	<u>\$ 22,107,465</u>
Cash paid for interest	<u>\$ 133,971</u>	<u>\$ 142,448</u>	<u>\$ 175,617</u>

See notes to financial statements

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

1. NATURE OF ORGANIZATION:

Mennonite Brethren Loan Fund (Fund) is a nonprofit, tax-exempt corporation, which is a separate legal entity affiliated with the Mennonite Brethren Foundation (Foundation). Its primary mission is to serve the financial needs of the Mennonite Brethren conference, churches, institutions and agencies. Activities include loaning funds primarily to Mennonite Brethren organizations, as well as other organizations that share similar values, for the purpose of facility construction or operational needs; offering to qualified workers of the Mennonite Brethren churches loans for the purpose of purchasing or constructing their residences; raising capital from primarily Mennonite Brethren organizations and individuals; and expressing generosity by making grants from earnings to the Foundation. The Fund's primary means of obtaining funds has been through the issuance of investment certificates.

The Fund shares a common board of directors with the Foundation whose consolidated financial statements include the accompanying Fund financial statements.

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund has been classified as an organization that is not a private foundation under IRC Section 509(a)(1).

2. SIGNIFICANT ACCOUNTING POLICIES:

**BASIS OF ACCOUNTING**

The financial statements of the Fund have been prepared using the accrual basis of accounting. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include checking accounts and sweep accounts. Other accounts such as money market accounts are considered investments regardless of their original maturity. Cash held as part of a larger investment portfolio is included in investments. At December 31, 2022, 2021 and 2020, the Fund's cash balances exceeded federally insured limits by \$1,327,630, \$1,017,288, and \$969,522, respectively. The Fund has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**INVESTMENTS**

Investments are reported at fair value. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses are reported as net investment gains and losses in the statements of activities.

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS

The financial statements report amounts by classification of net assets. Net assets without donor restriction are those currently available at the discretion of the Board for use in the organization's operations, those designated by the Board for specific purposes and those resources invested in property and equipment. At December 31, 2022, 2021 and 2020, the Fund had no net assets with donor restrictions.

#### PROPERTY AND EQUIPMENT

Property and equipment purchases in excess of \$2,000 are capitalized at cost and depreciated on the straight line method over the estimated useful lives of the related assets, which range from one to forty years.

#### LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of loans primarily to Mennonite Brethren organizations and qualified church workers, as well as other organizations that share similar values, primarily secured by real estate mortgages, although the Fund does make some unsecured loans and some loans that are secured by other forms of collateral. Most of the loans are originally set up for a term of five to fifteen years for organization loans, and thirty years for home loans. Loans are reported at their outstanding principal balances net of loan participation interests sold and allowance for loan losses.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known.

Due to the nature of the relationship with its borrowers, the Fund is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of the Fund's investors. A loan is considered impaired when, based upon current information and events, it is probable that the Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Delinquent and impaired loans continue to accrue interest. Payments on delinquent and impaired loans are recorded first as interest income and then as a reduction in principal. The accrual of interest income is discontinued when, in management's judgment, the scheduled interest may not be collectable within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

# MENNONITE BRETHERN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES, continued

The Fund may sell participation interests in its loans to third parties from time to time. When the Fund does so, it continues to service the loans and remit a portion of each loan payment it receives from the borrowers to the buyers of the participation interest. The participations are non-recourse, which means that the Fund will have no obligation to repurchase the portion of the loan it sold, and the purchaser will assume the risk of loss on that portion of the loan. Accordingly, the portions of the loans it sells are not included in the outstanding loans receivable.

The Fund may also purchase participation interests in individual loans from third party lenders. Under these loan participation agreements, the third-party lenders maintain all records, collect all payments and remit monthly the appropriate pro rata share of both interest and principal collected on the loans. All loan participations are purchased without recourse and are secured by real property.

#### FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing program services and supporting activities have been allocated on a functional basis, determined by use of the facilities, level of support effort, and relative program benefited.

### 3. INVESTMENTS:

Investments consist of:

	December 31,		
	2022	2021	2020
At fair value:			
Money market funds	\$ 3,501,422	\$ 6,600,229	\$ 5,495,304
U.S. Government bonds	2,601,261	6,610,138	4,091,220
Corporate bonds	4,129,533	6,683,855	6,470,107
Equities	1,772,087	-	-
Certificates of deposit	1,692,437	2,239,615	990,027
Mutual funds	3,503,283	10,561,063	9,527,126
	<u>17,200,023</u>	<u>32,694,900</u>	<u>26,573,784</u>
At cost:			
Cash	771,419	254,519	7,445,230
Denominational loan fund certificates	7,568,491	13,667,786	13,720,794
Certificates of deposit	254,375	252,138	249,689
	<u>8,594,285</u>	<u>14,174,443</u>	<u>21,415,713</u>
	<u>\$ 25,794,308</u>	<u>\$ 46,869,343</u>	<u>\$ 47,989,497</u>



# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 3. INVESTMENTS, continued:

Investment income consists of:

	Year Ended December 31,		
	2022	2021	2020
Interest and dividends	\$ 977,292	\$ 1,333,310	\$ 805,178
Realized and unrealized (losses) gains	(2,456,315)	(802,600)	344,614
	<u>\$ (1,479,023)</u>	<u>\$ 530,710</u>	<u>\$ 1,149,792</u>

At December 31, 2022, the certificates of deposit, U.S. Government bonds and corporate bonds mature as follows:

Within one year	\$ 7,681,166
After one year through five years	<u>8,564,931</u>
	<u>\$ 16,246,097</u>

### 4. LOANS RECEIVABLE, NET:

A summary of loans receivable classified by interest rates is as follows:

	December 31,		
	2022	2021	2020
4.5% or less	\$ 9,670,030	\$ 50,118,158	\$ 10,506,166
over 4.5 to 5.5%	51,798,207	50,830,673	81,547,139
over 5.5 to 6.5%	59,706,623	1,641,229	7,025,962
over 6.5 to 7.5%	8,868,498	-	-
	<u>130,043,358</u>	<u>102,590,060</u>	<u>99,079,267</u>
Allowance for losses	<u>(2,717,612)</u>	<u>(2,717,612)</u>	<u>(2,717,612)</u>
	<u>\$ 127,325,746</u>	<u>\$ 99,872,448</u>	<u>\$ 96,361,655</u>
Allowance for losses:			
Beginning of year	\$ 2,717,612	\$ 2,717,612	\$ 2,717,612
Write-downs	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 2,717,612</u>	<u>\$ 2,717,612</u>	<u>\$ 2,717,612</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 4. LOANS RECEIVABLE, NET, continued:

The Fund evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for allowance on a collective basis. At December 31, 2022, one loan receivable totaling \$546,081, with an allowance totaling \$6,826, was evaluated individually for impairment. All other loans were collectively evaluated and no impairment was noted.

Status for performing and nonperforming real estate loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous month. The following table presents credit exposure by performance status for the years ended December 31, 2022, 2021 and 2020:

	December 31,		
	2022	2021	2020
Performing	\$ 129,497,277	\$ 102,590,060	\$ 99,079,267
Nonperforming	546,081	-	-
	<u>\$ 130,043,358</u>	<u>\$ 102,590,060</u>	<u>\$ 99,079,267</u>

An aging analysis of the principal of past due loans receivable is as follows:

	December 31,		
	2022	2021	2020
Past due:			
Greater than 90 days	\$ 546,081	\$ -	\$ -
Current	<u>129,497,277</u>	<u>102,590,060</u>	<u>99,079,267</u>
	<u>\$ 130,043,358</u>	<u>\$ 102,590,060</u>	<u>\$ 99,079,267</u>

The Fund classifies loans as past due if the loan is more than 30 days past due but less than 90 days delinquent. At December 31, 2022, the Fund had one delinquent loan with a principal balance of \$546,081. The amount of interest and principal payments owing on this delinquent loan was \$9,837. Interest income recognized on this delinquent loan during 2022 was \$28,988. The Fund believes that the collateral related to the delinquent loan will be sufficient to repay the loan balance. There were no past due loans classified as delinquent or impaired as of December 31, 2021 and 2020.

The delinquent loan totaling \$546,081 was 0.42% of the Fund's aggregate principal balance of total loans outstanding at December 31, 2022.

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

4. LOANS RECEIVABLE, NET, continued:

Loans receivable at December 31, 2022, will mature as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 7,792,511
2024	9,758,301
2025	2,891,136
2026	23,080,479
2027	28,432,711
Thereafter	58,088,220
	<u>\$ 130,043,358</u>

As of December 31, 2022, the Fund had one unsecured loan totaling \$20,000, and four loans totaling \$6,084,308 secured by other assets. The loans receivable earn interest at fixed or variable rates which ranged from 2.47 percent to 6.75 percent at December 31, 2022.

The Fund had 167 loans at December 31, 2022. Although the Fund has no geographic restrictions within the United States on where loans are made, aggregate loans in excess of five percent of total balances at December 31, 2022, were located in the following states:

<u>State</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
California	64	\$ 56,175,323	43%
Washington	14	13,937,478	11%
Utah	8	11,320,871	9%
Kansas	22	9,584,383	7%
Oregon	10	7,898,908	6%
	<u>118</u>	<u>\$ 98,916,963</u>	<u>76%</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 4. LOANS RECEIVABLE, NET, continued:

At December 31, 2022, the Fund had 131 borrowers with balances as follows:

<u>Loan Balance</u>	<u>Number of Borrowers</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$0 - \$500,000	72	\$ 12,983,239	10%
\$ 500,001 - \$1,000,000	21	14,797,529	11%
\$1,000,001 - \$1,500,000	12	15,171,991	12%
\$1,500,001 - \$2,000,000	11	18,887,662	14%
\$2,000,001 - \$2,500,000	7	15,254,458	12%
\$2,500,001 - \$3,000,000	0	-	0%
Over \$3,000,000	8	52,948,479	41%
	<u>131</u>	<u>\$ 130,043,358</u>	<u>100%</u>

Although the Fund has a diverse portfolio of loans primarily to Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values, concentrations of credit risk exist with respect to individually significant borrowers, which are defined as those exceeding five percent of the total loan portfolio. At December 31, 2022, there were three individually significant borrowers whose balances totaled \$33,114,704.

### 5. PROPERTY AND EQUIPMENT, NET:

Property and equipment consists of:

	<u>December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 147,778	\$ 147,778	\$ 132,778
Building	2,034,540	2,175,547	2,021,440
Software	30,373	-	-
	<u>2,212,691</u>	<u>2,323,325</u>	<u>2,154,218</u>
Accumulated depreciation	<u>(283,973)</u>	<u>(229,676)</u>	<u>(178,289)</u>
	<u>\$ 1,928,718</u>	<u>\$ 2,093,649</u>	<u>\$ 1,975,929</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 6. INVESTMENT CERTIFICATES:

The Fund issues certificates, which are the Fund's unsecured debt securities, to primarily Mennonite Brethren churches, organizations and individuals that invest in the Fund. Certificates are redeemable at end of terms ranging from one to five years or on demand and earn interest at variable rates (from 0.75% to 2.35% at December 31, 2022). The Fund was indebted on investment certificates as summarized below:

	December 31,		
	2022	2021	2020
Demand:			
Advantage	\$ 16,136,987	\$ 15,141,665	\$ 11,510,896
Demand	5,546,813	4,448,218	2,492,312
Preferred	54,407,613	52,780,304	46,736,692
	<u>76,091,413</u>	<u>72,370,187</u>	<u>60,739,900</u>
Term:			
One year	13,018,219	13,081,690	24,089,873
Two year	7,010,659	7,549,701	9,824,123
Three year	5,930,149	8,459,726	8,111,790
Four year	2,540,253	2,077,399	1,459,889
Five year	36,443,131	32,623,256	30,088,914
	<u>64,942,411</u>	<u>63,791,772</u>	<u>73,574,589</u>
	<u><u>\$ 141,033,824</u></u>	<u><u>\$ 136,161,959</u></u>	<u><u>\$ 134,314,489</u></u>

Amounts are presented in the schedule below based on the year in which the investment certificates are scheduled to mature. Notwithstanding the foregoing, the Fund will pay any redemption of an investor's demand certificate within 30 days after receiving the request, although the Fund generally can honor requests much more quickly; term certificates may not be redeemed without the Fund's consent before they mature and any redemptions prior to maturity are subject to substantial penalties.

Year of Maturity	Amount
Demand	\$ 76,091,413
2023	27,822,816
2024	12,383,899
2025	7,246,274
2026	8,227,967
2027	<u>9,261,455</u>
	<u><u>\$ 141,033,824</u></u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

6. INVESTMENT CERTIFICATES, continued:

At December 31, 2022, the Fund had a total of 210 investors with aggregate investment certificate balances of \$100,000 or more as follows:

Certificate Balances	Number of Investor Households	Amount	Percent of Certificate Balances Outstanding
\$100,000 - \$200,000	93	\$ 12,658,144	9%
\$200,001 - \$300,000	45	10,886,321	8%
\$300,001 - \$500,000	40	14,794,198	10%
Greater than \$500,000	28	31,804,518	23%
Related parties (Note 9)	4	55,765,265	40%
	<u>210</u>	<u>\$ 125,908,446</u>	<u>90%</u>

At December 31, 2022, the Fund had 1,664 certificates, with the primary concentrations by state as follows:

State	Number of Certificates	Amount	Percent of Certificate Balances Outstanding
Kansas	727	\$ 86,076,098	61%
California	433	25,844,946	18%
Oklahoma	202	10,455,444	7%
	<u>1,362</u>	<u>\$ 122,376,488</u>	<u>86%</u>

7. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consist of:

	December 31,		
	2022	2021	2020
Undesignated	\$ 7,501,954	\$ 7,021,455	\$ 6,536,213
Capital adequacy reserve	7,822,175	7,539,872	7,415,544
	<u>\$ 15,324,129</u>	<u>\$ 14,561,327</u>	<u>\$ 13,951,757</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

8. RETIREMENT PLAN:

The Fund matches up to 6% of annual compensation for all eligible employees working 20 hours or more a week to a 403(b) plan sponsored by the Foundation. Employer contributions totaled \$32,597, \$31,095, and \$27,427, during 2022, 2021 and 2020, respectively.

9. RELATED PARTY TRANSACTIONS:

As described in Note 1, the Fund is affiliated with the Foundation. The Fund's Board members are also Foundation Board members. The Foundation has agreed to provide management and accounting services to the Fund at a fee to be determined periodically. Management fees paid by the Fund to the Foundation during 2022, 2021 and 2020 totaled \$65,628, \$54,240, and \$46,248, respectively. In addition, the Fund made a grant to the Foundation of \$350,000, \$700,000, and \$350,000, in 2022, 2021 and 2020, respectively. One preferred demand certificate held by the Foundation bears interest at a variable rate (2.10% at December 31, 2022). The balance on this certificate as of December 31, 2022, 2021 and 2020, was \$54,407,613, \$52,780,304, and \$46,736,692, respectively.

Some of the Fund's board members also serve on the board of the U.S. Conference of Mennonite Brethren Churches (U.S. Conference), boards of the district conferences and boards of Mennonite Brethren educational institutions. From time to time the Fund may have loans or certificates outstanding with the U.S. Conference, district conferences, or Mennonite Brethren educational institutions.

The Fund offers a Home Loan program in which loans are available for the purchase or construction of primary residences in the United States for qualified church, district and conference employees. In addition, it is available to the Fund's staff as a benefit of employment. Board members, who are otherwise eligible, may participate in the Home Loan program. At December 31, 2022, the Fund had four loans with an outstanding combined balance of \$618,283, with a weighted average interest rate of 2.71%, with four officers. As of that same date, the Fund had three loans outstanding to three employees with an outstanding combined balance of \$129,199 with an interest rate of 2.95%. At December 31, 2022, the Fund had seven certificates totaling \$840,614, with an average interest rate of 1.58%, to a Mennonite Brethren Conference who has a board member also on the Fund's board. The fund also has 14 certificates totaling \$473,787 with an average interest rate of 1.68%, to churches who have board members on the Fund's board or are officers of the Fund, and four certificates totaling \$113,741, with an average interest rate of 1.43%, to a ministry who has a board member that is also an officer of the Fund. At December 31, 2022, the Fund also had a line of credit loan commitment to a Mennonite Brethren Conference for a total of \$200,000 with an interest rate of 5.75%, of which is \$180,000 is unfunded. At December 31, 2022, the Fund also had a loan with an outstanding balance of \$34,691, and an interest rate of 5.25%, to a church who has a board member that is also an officer of the Fund.

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

9. RELATED PARTY TRANSACTIONS, continued:

At December 31, 2021, the Fund had four loans with an outstanding combined balance of \$666,995, with a weighted average interest rate of 2.7%, with four officers. As of that same date, the Fund had three loans outstanding to three employees with an outstanding combined balance of \$181,087 with an interest rate of 2.67%. At December 31, 2021, the Fund had six certificates totaling \$855,356, with an average interest rate of 0.82%, to a Mennonite Brethren Conference who has a board member also on the Fund's board. At December 31, 2021, the Fund also had a line of credit loan commitment to a Mennonite Brethren Conference for a total of \$200,000 with an interest rate of 4.5%, which was unfunded. At December 31, 2021, the Fund also had a loan with an outstanding balance of \$741,846 and an interest rate of 5.0%, to an organization who has a board member that is also an officer of the Fund.

At December 31, 2020, the Fund had four loans with an outstanding combined balance of \$459,830, with a weighted average interest rate of 3.36%, with four officers. As of that same date, the Fund had four loans outstanding to four employees with an outstanding combined balance of \$289,914 with an interest rate of 3.41%. At December 31, 2020, the Fund had seven certificates totaling \$863,207, with an average interest rate of 0.96%, to two Mennonite Brethren Conferences who have board members also on the Fund's board. The fund also has four certificates totaling \$289,704 with an interest rate of 0.50%, to an educational institution who has a board member also on the Fund's board. At December 31, 2020, the Fund also had two line of credit loan commitments to Mennonite Brethren Conferences for a total of \$500,000 with an interest rate of 4.75%, of which both are unfunded. At December 31, 2020, the Fund also had a loan with an outstanding balance of \$466,417, and an interest rate of 5.25%, to an organization who has a board member that is also an officer of the Fund.

10. CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and loans receivable.

From time to time, cash deposits are in excess of the FDIC insured limits; while management is mindful of the FDIC limits, they realize that cash balances generated in the ordinary course of business will generally exceed FDIC insured limits. At December 31, 2022, approximately \$18.0 million of the Fund's assets were managed by the investment management firm of Charles Schwab & Co., Inc., member SIPC. The Fund has not experienced any losses on these accounts and does not believe it is exposed to any significant risk of loss related to these funds.



# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

10. CONCENTRATION OF CREDIT RISK, continued:

Concentrations of credit risk with respect to loans receivable are limited to a certain extent by the secured position of the Fund in most instruments, the number of organizations comprising the Fund's loans receivable base and their dispersion across geographic areas, and the Fund's policy of limiting the maximum loan amount to any one borrower. As described in Note 2, the Fund's policy is to make loans primarily to Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values. At December 31, 2022, approximately 37% of the loans were to qualified organizations, 7% were to qualified church workers and 56% were to other organizations. Loans made by the Fund are typically secured by first mortgages and are normally limited to 75% of the aggregate cost or value of the property securing the loan. As described in Note 4, the Fund also had \$6,104,308 in unsecured loans, loans secured by third party guarantees or other sources. While the Fund may be exposed to credit losses in the event of nonperformance by the above contracting parties, management has established an allowance for potential loan losses, which it believes is adequate to cover any such losses.

A substantial portion of the investment certificates issued by the Fund are demand instruments or will be maturing within the next two years. In addition, all demand investment certificates are payable upon 30 days written notice subject to availability of funds. The Fund has insufficient liquid assets to satisfy repayment of this amount. Management anticipates, similar to past history, that a substantial portion of these certificates will be reinvested or rolled over into new certificates with the Fund.

11. LOAN COMMITMENTS:

In the normal course of business, the Fund makes commitments to extend loans to meet the financing needs primarily of Mennonite Brethren churches, organizations and qualified individuals, as well as other organizations that share similar values. At December 31, 2022, the Fund had outstanding commitments of approximately \$31,240,000 to fund construction in progress, undrawn lines of credit and real estate mortgages.

Outstanding commitments are letters that outline the terms and conditions of the mortgage to be granted. The total commitment amount does not necessarily represent future cash requirements since construction costs may not total the amount the Fund agreed to lend or the commitments may expire without being fully drawn upon. The Fund's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Fund controls the credit risk of its commitments through credit approvals, limits and monitoring procedures.

# MENNONITE BRETHERN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 12. FAIR VALUE MEASUREMENTS AND DISCLOSURES:

The Fund uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2022:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 3,501,422	\$ 3,501,422	\$ -	\$ -
Mutual funds	3,503,283	3,503,283	-	-
Equities	1,772,087	1,772,087	-	-
Certificate of deposits	1,692,437	-	1,692,437	-
U.S. Government bonds	2,601,261	-	2,601,261	-
Corporate bonds:				
AA	76,687	-	76,687	-
A	1,585,012	-	1,585,012	-
BBB	2,433,309	-	2,433,309	-
B	34,525	-	34,525	-
	4,129,533	-	4,129,533	-
	<u>\$ 17,200,023</u>	<u>\$ 8,776,792</u>	<u>\$ 8,423,231</u>	<u>\$ -</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 12. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2021:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 6,600,229	\$ 6,600,229	\$ -	\$ -
Mutual funds	10,561,063	10,561,063	-	-
Certificate of deposits	2,239,615	-	2,239,615	-
U.S. Government bonds	6,610,138	-	6,610,138	-
Corporate bonds:				
AA	724,576	-	724,576	-
A	1,386,715	-	1,386,715	-
BBB	4,572,564	-	4,572,564	-
	6,683,855	-	6,683,855	-
	<u>\$ 32,694,900</u>	<u>\$ 17,161,292</u>	<u>\$ 15,533,608</u>	<u>\$ -</u>

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2020:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 5,495,304	\$ 5,495,304	\$ -	\$ -
Mutual funds	9,527,126	9,527,126	-	-
Certificate of deposits	990,027	-	990,027	-
U.S. Government bonds	4,091,220	-	4,091,220	-
Corporate bonds:				
AAA	59,004	-	59,004	-
AA	549,449	-	549,449	-
A	2,661,317	-	2,661,317	-
BBB	3,200,337	-	3,200,337	-
	6,470,107	-	6,470,107	-
	<u>\$ 26,573,784</u>	<u>\$ 15,022,430</u>	<u>\$ 11,551,354</u>	<u>\$ -</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 12. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The following methods and assumptions were used by the Fund to estimate the fair value of each class of financial instruments at December 31, 2022, 2021 and 2020:

*Investments* - The fair values for money market funds, mutual funds, and equities are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of certificates of deposit, government bonds and corporate bonds are based on yields currently available on comparable securities of issuers with similar credit ratings.

### 13. FUNCTIONAL ALLOCATION OF EXPENSES:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which are allocated on a square footage basis, as well as salaries and benefits, and certain office expenses, which are allocated on the basis of estimates of time and effort. The following table presents the functional allocation of expenses for the years ended December 31, 2022, 2021 and 2020.

	For the Year Ended December 31, 2022		
	Program Services	General and Administrative	Total
Interest on certificates	\$ 2,202,812	\$ -	\$ 2,202,812
Salaries and benefits	364,674	430,051	794,725
Grant to the Foundation	350,000	-	350,000
Professional fees	37,651	31,410	69,061
Depreciation	18,755	35,542	54,297
Travel	23,498	-	23,498
Office expenses and other	163,102	109,577	272,679
Total	<u>\$ 3,160,492</u>	<u>\$ 606,580</u>	<u>\$ 3,767,072</u>

  

	For the Year Ended December 31, 2021		
	Program Services	General and Administrative	Total
Interest on certificates	\$ 2,972,930	\$ -	\$ 2,972,930
Salaries and benefits	345,626	409,357	754,983
Grant to the Foundation	700,000	-	700,000
Professional fees	38,678	26,332	65,010
Depreciation	14,940	36,446	51,386
Travel	23,773	-	23,773
Office expenses and other	116,897	69,370	186,267
Total	<u>\$ 4,212,844</u>	<u>\$ 541,505</u>	<u>\$ 4,754,349</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

### 13. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	For the Year Ended December 31, 2020		
	Program Services	General and Administrative	Total
Interest on certificates	\$ 3,070,473	\$ -	\$ 3,070,473
Salaries and benefits	306,941	386,630	693,571
Grant to the Foundation	350,000	-	350,000
Grant to others	340,464	-	340,464
Professional fees	41,535	25,187	66,722
Depreciation	12,802	38,584	51,386
Travel	12,776	-	12,776
Office expenses and other	110,266	47,992	158,258
Total	<u>\$ 4,245,257</u>	<u>\$ 498,393</u>	<u>\$ 4,743,650</u>

### 14. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Fund's financial assets as of December 31, 2022, 2021, and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, unfunded portions of line of credit commitments, or liquidity reserve limits required for church extension funds.

	December 31,		
	2022	2021	2020
Financial assets:			
Cash and cash equivalents	\$ 495,075	\$ 1,147,122	\$ 1,192,693
Investments	25,794,308	46,869,343	47,989,497
Accrued interest receivable	524,543	440,691	416,198
Loans receivable (gross)	130,043,358	102,590,060	99,079,267
Less: allowance for doubtful loans	<u>(2,717,612)</u>	<u>(2,717,612)</u>	<u>(2,717,612)</u>
Financial assets, at year-end	154,139,672	148,329,604	145,960,043
Less those unavailable for general expenditure within one year, due to:			
Loans receivable collectible beyond one year	(122,250,847)	(92,142,560)	(96,980,693)
Unfunded line of credit commitments	(13,230,649)	(12,750,000)	(13,430,000)
Church extension fund required liquidity reserves*	<u>(5,197,573)</u>	<u>(6,670,532)</u>	<u>(5,254,668)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,460,603</u>	<u>\$ 36,766,512</u>	<u>\$ 30,294,682</u>

# MENNONITE BRETHREN LOAN FUND

## Notes to Financial Statements

December 31, 2022, 2021 and 2020

14. LIQUIDITY AND FUNDS AVAILABLE, continued:

The Fund structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund also entered into a revolving line of credit agreement with a bank during 2018, allowing for maximum borrowings of \$5,000,000, of which \$0 was outstanding at December 31, 2020. Interest on the line credit was paid monthly at the prime rate plus 0.125%. This line of credit was unsecured and was renewable on an annual basis. It expired in July 2021 and was not renewed. No funds were borrowed under this agreement during the years ending December 31, 2021 and 2020. On December, 19, 2022, the Fund entered into a revolving line of credit agreement with a bank, allowing for maximum borrowings or \$5,000,000, of which \$250 was outstanding at December 31, 2022. Interest on the line of credit is paid monthly at the prime rate plus 0.125% (prime was 7.5% at December 31, 2022). This line of credit is unsecured and expires in December 2025.

\* The North American Securities Administrators Association's statement of policy regarding church extension fund securities states that at the end of its most recent fiscal year as reported in its audited financial statements, the church extension fund's cash, cash equivalents, readily marketable securities and available lines of credit shall have a value of at least 8% of the principal balance of its total outstanding certificates, except that the value of available lines of credit for meeting this standard shall not exceed 2% of the principal balance of its total outstanding certificates. Certificates held by the Fund's affiliate are excluded from this calculation.

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 15, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## MB LOAN FUND

### PURCHASE APPLICATION AND AGREEMENT

#### SECTION I: CERTIFICATE OPTIONS

☐ Demand Certificate

☐ Term Certificate

☐ Advantage Certificate<sup>1</sup>

Term: ☐1-yr ☐2-ys ☐3-ys ☐4-ys ☐5-ys

Employer: \_\_\_\_\_

☐ Other: \_\_\_\_\_

**INITIAL INVESTMENT:** \$ \_\_\_\_\_ (At least \$100 for Demand and Advantage Certificates, and \$1,000 for a Term Certificate.)

**FUNDING METHOD:** ☐ Check (payable to MB Loan Fund) ☐ Electronic Transfer (please complete #9 on back)

**INTEREST REDEMPTION:** Interest accrues daily and may be added to your Certificate principal monthly OR automatically remitted to you. Amount of payable interest must exceed a minimum of \$50 per remittance.
☐ Reinvest interest to principal ☐ Pay interest automatically monthly (please complete #9 on back)

#### SECTION II: APPLICANT AND OWNERSHIP INFORMATION

**OWNERSHIP TYPE:** ☐ Single ☐ Joint<sup>4</sup> ☐ Trust<sup>5</sup> ☐ Organization

Trust Name / Organization Name (if applicable)

EIN

Date of Trust Agreement (if applicable)

Name of Primary Applicant / Authorized Signer

Name of Joint Applicant / Authorized Signer (if applicable)

Street Address

Street Address (if different than Primary's)

City, State &amp; Zip

City, State &amp; Zip

Mailing Address (if different than above)

Mailing Address (if different than above)

SSN

Date of Birth

Main Phone

SSN

Date of Birth

Main Phone

E-mail Address

E-mail Address

Church

Church (if different than Primary's)

#### SECTION III: PAY ON DEATH (OPTIONAL)

☐ **PRIMARY BENEFICIARY** By checking this box, you authorize MBLF to pay the principal and accrued interest on your Certificate to the 501(c)(3) tax-exempt organization or beneficiaries identified below at your death.

Name of tax-exempt organization or individual beneficiary

Address

City, State and Zip

SSN / EIN

Main Phone

☐ **CONTINGENT BENEFICIARY** You may designate a contingent beneficiary to receive the principal and accrued interest on your Certificate at your death, in the event that the designated beneficiary predeceases you.

Name of tax-exempt organization or contingent beneficiary

Address

City, State and Zip

SSN / EIN

Main Phone

If you have completed Section III, please review Paragraph 7 of Section IV (on the other side of this page) carefully and complete it as necessary.

## SECTION IV: REPRESENTATIONS AND AGREEMENT

BY SIGNING BELOW, YOU REPRESENT AND AGREE TO THE FOLLOWING:

1. **Advantage Certificate** Advantage Certificate available only to Mennonite Brethren churches and organizations, past and present MB pastors and missionaries, and employees of Fresno Pacific University, MB Foundation, Multiply, Tabor College, USMB, district conferences and MB churches.
2. **Purchase of Certificate Applied for** You agree to purchase the Certificate indicated in this Purchase Application and Agreement.
3. **Terms of Certificate** You have received and read the MBLF Offering Circular dated April 30, 2023 and the MBLF financial statements included in it. You understand and agree to the terms of the Certificate you are applying for.
4. **Liability of Joint Applicants** If a Certificate is being purchased for joint ownership, the Certificate will be issued to the Primary and Joint Applicant as joint tenants with the right of survivorship. MBLF will report interest to the Primary Applicant. If the Joint Applicant is a minor, the parent or guardian of the minor must sign this application on the applicant's behalf. Both the Primary Applicant and the Joint Applicant must sign below. In that case, "you" shall refer to both applicants, and they shall be jointly and severally liable under this Purchase Application and Agreement. MBLF is authorized to act upon the instructions and directions of either applicant in all matters, except changing ownership.
5. **Certification of Trust** If a Certificate is being purchased for ownership in trust, each trustee identified as a Primary Applicant must sign below. In that case, "you" shall refer to all trustees. By signing below, you certify that the trust identified in Section II has not been revoked, modified, or amended in any manner that would cause this certification of trust to be incorrect. MBLF will report to Primary Applicant unless Trust EIN is provided.
6. **Withholding Certification** Under penalties of perjury, each undersigned Applicant certifies that:
  - (a) the Social Security or Federal Identification Number listed under your name in Section II is correct; and
  - (b) you are either exempt from withholding or otherwise not subject to backup withholding. The IRS has not notified you that part of your dividend and interest is to be withheld as a result of your failure to report all dividend and interest income. **Please draw an "X" through this paragraph if you ARE subject to backup withholding.**
7. **Beneficiaries** If you have completed Section III, you authorize MBLF to pay the outstanding principal and accrued interest on your Certificate to the primary beneficiary or contingent beneficiary at your death. MBLF may make this payment to the contingent beneficiary if the primary beneficiary is an individual who predeceases you or an organization that no longer functions as a qualified 501(c)(3) organization with a mission purpose consistent with your intended donation. MBLF reserves the right to refuse a donation request to an organization that, in MBLF's discretion, is contrary to the mission of the U.S. Conference. You may change or revoke any beneficiary designation in Section III at any time. But a beneficiary designation and this Purchase Application and Agreement shall be binding on your heirs, beneficiaries and legal representatives. **In addition, you represent either (i) that you are unmarried, or (ii) that your spouse has signed either this Purchase Application and Agreement as an Applicant, or the following Spousal Consent:**

I am the spouse of the Primary Applicant or Joint Applicant identified in Section II of this Purchase Application and Agreement. I give to my spouse any interest I have in the funds to be invested in the Certificate applied for in this Purchase Application and Agreement. I agree to my spouse naming a beneficiary other than myself. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. I shall have no claim against MBLF or any beneficiary designated under this Purchase Application and Agreement for any payment made to the beneficiary.

Signature of Spouse of Primary Applicant

Date

Signature of Spouse of Joint Applicant

Date

8. **Authority of organization** If you are an organization, you represent that you have been duly authorized to purchase the Certificate indicated in this Purchase Application and Agreement, and that the undersigned signatory has been authorized to sign on your behalf.

### 9. ACH Authorization

**I/We authorize MB Loan Fund to initiate either credit entries, redemptions, or debit entries, withdrawals, to/from the bank for any specific request submitted to MB Loan Fund.** Automatic interest payments will only be sent electronically.

Account Number

Routing Number (from lower left hand corner of check)

Name of Financial Institution where you maintain the account

### 10. Paper Statements

- ☐ Please send my statements by mail to the mailing address listed in Section II of this application.

## SIGNATURES

**MBLF will not process your application until you have completed Sections I and II and signed below. If you are signing on behalf of an Organization, print your name and title on the provided line. A parent or guardian must sign on behalf of a minor.**

Signature of Primary Applicant / Authorized Signer

Date

Signature of Joint Applicant / Authorized Signer (if applicable)

Date

Print Name (and Title of signatory if on behalf of organization)

Print Name (and Title of signatory if on behalf of organization)

**Please return this Purchase Application and Agreement to MB LOAN FUND.**



**MB LOAN FUND  
CERTIFICATE RATE SHEET****INTEREST RATES EFFECTIVE MARCH 1, 2024**

	<u>Nominal Rate</u>	<u>APY</u>
Demand Certificate	3.50%	3.56%
Advantage Certificate	3.80%	3.87%
Term Certificates:		
1 Year	4.50%	4.59%
2 Year	4.55%	4.65%
3 Year	4.60%	4.70%
4 Year	4.65%	4.75%
5 Year	5.00%	5.12%

ALL RATES ARE VARIABLE