



WESLEYAN INVESTMENT FOUNDATION, INC.
13300 Olio Road
Fishers, Indiana 46037
317.774.7300

OFFERING CIRCULAR

DEMAND INVESTMENTS AND TERM INVESTMENTS

Wesleyan Investment Foundation, Inc., an Indiana not for profit corporation (referred to herein as “WIF,” “we,” “us” and “our”), is making available up to \$1,500,000,000 worth of Demand Investments and Term Investments (collectively, the “Investments”) in this offering to investors in the State of Kansas concurrently with offerings throughout the United States and its territories such that the total offering amount of \$1,500,000,000 in Investments may be satisfied via sales in any single U.S. jurisdiction or combination of jurisdictions (subject to limitations that may be imposed by such other jurisdictions). The Investments are unsecured debt obligations of WIF and accrue interest at a variable rate as described herein. The “Demand Investments” are redeemable in full (i.e., principal plus accrued interest to date) upon demand and are offered in every jurisdiction in which WIF is authorized to offer and sell securities except the State of South Carolina. In South Carolina, WIF offers “Term Investments,” which mature 30-days following the date of issue. Term Investments renew automatically unless the investor notifies us of their intent not to renew. Only individuals and entities associated with Churches and CROs, described below, may purchase the Investments. WIF will pay interest on the Investments at the rates set forth below. WIF may adjust the rates of interest we pay each January 1 and July 1, or at other times as determined by WIF. WIF uses the Investments primarily to finance loans it makes to Churches and CROs to enable them to purchase land, buy buildings, construct new worship facilities, renovate, remodel, expand and replace existing facilities, relocate existing congregations, purchase building sites, refinance existing loans or meet other capital and expense needs of the Churches and CROs. Interest rates as of the date of this Offering Circular are shown below. Please call or visit www.wifonline.com to obtain current rates.

| <u>Principal Amount Invested per Investor</u> | <u>Interest Rate</u> | <u>Annual Percentage Yield</u> |
|--|-----------------------------|---------------------------------------|
| \$35,000 and up | 6.00% | 6.09% |
| \$5,000-\$34,999 | 5.50% | 5.58% |
| 0-\$4,999 | 5.00% | 5.06% |

In order to invest, you must be a person (including entities or arrangements controlled by, owned by, or existing for the benefit of such persons) who is, prior to your first purchase of the Investments, a member of, contributor to, or participant of, or share a reasonable association with, the Wesleyan Church Corporation (the “Wesleyan Church”), WIF, or another church (“Church”) or religious or church-related organization that has a programmatic relationship with or shares a common religious historic tie, background or similar purpose with the foregoing, including any program, activity or organization that constitutes a part of the foregoing religious organizations (“CROs”; collectively, “Churches and CROs”).

This offering of Investments is not underwritten and WIF does not hire underwriters or outside selling agents to sell the Investments. WIF will not pay any commission on the sales of the Investments and no compensation paid to WIF’s directors, officers or employees will be based in any way on sales of the Investments. Accordingly, WIF will receive 100% of the proceeds when Investments are made and WIF will bear all expenses incurred in connection with making the Investments available, which are anticipated to be less than 0.10% of the total amount of Investments made available.

WIF IS NOT A BANK AND THE INVESTMENTS ARE NOT BANK DEPOSITS OR INSURED BY THE FDIC OR SIPC. THE INVESTMENTS ARE SUBJECT TO RISKS, CERTAIN OF WHICH ARE DESCRIBED BEGINNING ON PAGE 3.

The date of this Offering Circular is November 15, 2023

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

THE INVESTMENTS ALSO ARE EXEMPT FROM REGISTRATION IN CERTAIN STATES AND U.S. TERRITORIES BY THAT JURISDICTION'S LAW, WHILE IN OTHER STATES THEY MAY HAVE BEEN REGISTERED. NEITHER THE STATE SECURITIES COMMISSIONS NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS IN ANY WAY PASSED UPON THE VALUE OF THE INVESTMENTS, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO THE INVESTMENTS, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. WHEN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF WIF AND THE TERMS OF THE INVESTMENTS, INCLUDING THE MERITS AND RISKS.

WIF IS NOT A BANK AND THE INVESTMENTS 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 INVESTMENTS IS DEPENDENT UPON OUR FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE INVESTMENTS ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE WESLEYAN CHURCH OR BY ANY DISTRICT OR LOCAL CONGREGATION OF THE WESLEYAN CHURCH OR ANY OTHER DENOMINATION OR CHURCH WITH WHOM WE HAVE A RELATIONSHIP.

IT IS NOT OUR GENERAL PRACTICE TO AUTHORIZE ANY THIRD PARTY OR PARTIES TO PROVIDE INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE INVESTMENTS OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR. IF A THIRD-PARTY GIVES SUCH INFORMATION OR MAKES SUCH REPRESENTATIONS REGARDING THE INVESTMENTS, YOU SHOULD NOT RELY ON SUCH INFORMATION OR REPRESENTATION AS HAVING BEEN MADE BY WIF.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF INVESTMENTS THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS. INVESTORS SHOULD MAKE THEIR OWN DECISION WHETHER THIS OFFERING MEETS THEIR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL.

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INTRODUCTION AND SUMMARY OF THE INVESTMENTS

This summary is provided for your convenience. Before investing, you should read this entire document and carefully review our audited consolidated financial statements. We will provide current investors with our audited consolidated financial statements upon written request within 120 days of the most recent fiscal year end.

Our Company

We are an Indiana non-member, nonprofit corporation with our principal offices located at 13300 Olio Road, Fishers, Indiana, 46037. Our mailing address is P.O. Box 7250, Fishers, Indiana, 46038. Our office phone number is 317-774-7300. We are affiliated with, but a separate legal organization from, the Wesleyan Church. See “History and Operations.”

Our Purpose

WIF exists to ensure Churches and CROs have the financial and other resources they need to reach people for Christ. Our primary purpose is to assist Churches and CROs by providing financing at favorable rates for the purchase, construction, renovation and expansion of churches, parsonages and other buildings and property. We also provide loans to these Churches and CROs for general expenses and other borrowing needs. The lending activities we conduct are financed primarily through the sale of the Investments, principal and interest payments received on our loans, income from other investments and contributions and donations. See “Financing and Operational Activities” and “Lending Activities.” However, our Articles of Incorporation and Bylaws allow us to operate for any legal purpose permitted to be carried on by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986.

The Investments

We have made the Investments available in previous offerings and are now making available in this offering up to \$1,500,000,000 worth of Investments (subject to limitations on the amount and type of Investments that may be offered in certain jurisdictions, as described in more detail herein), which are our unsecured general debt obligations. We are not a bank, and therefore the Investments are not issued by, and are not obligations of, a bank. The Investments are not insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). The Investments may be available as investments for individual retirement accounts (“IRAs”). Individuals who wish to invest in Investments through a self-directed IRA may do so through custodial agreements with Goldstar Trust Company. Because IRAs are subject to specific requirements under the Internal Revenue Code, an individual investor should consult with his or her tax advisor before directing a purchase of Investments for his or her IRA.

The Investments pay a higher interest rate for higher minimum balances maintained, on a three-tier level. We review, and may adjust, the interest rates paid on our Investments every six months and at other times that we deem an adjustment is appropriate based on market and other factors. When such a review results in an adjustment to the interest rates paid on our Investments, we revise this Offering Circular, post the revised rates on our website and disclose the revised rates on the semi-annual statements available online to each investor. We compound interest on a semiannual basis and reinvest that interest in the investor’s account. Alternatively, the investor may contact WIF and request that the interest be sent to the investor via ACH. The Investments are repaid upon demand by the investor.

For most investors of Demand Investments, money can be invested in or redeemed from an Investment at any time in any increment. However, in limited circumstances, we may offer, and an

investor may in their sole and absolute discretion agree, to have their Investment used as security for a specified loan we made to a Church or CRO pursuant to the terms of a separate written agreement executed by both us and the investor. In those instances, an investor may be prohibited from redeeming such Investment until the church loan is satisfied, or as otherwise agreed by us and the subject Church or CRO. Any Investment used as security for a specified church loan is subject to additional risk factors not otherwise addressed herein. Specifically, if the borrowing church defaults in the loan it received from us, an Investment that secured such loan may be utilized by us to cure such default. We expect to supplement this Offering Circular with additional information for an investor desiring to acquire Investments under any such arrangement.

South Carolina law prohibits us from offering Investments that are redeemable upon demand to residents in South Carolina. Therefore, we may only offer and sell to residents of South Carolina, Investments with a 30-day term, which generally, may be redeemed only at the end of the 30-day term. See “Description of the Investments.”

Selected Financial Information

The table below shows selected financial data for our most recent fiscal year ending August 31, 2023. This table should be read in conjunction with our audited consolidated financial statements attached to this Offering Circular.

| <u>Description</u> | <u>Amount</u> |
|---|----------------------|
| Cash, cash equivalents, certificates of deposit and readily marketable securities | \$293,949,768 |
| Total loans receivable, net | \$1,558,475,021 |
| Amount (and percent) of unsecured loans receivable | \$4,149,570 (0.27%) |
| Loan delinquencies as a percent of loans receivable | 0.00% |
| Total assets | \$1,978,799,964 |
| Total Investments payable | \$1,626,985,888 |
| Amount of Investments redeemed during fiscal year | \$726,740,060 |
| Other long-term debt | \$0 |
| Net assets | \$329,155,896 |
| Change in net assets | \$5,356,556 |

Use of Proceeds

We expect to use the cash proceeds from the Investments to make loans to Churches and CROs to acquire land and buildings, construct and remodel churches, parsonages, multi-purpose buildings, educational units and other similar structures, and to fund and finance other capital and general projects and expenses for Churches and CRO’s and for our own investment purposes. See “Use of Proceeds.”

Risk Factors

This offering and making an Investment are subject to various risks. Please carefully review the following “Risk Factors” section.

RISK FACTORS

Making an Investment in this offering involves certain risks. You should carefully consider the risks described below together with all the other information in this Offering Circular before you decide to make an Investment. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that event, we may be unable to meet our obligations under the Investments and you may lose all or part of your Investment.

The Investments are our unsecured and uninsured general debt obligations.

The Investments are our unsecured and uninsured general debt obligations. The payment of principal and interest on the Investments is solely dependent upon our financial condition. Claims for repayment of Investments are subordinate to claims of any secured creditors. We currently have no debt other than outstanding Investments, and currently have no secured creditors. However, subject to our policy restricting senior secured indebtedness to 10% of our tangible assets, there are no restrictions on our ability to incur indebtedness and we could do so in the future by specific action of our Board of Directors. Although we cannot assure you that we will not issue secured investment obligations or incur secured debt having a higher priority to our assets in the future, it is not presently anticipated.

Holders of Demand Investments may demand redemption of the Investments at any time, and numerous such demands in a short period of time would materially adversely affect our ability to repay the Investments and our financial condition.

Holders of Demand Investments may request their Investments and any accumulated interest be repaid to them at any time. If many investors were to make such a request within a relatively short period of time, we would not be able to repay all such Investments and interest when requested or possibly at all, depending on the aggregate amount being requested. In such event, our financial condition would be materially adversely affected, as would our ability to continue to pay interest on Investments that were not the subject of the demand.

There is no sinking fund.

We do not use a sinking fund to provide for the payment of the Investments. Therefore, we have not set aside funds for the repayment of all the Investments. We do, however, have a policy to maintain liquid assets of not less than 8% of our outstanding Investments for the purpose of providing short-term liquidity. Our ability to repay an Investment will be affected by our financial condition and liquidity at the time the Investment is to be repaid.

There is no trust indenture.

We have not established, and do not intend to establish, a trust indenture to provide for the payment of principal on the Investments. Accordingly, no trustee will monitor our ongoing affairs on your behalf, no agreement will provide for joint action by investors in the event we default on the Investments, and you will not have the other protections a trust indenture would provide. A default in payment of one individual's Investment will not be a default of other individuals' Investments.

We may be subject to potential claims under state securities laws.

Although we have taken, and are continuing to take steps to comply with state securities laws relating to the Investments, there may be some potential securities law liability exposure. Specifically, certain states may impose monetary fines on us as a result of any past failure to comply with applicable

state securities laws. See “Litigation and Other Material Transactions.” Any securities law claims against us, if successful, or many claims even if unsuccessful, could have an adverse effect on our ability to repay the Investments.

There is no guarantee by any Affiliated Organization.

Neither the Wesleyan Church nor any of its respective agencies, subsidiaries, districts, affiliates or member churches, nor any other denomination or church with whom we have a relationship have guaranteed the repayment of the Investments. You must rely solely on us for repayment.

The Investments are not insured by the FDIC or SIPC.

We are not a bank, and therefore the Investments are not issued by, and are not obligations of, a bank. The Investments are not FDIC or SIPC insured. The Investments therefore do not have the insurance protection afforded to demand deposit accounts at a bank. The Investments are subject to investment risks, including the potential to lose the entire principal amount that you invest and any accrued or compounded interest thereon.

The risk of investment in the Investments may be greater than implied by relatively low or high interest rates on the Investments and the Investments are not insured by any governmental agency or private insurance company.

Although investors may correlate risk to rates of return, a low or high rate of return on the Investments does not necessarily correspond to a lower or higher risk of loss on funds invested. Investors will not be able to recover from a governmental agency or private insurance company if the Investment loses value.

Other investments may offer higher rates and greater security.

Other institutions and organizations may offer other debt securities or investments with higher rates of return and/or which provide greater security and less risk than our Investments. This may adversely affect sales of the Investments.

Interest Rate fluctuations may affect our results of operations.

Beginning in 2022, in response to inflationary pressures, the Federal Reserve approved multiple increases to its federal funds rate target range and has indicated that the increased interest rates will likely remain into 2024. Our primary interest rate exposures relate to the yield on our loans and other investments and the financing cost of payout of Investments. Many factors beyond our control affect market interest rates, including inflation, recession, unemployment, domestic and international events, changes in United States and other financial markets and fiscal and monetary policies. These changes in interest rates may affect our net interest income from loans and other investments. Interest rate fluctuations resulting in our interest and related expense exceeding interest and related income could adversely affect our results of operations and financial condition.

Cyber threats could affect our business.

Cyber threats are rapidly evolving and WIF may not be able to anticipate or prevent all such threats, including hacking, identity theft, malware and other fraudulent, illegal or improper activities perpetrated by third parties. While WIF undertakes efforts to reduce this risk by implementing various computer system safeguards, WIF cannot anticipate all security breaches or ensure that such perpetrators do not gain access to its systems or circumvent its security. A successful penetration or circumvention could cause material negative consequences including disruption to WIF’s operations, damage to

hardware and software systems, misappropriation of confidential or proprietary information, and theft of funds, personal information or identity.

The Investments may not be a suitable investment in the context of a specific investor's entire investment portfolio.

The Investments are not offered by an investment adviser or financial professional that performs suitability or an analysis that the investment is appropriate for any specific offeree. Each prospective investor is advised to consult with or retain his or her own professional investment advisor to consider whether the Investments are a suitable fit for the offeree based on the totality of his or her investment portfolio. Although the risk of loss on an investment (including the Investments) can never be eliminated, offerees are encouraged to diversify the investments in their portfolio to reduce the risk of loss.

The Investments are not transferable.

The Investments are not negotiable and cannot be transferred (except for certain family or estate planning transfers with our consent). Therefore, no public market for the Investments currently exists or will develop in the future.

We can redeem the Demand Investments.

We can redeem any Demand Investment at any time by giving written notice to the investor. We occasionally redeem Demand Investments when amounts invested by a single investor fall below \$25.00 per investor, but may redeem Demand Investments for any other reason we deem appropriate. In any case, you will be repaid your entire Investment plus accrued interest in the event of a redemption.

We may be required to offer to repay Investments.

We have historically made available Investments to investors located in various states, Washington D.C. and U.S. territories, and we continue to analyze the securities exemptions and registration requirements in such jurisdictions. At any given time, the Investments may not be registered or exempt in all jurisdictions where we currently have investors. In such a case, we could be forced to offer to repay all the outstanding Investments in that jurisdiction.

We are subject to a strict regulatory environment that could change, curtailing our ability to make Investments available.

Changes in state or federal laws, rules or requirements regarding the sale of debt obligations of religious, charitable or other nonprofit organizations or the sale of demand debt securities may make it more difficult or costly, or even impossible, for us to make Investments available in some jurisdictions in the future. To the extent that we are dependent upon the proceeds of future Investments to provide liquidity to make timely interest and principal payments on our outstanding indebtedness, including the Investments, a cessation or substantial decrease in the Investments made would adversely affect our ability to repay the Investments.

The repayments of loans we make are dependent upon contributions to local churches.

All our loans have been made to Churches and CROs. The ability of these borrowers to repay their loans generally will depend upon the contributions they receive from their members and attenders. To the extent that a Church or CRO experiences a reduction in contributions for whatever reason, its ability to repay a loan may be adversely affected. Loans to Wesleyan churches are generally guaranteed or co-signed by the Wesleyan District entity where the church is located for the benefit of the local church receiving the loan and in most instances the Districts also depend upon fluctuating contributions from the

local churches as a primary source of their revenues. We may take such guarantees and any other similar relationships into account in determining whether to make a loan to a Church or CRO. The inability of a borrower to make timely payments to us on its loan could adversely affect our ability to make interest and principal payments on the Investments.

We are not a commercial lender.

We should not be compared to a commercial lender. We may make loans to borrowers that are often unable to obtain financing from other commercial sources. We sometimes make loans to new or start-up Churches and CROs which, because of their small size and recent formation, may not meet commercial lending standards. In addition, because of our relationship with our borrowers, we may also be willing to accommodate partial, deferred or late payments and we have, in the past, made these accommodations in some circumstances for some borrowers.

Not all our loans are secured.

The loans we make have typically been secured by a first lien on the real property purchased, constructed or renovated with the funds provided by the loans or in limited cases, by Investments with the consent of the investors. However, in some cases there is no lien on the underlying property because the loans are small, are relatively short term in nature, or we already have a first lien on other real property owned by the borrowing entity. Where an unsecured loan is made to a Wesleyan church, we generally receive a guarantee of such loan by the Wesleyan District organization in which the local church is located, but this may not be true where the unsecured loans are made to non-Wesleyan Churches and CROs.

Churches are single or limited purpose properties.

Church properties like those that are typically the collateral for our loans are generally single or limited purpose properties and have a limited resale market. In time, this may limit our ability to liquidate our loan collateral which could adversely affect our financial condition and our ability to make interest and principal payments on the Investments.

Our loan practices create risks related to our loans that would not exist under normal commercial loans.

Most of the loans we make are used for the purchase of land, existing buildings, construction of new facilities or renovation of existing facilities. In some cases, there may not be a fixed-price construction contract for this work and the contractor may not be required to post a completion bond. In addition, possible delays in completion may occur due to, among other things, shortages of materials, possible strikes, acts of God or nature, war or civil unrest, acts of terrorists, delays in obtaining necessary building permits or architectural certifications, environmental regulations or fuel or energy shortages. We typically do not obtain architectural certification prior to disbursing partial construction payments and we normally rely instead on the representations of the borrower. Substantial increases in construction costs or delays in or failure to complete construction could adversely affect the borrower's ability to repay the loan. Only on rare occasions do we require an appraisal of the property that constitutes the collateral for the loan. While we typically and eventually conduct a site inspection for loans exceeding \$1,000,000 in principal amount, there can be no assurance that we will do so in all cases. In addition, we do not typically require an environmental audit before approving a loan.

We are involved in other activities that take our time and resources away from our core operations.

In conjunction with the loan business that we have with Churches and CROs, our employees engage in consulting with Churches and CROs as a normal consequence of the due diligence process for

loans on various matters relating to finance, operations, staffing, church health, church growth, leadership training and management of a church. These activities are normally provided at minimal or no cost to Churches and CROs as a service by us. Certain of our directors and officers may also serve in a director and/or officer capacity in other organizations, including organizations affiliated with us (see “Management”).

We could be subject to claims of liability for debts of our Affiliated Organizations.

We are a separate legal entity from all our affiliated entities and maintain strict adherence to that legal separation, and therefore we generally are not liable for claims against our affiliated entities, including the Wesleyan Church. However, in the event of claims against our affiliates, the claimants might contend that we are also liable. If such a claim were made, we would vigorously defend against it. If such a claim were made and upheld, our financial condition could be negatively affected.

There is no charitable deduction for making an Investment and interest is taxable to investors as ordinary income.

You will not receive a charitable deduction for making an Investment. Interest paid or payable on the Investments will be taxable to you as ordinary income regardless of whether the interest is paid to you or reinvested in your account.

Investment Risks

We may from time to time invest proceeds of the offering or other assets that are not used to make loans or cover other expenses in various securities, other financial instruments, property or other capital assets. See “Financing and Operational Activities—Short-Term and Other Investments.” These investments are subject to the same market and investment risks experienced by investors generally, and declines in the market values of those investments would result in realized or unrealized losses to us. In addition, our deposits and investments might not be made in investments covered by FDIC and SIPC, or our investments may exceed FDIC and SIPC account limits and may not, therefore, be protected by those insurance programs. There may also be periods of time when we are unable to obtain an average return on our investments and loans that is greater than our average interest payment obligations. There are also risks involved in specific transactions or arrangements, such as loan securitizations, undertaken or entered into. We are not and have not been involved in any securitizations as of the date of this Offering Circular. If we decide it is in its best interest to do so, we may securitize up to 10% of our loan portfolio only if the loans are securitized and sold on a non-recourse basis predominantly to entities not affiliated with us, the use of such loan proceeds are within the parameters set forth in the section “Use of Proceeds” in this Offering Circular, and the securitization does not hinder our ability to repay the principal interest on the Investments.

HISTORY AND OPERATIONS

We are an Indiana nonprofit corporation incorporated under the name of Wesleyan Investment Foundation, Inc. in 1960. However, we have been in continuous business through predecessor entities since 1946. Our principal office is presently located at 13300 Olio Road, Fishers, Indiana, 46037. Our mailing address is P.O. Box 7250, Fishers, Indiana 46038, and our telephone number is 317-774-7300.

We have no shareholders or members and our affairs are administered by our Board of Directors in accordance with our Articles of Incorporation and our Bylaws and operating policies adopted by our Board of Directors or CEO. Our Board of Directors is elected by the General Board of the Wesleyan Church and meets regularly one time per year. Our Board transacts business at other times during the year by telephone conference call, facsimile transmission, regular mail or by electronic mail. Purchasing

Investments does not entitle you to an equity interest in us and does not give you the right to vote on or participate in any corporate meetings or matters.

We are organized and operated exclusively for charitable and religious purposes and we are a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. No part of our net earnings inures to the benefit of any person or individual. Our primary purpose and operations are providing loan assistance to Churches and CROs for various capital projects and building programs.

Wesleyan Investment Foundation (in name) was started in 1959 when the Church Builder's Revolving Fund of the Wesleyan Methodist Church changed its name to Wesleyan Investment Foundation. The predecessor body of the Church Builder's Revolving Fund of the Wesleyan Methodist Church was started in 1955 as a response to churches that were experiencing difficulty in obtaining financing for church building projects from local banks. We continue to serve that purpose today by providing financing for Churches and CROs and their capital projects and general purchasing needs so that these Churches and CROs can fulfill the vision of reaching their communities for Christ. From time to time, we have sought to further that goal by aligning ourselves with like-minded Churches and CROs. The first of these activities occurred in 1968, when a CRO affiliated with The Pilgrim Holiness Church started in 1946 merged with and into us. Most recently, we affiliated with another CRO, the Converge Cornerstone Fund ("Cornerstone") and recently merged Cornerstone with and into us. For more detail, see "Affiliation and Merger with Converge Cornerstone Fund" below.

In order to obtain funds to provide loan assistance to Churches and CROs, we make available the Investments in all jurisdictions throughout the United States and U.S. territories. For a more detailed description of the offering, see "Description of the Investments" and "Plan of Distribution."

We occasionally purchase land and buildings for investment purposes. We also occasionally purchase land for purposes of holding the land for sale for future church development. As of August 31, 2023, we own twenty-two properties held for sale, use and/or investment purposes. Some of these parcels have buildings, dwellings or other structures on them. Our Board of Directors has a policy in place that the aggregate amount of these investments in land, buildings and investment properties will not exceed 10% of our total assets. The aggregate amount of these investments on August 31, 2023, is approximately 6% of our total assets. Except for these properties, the Investments, which provide general obligation financing, are not specifically secured by particular loans to specific borrowing entities.

Our principal office is located in the Wesleyan Headquarters. Effective October 1, 2023, WIF purchased the Wesleyan Headquarters building from The Wesleyan Church. WIF intends to remain in the building and has agreed to retain The Wesleyan Church as a tenant after the purchase.

USE OF PROCEEDS

We expect to use the cash proceeds from the Investments to make loans to Churches and CROs to acquire, construct and remodel churches, parsonages, multi-purpose, educational buildings and other similar structures, to purchase land and to provide funds for other capital projects and expenses relating to the ministry of the Churches and CROs. Although we do not expect to use any of the proceeds generated by this offering to pay operating expenses, we may do so in the future.

We will pay for all the expenses in connection with the Investments, including printing, mailing, attorneys' fees, accountants' fees and securities registration and notice fees (if any). The expenses in connection with the Investments are anticipated to be less than one tenth of one percent of the total amount of Investments made available.

The cash proceeds from Investments that we do not use immediately for loans or operating expenses may be invested in interest-bearing and non-interest-bearing obligations and in other investments in which a secondary market may or may not exist.

We do not anticipate using any proceeds from the Investments to meet the interest or the principal payments on the Investments. However, if amounts from our loans receivable are less than anticipated and if repayment demands on our outstanding Investments exceed our historical experience, we may use the proceeds from the Investments, along with other available funds, to meet those requirements.

We do not hire outside underwriters or selling agents to participate in the offering of Investments. We do not pay any underwriting discounts or commissions in connection with the facilitation of the Investments.

Generally, we do not earmark any of the funds invested in our Investments for certain projects, and therefore we cannot assure you that the proceeds from this offering will be used for loans to any particular state, region, denomination, district, local congregation, or Church or CRO. However, in some instances, an investor may agree (at their sole and absolute discretion) to have their Investments used as collateral for specific loan(s) made to specified Church and CROs.

AFFILIATION AND MERGER WITH CONVERGE CORNERSTONE FUND

The Transactions

Effective November 9, 2021, we consummated an affiliation transaction (the “Affiliation”) pursuant to which we became the sole member of Cornerstone. Cornerstone was an Illinois nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Code and that was not a private foundation pursuant to Code Section 509(a)(1). Prior to the Affiliation, Cornerstone was a legal entity distinct from, but affiliated with, Converge (formerly known as the Baptist General Conference and also known as Converge Worldwide). On May 1, 2022, we merged Cornerstone with and into WIF (the “Merger”), assumed Cornerstone’s loan portfolio and Cornerstone ceased to exist.

Together with Cornerstone, we determined that it was in each entity’s respective interests to effectuate the Affiliation and Merger. Converge and the Wesleyan Church share common ties – both organizations have been members of the National Association of Evangelicals since 1948 (The Wesleyan Church) and 1966 (Converge) and share a purpose of serving Christ, honoring God, seeking justice and compassion for the poor, promoting peace and care for God’s creation (among numerous other similarities). Additionally, we believed the Merger would benefit all parties to the Merger and their respective conferences, member churches and investors by generating cost efficiencies and economies of scale that would allow both us and Cornerstone to serve more churches and investors. We consolidated day-to-day operations of Cornerstone with our operations to address personnel shortages at Cornerstone and to more quickly realize the anticipated synergies and cost efficiencies. We integrated Cornerstone’s information technology platforms into our equivalent systems, began using shared loan origination policies and documentation, and offered Investments solely via our offering circular. This integration eliminated costs arising from duplicate vendors and simplify the accounting, payroll and legal functions of the two organizations. We expect that we will be able to pass-through the benefits of the operational synergies and cost efficiencies to Churches and CROs in the form of more competitive lending terms and to provide Investors with more investment opportunities.

Prior to the Merger, we offered all Cornerstone investors the opportunity to transfer the balance of their Cornerstone certificates into Investments generally reflecting the terms of the transferred Cornerstone certificates. Cornerstone investors were alternatively given the opportunity to redeem their

certificates for their full cash value (regardless of whether such certificate permitted the Cornerstone investor to receive payment from Cornerstone upon demand).

Financial Impact of the Affiliation and the Merger

In connection with the Affiliation, we agreed to pay Converge consideration of \$60,400,000, of which \$55,000,000 was paid on November 9, 2021, with the remainder paid in three equal annual installments. We were not required to pay any additional consideration to Converge in connection with the Merger.

DESCRIPTION OF THE INVESTMENTS

General

We are making available up to \$1,500,000,000 worth of Investments. The offering may be satisfied by sales of up to \$1,500,000,000 of the Investments in any single jurisdiction or any combination of jurisdictions, subject to approval of securities regulators in each jurisdiction (to the extent approval is required). The Investments are unsecured general debt obligations and are not guaranteed by any other party.

Investments may be made in any increment, for any total principal amount of \$25.00 and above. Payment for the Investments will be made by ACH transfer. In certain circumstances, however, WIF may accept check, money order, cash, electronic wire transfer, electronic funds transfer or any other method of legal money transfer available in the United States.

Investments are not transferable, except with our consent for transfers between accounts owned by the same individual, to certain family members or upon death. No trading market for the Investments exists or will develop.

Interest

The Investments accrue interest daily from the date of receipt of the principal. We compound interest semi-annually. The interest that accrues on the principal amount of your Investment will be reinvested as principal on a semi-annual basis unless you contact WIF and request the interest be paid to you via ACH transfer. We provide semi-annual electronic statements showing the principal and accrued interest on each Investment.

The Investments have a three-tiered balance and interest amount and pay a higher interest rate for higher minimum balances maintained, as determined at each investment or withdrawal. We review the interest rates paid on our Investments every six months and at other times that we deem an adjustment is appropriate based on market and other factors. Interest rates are determined by our CEO based on prevailing interest rate conditions in the financial markets of the United States, other factors in the general economy, and based on our business conditions and other considerations that the CEO regards as important at the time. Interest rates on the Investments as of the date of this Offering Circular are set forth on the front cover of this Offering Circular. You may call us at any time to obtain information on the current interest rates on the Investments at 317-774-7300.

Repayment

The Demand Investments have no set repayment or maturity date. You may have your Investment repaid to you by us at any time and in any increment by requesting such in writing unless you agree otherwise with us upon making your investment that we may use your Investment as security for a

specific loan. We will accept a facsimile of your signature as an original. There is no penalty or expense to you for requesting a repayment. We generally will pay you the repayment amount within five business days of your request.

As required by South Carolina law, residents of South Carolina, and only residents of South Carolina, may invest only in Term Investments. The Term Investments for South Carolina residents mature in 30 days from the date of issue. You may request a withdrawal at any time during the term and such withdrawal will be honored on the maturity date. If you do not request a withdrawal on or before the end of the term, your Investment will automatically roll over for an additional 30-days at the end of every 30-day term. If WIF adjusts interest rates during a 30-day term, the rates on the South Carolina Term Investment will adjust at the end of the 30-day term.

We reserve the right at any time to repay an Investment in whole or in part upon written notice to you by us. In the past, we have sometimes elected to repay Investments if the principal amount thereunder falls below \$25.00 per account.

Claims for repayment of Investments will be subordinate to claims of any of our secured creditors. Subject to rules applicable to South Carolina investors, our failure to pay principal and interest due or requested on an Investment will be a default only as to that Investment and will not be a default as to any other outstanding Investments.

We do not use a sinking fund to provide for the repayment of the Investments. Therefore, we have not set aside funds for the repayment of all the Investments. We do, however, have a policy to maintain liquid assets of not less than 8% of our outstanding Investments for the purpose of providing short-term liquidity. Our financial condition and liquidity at the time the Investment is to be repaid will affect our ability to repay the Investment.

Relationship to Other Debt

The Investments are our unsecured general debt obligations. We have no other current debt. Subject to our policy of restricting senior, secured indebtedness to 10% of our tangible assets, there are no restrictions on our ability to incur indebtedness and any such indebtedness could be secured and/or senior to the Investments. We may also from time to time offer additional Investments or other debt securities which have different terms than the Investments in this and other jurisdictions, without notifying or obtaining the consent of the holders of the Investments. If we do create any senior or secured indebtedness in the future, the amount of senior, secured indebtedness will not exceed 10% of our tangible assets.

If we liquidate or distribute our assets upon bankruptcy, reorganization or similar proceedings, payment of the Investments will be subordinate to claims of any secured creditors. All Investments will have an equivalent claim to any remaining assets.

Book Entry System

We have implemented a book-entry system for our Investments. Under the book-entry system, you will not receive a paper certificate evidencing your Investment. Rather, upon investing your money, your Investment is registered in your name on our books only and you will receive an electronic receipt and confirmation of your Investment. Thereafter, any additions or redemptions with respect to the same book-entry account also would be entered on our books only and you will receive further confirmation of the transactions. In addition, you will receive the normal electronic semi-annual statements regarding the status of your account as reflected in our book-entry system.

SELECTED FINANCIAL DATA

The following table sets forth our selected financial information. We prepared this information using our audited consolidated financial statements for each of the fiscal years in the five-year period ended August 31. You should read this information with our audited consolidated financial statements and notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Offering Circular. The selected financial information does not necessarily indicate the results to be expected in the future.

| <u>Assets</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Cash, cash equivalents, certificates of deposit and readily marketable securities | \$293,949,768 | \$322,842,168 | \$438,121,010 | \$264,549,636 | \$244,400,926 |
| Total loans receivable, net | \$1,558,475,021 | \$1,403,745,251 | \$1,029,063,383 | \$1,019,253,499 | \$927,909,283 |
| Amount and % of unsecured loans receivable | \$4,149,570 0.27% | \$2,217,147 0.11% | \$4,668,577 0.45% | \$3,811,315 0.37% | \$3,497,202 0.37% |
| Loan delinquencies as a percent of loans receivable | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% |
| Total assets | \$1,978,799,964 | \$1,825,388,217 | \$1,548,708,517 | \$1,327,926,825 | \$1,219,286,284 |
| Total Investments payable | \$1,626,985,888 | \$1,487,451,526 | \$1,238,686,762 | \$1,062,912,999 | \$977,354,336 |
| Amount of Investments redeemed during fiscal year | \$726,740,060 | \$575,766,560 | \$391,476,562 | \$385,039,396 | \$337,248,777 |
| Other long-term debt | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net assets | \$329,155,896 | \$323,799,340 | \$303,135,433 | \$257,043,672 | \$230,483,429 |
| Change in net assets | \$5,356,556 | \$20,663,907 | \$46,091,761 | \$26,560,243 | \$23,303,453 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of August 31, 2023, the outstanding principal balance of our Investments was \$1,626,985,888 compared to \$1,487,451,526 as of August 31, 2022. Interest rates paid on the Investments increased during the 2023 fiscal year. There was a total of \$866,274,422 in principal invested and we repaid a total of \$726,740,060 during the year ended August 31, 2023. We believe that the fact that we have historically paid above market interest rates on the Investments has contributed to the net increase in Investments for the 2023 fiscal year.

Our net loan portfolio increased from \$1,403,745,251 as of August 31, 2022, to \$1,558,475,021 as of August 31, 2023. We believe that factors contributing to this increase include our service-oriented approach to customer engagement, the competitive borrowing rates that we made available to churches in connection with loans and tightening credit markets that have made borrowing from commercial lenders difficult.

We consider a loan to be delinquent when interest or principal payments have been delinquent for over 90 days. As of August 31, 2023, there was one delinquent loan totaling \$35,249. As of August 31, 2022, there were two delinquent loans totaling \$1,604,993. Management credits our low delinquency experience to churches that take their loan payment responsibility seriously, and to WIF's quick and consistent follow-up with churches that experience difficulty with loan payments. Our loan loss reserve was \$18,000,000 as of August 31, 2023 and 2022 to comply with the current policy of the Board of Directors instituted in April of 2010 that allows the reserve to be set in a range of 1% to 3% of the loan portfolio balance outstanding. As of August 31, 2023, the loan loss reserve was 1.1% of the loan portfolio, and this will be reviewed again by the management of WIF on or before August 31, 2024.

Total net assets increased from \$323,799,340 as of August 31, 2022, to \$329,155,896 as of August 31, 2023, primarily due to continued strong interest and dividend income of \$77,054,194 this year compared to \$61,691,079 last year.

We have a policy to maintain total liquid reserves of at least 8% of our outstanding Investments and we limit the value of available lines of credit to 2% or less of our outstanding Investments for the purpose of providing short-term liquidity if needed. As of August 31, 2023, liquid reserves were \$293,949,768, or approximately 18% of our outstanding Investments. Loan commitments that we had made but had not yet disbursed (i.e., outstanding loans to the extent we have not yet disbursed funds and lines of credit that the borrower has either not yet drawn or has drawn and repaid) were \$277,355,000 as of August 31, 2023.

CAPITALIZATION

WIF is an Indiana non-member, nonprofit corporation, and does not have capital stock. Our total liabilities as of August 31, 2023, and August 31, 2022, were \$1,649,644,068 and \$1,501,588,877, respectively. The liabilities consisted primarily of the amounts payable under the Investments (i.e., principal plus accrued interest), and trust and annuities payable as shown on the consolidated financial statements attached to this Offering Circular. As of August 31, 2023, there were outstanding Investments of \$1,626,985,888.

FINANCING AND OPERATIONAL ACTIVITIES

General

We have historically generated the funds necessary for our loan operations primarily through the facilitation of Investments, loan repayments, interest earned on loans, income from other investments and contributions and donations.

Outstanding Investments and Prior Year Experience

As of August 31, 2023, investors held Investments in 13,438 accounts, with an aggregate principal balance of \$1,626,985,888. Such Investments ranged in principal amount from \$25 to \$25,917,471 and bore interest at rates ranging from 1.50% to 6.00%. During our fiscal year ended August 31, 2023, we received aggregate principal investments of \$866,274,422, and we repaid a total of \$726,740,060 in redemptions or partial withdrawals, equating to net investment funds received of \$139,534,362.

Short-Term and Other Investments

Funds that we do not use immediately for loans or operating expenses are invested in interest-bearing obligations and other investments. Our current policy is to maintain liquid assets (cash, interest-bearing and readily marketable equity securities) of not less than 8% of our outstanding Investments for the purpose of providing short-term liquidity. Historically, our liquid assets have been sufficient to meet normal repayment requests and commitment requirements.

The following table sets forth certain information regarding our liquid assets as of August 31, 2023:

| <u>Description</u> | <u>Market Value</u> | <u>Percentage of Investments</u> |
|-----------------------------------|---------------------|----------------------------------|
| Money market funds | \$223,601,841 | 76.07% |
| US Government & agency securities | \$1,906 | .00% |
| Corporate bonds | \$576,052 | .20% |
| Fixed income mutual funds | \$1,590,227 | .54% |
| Equity mutual funds/common stocks | \$4,824,511 | 1.64% |
| Cash and Cash Equivalents | \$17,418,991 | 5.92% |
| Certificates of Deposit | \$45,936,240 | 15.63% |
| Total Liquid Assets | \$293,949,768 | 100.00% |

Our realized and unrealized gains and losses from these investments in the aggregate for each of the last three fiscal years ended August 31 are set forth below:

| | 2023 | 2022 | 2021 |
|---|-------------|---------------|-------------|
| Realized and unrealized gains(losses) from these investments | \$257,747 | \$(1,042,034) | \$369,384 |

The Board has adopted a policy that other investments consisting of real estate, including the Wesleyan Headquarters where WIF is located and which WIF purchased on October 1, 2023, will not exceed 10% of our total assets in aggregate.

Assets held for sale include assets of Westchester Properties, LLC and its wholly owned subsidiaries which are collectively engaged in holding and operating real estate, including a commercial real estate mall, a 90-room assisted living facility and a 69-room independent living facility. The assets are being actively marketed with the intent to sell within one year and will continue to be operated by a local management team until a sale is completed.

On October 17, 2023, WIF, through a newly organized, wholly-owned subsidiary, made an \$18,650,000 investment in a for-profit company that has developed a web-based donor platform for nonprofit corporations, including Churches and CROs. The online platform enables donors to donate cash, stock and cryptocurrencies to nonprofits of their choice. As a result of the investment, WIF may elect a representative to the board of directors and received a non-controlling interest in the company as of the date of the investment.

We also maintain investments with an affiliated company located in Australia amounting to less than a quarter of 0.1% of our total assets.

All these investments are managed by our CEO with aid and assistance from the Investment Committee and our other employees, utilizing the services of outside professional investment advisors when appropriate and as needed at the discretion of our CEO.

See the notes to our audited consolidated financial statements set forth elsewhere in this Offering Circular for more information regarding our Investments.

LENDING ACTIVITIES

General

Our primary purpose is to provide loans to Churches and CROs. Loans we approve are used to purchase land, buy buildings, construct new worship facilities, renovate, remodel, expand and replace existing facilities, relocate existing congregations, purchase building sites, refinance existing loans or meet other capital and expense needs of the Churches and CROs. WIF uses the Investments to finance loans it makes to Churches and CROs.

We provide two types of loans to Churches and CROs. “Mortgage loans” are secured by a first mortgage on the church property, either land or building, new or existing, and generally have a term between one and 30 years. “Note loans” are unsecured loans for smaller projects (typically in the \$5,000 to \$200,000 range) and typically have a term of between one and five years.

As of August 1, 2023, of the total principal amount of loans outstanding, approximately 99% were first mortgage loans, and less than 1% were note loans. Currently, we have a policy which restricts the percentage of unsecured note loans to 10% or less of WIF’s total loans outstanding.

Loan Policies

All loans to Churches and CROs are made pursuant to our loan guidelines and formal loan review process. A church or organization requests a loan from us by filing a written application. At the time a loan application is submitted, the applicant is required to provide several items related to the proposed project, its financial condition and the proposed collateral. Some of these items may include (where

applicable) the resolution of the Church or CRO detailing approval of the loan, the resolution of the District Board of Administration, District Advisory Board, Conference, Denomination or body having jurisdiction over the Church or CRO (if any), and approval and certification of the willingness of the overseeing authority to co-sign the note (if required and/or available), the Church or CRO's most recent consolidated financial statements for the past two years and current year to date, and the Church or CRO's current budget. Other requirements may be made at the discretion of our staff. All loans to Wesleyan churches require District co-signatures. Some loans to non-Wesleyan churches require a different body to guarantee or co-sign, and some require no guarantee or co-signature.

We approve or disapprove each loan application based on some or all of the following factors: the current financial position of the Church or CRO, the size and scope of the project, an analysis of the overall value of the project, the perceived ability of the Church or CRO to repay the loan, the amount of funds that the Church or CRO has or will commit to raise for the project, the size of the congregation, the length of tenure of the Pastor and Pastoral Staff, quality of Pastoral and lay leadership and various other tangible and intangible items such as the vision of Church or CRO leadership for use of the project for ministry, and the expressed commitment of organization's leaders to the project. In addition, our CEO or our staff may require additional information or assurances from the prospective borrower as needed.

We may or may not require surveys, appraisals, or environmental audits relating to the property. The maximum loan to a single borrower is generally limited to an amount which would not require annual debt payments, taking into account all outstanding indebtedness of the borrower, to be greater than 40% of the total anticipated annual revenues available to that borrower. We typically do not provide financing for the entire project, but instead require that the Church or CRO provide a portion of the financing through member contributions. The amount of such contribution is set by our loan staff on a case-by-case basis. Exceptions to these general requirements are frequently made for new churches, church planting projects, re-started churches, and other situations, all at the discretion of our CEO.

Loans may be made for terms ranging up to 30 years at our then-current interest rate. Interest rates are set on a loan-by-loan basis and are generally based on comparable rates available to commercial borrowers on the open market in the geographic area of the loan location at the time of the loan. Interest rates may be adjusted on a regular basis, subject to the terms of each loan. We generally require payment of principal and interest on all loans in equal monthly installments, but provisions are made on some loans for interest only arrangements for a period of time, or for partial payments of interest and/or principal for a period of time. Loans may generally be prepaid at any time, but pre-payment penalties may apply. We generally require title insurance or an attorney's opinion of title where title insurance is not available, and we require standard form fire and extended coverage insurance that names WIF as a mortgagee and/or an additional insured on all mortgage loans.

We generally charge a standard loan service fee for each loan of up to 1% of the principal amount of the loan.

Our Board of Directors and/or our CEO determine our general loan policies and may revise them from time to time. Therefore, we cannot assure you that the loan policies described above will not be changed.

Mortgage Loans

As of August 31, 2023, we had outstanding mortgage loans with gross balances receivable aggregating \$1,570,084,236. The current principal amounts of these loans, which are secured by first mortgages on property located in 49 states and Washington D.C., ranged from \$100 to \$48,076,690, with interest rates ranging from 3.25% to 9.25%. The weighted average of the interest rates on both mortgage loans and note loans as of August 31, 2023, was 4.90%. During the year ended August 31, 2023, interest earned on mortgage and note loans totaled \$70,201,585 and the amount of principal paid on both types of

loans totaled \$78,470,833. This number represents both principal repaid on notes and mortgages in the ordinary course of loan payments, prepayments in advance of scheduled payments and principal payments made in conjunction with refinancing of a loan.

The following table reflects approximate mortgage loan principal maturities due in the ordinary course of repayment during the periods indicated:

| <u>Year Ending August 31</u> | <u>Principal Maturing</u> |
|------------------------------|---------------------------|
| 2024 | \$90,882,197 |
| 2025 | \$95,443,465 |
| 2026 | \$100,233,656 |
| 2027 | \$105,264,262 |
| 2028 | \$110,547,347 |
| After 2028 | \$1,067,713,309 |

We have historically refinanced a substantial portion of our loans and have received substantial principal prepayments on a number of un-matured loans each year. Therefore, the amount shown as maturing may vary from the principal repayments that we actually receive.

Note Loans

As of August 31, 2023, we had 26 outstanding note loans aggregating \$4,149,059. The current principal amounts of each of these loans ranged from \$153 to \$1,900,000, with interest rates ranging from 4.75% to 10.50%. The weighted average of the interest rates on both mortgage and note loans as of August 31, 2023, was 4.90%. There is no restricted reserve fund for payment of note loans. The interest earned on note loans is not tracked separately by WIF, and the interest earned on note loans is part of the total interest earned for both mortgage and note loans during the 2023 fiscal year. The amount of principal returned during the year ended August 31, 2023, on both note and mortgage loans totaled \$78,470,833.

Participation Loans

As of August 31, 2023, we had 2 participation loans representing a 49% participation purchased from a lead participant with interest rates ranging from 4.60% to 4.75%.

Outstanding Loans Receivable

The table below shows the categories of outstanding loans the Investments funded as of August 31, 2023, the principal outstanding and an estimate of the interest receivable for each category.

| Type of Debt | Principal Outstanding | Accrued Interest Receivable |
|------------------------|------------------------------|------------------------------------|
| Mortgage Loans | \$1,570,084,236 | \$4,756,561 |
| Unsecured (Note) Loans | \$4,149,570 | \$12,932 |
| Participation Loans | \$3,502,853 | \$0 |

Loan Delinquencies

We consider a loan to be delinquent when interest or principal payments have been delinquent for over 90 days. As of August 31, 2023, there was one delinquent loan totaling \$35,249.

Due to the nature of our relationship with our borrowers, we have generally been willing to make accommodations and refinancing arrangements with borrowers whose payments are not current, including allowing interest only payments or foregoing payments of any kind for a period of time. Although no assurance is given to borrowers that we will be able or willing to refinance delinquent loans or make accommodations in response to delinquencies, we have on occasion aided borrowers in meeting their debt repayments without foreclosure. Accordingly, our delinquency experience cannot be compared to a commercial lender.

Our allowance for loan losses as of August 31, 2023, was \$18,000,000. The allowance for loan losses is based on management's continuing review and evaluation of the loan portfolio and its judgment as to the impact of economic conditions on the portfolio. The evaluation by management includes consideration of past loss experience, changes in composition of the portfolio, the current condition and the amount of loans outstanding, and the probability of collecting all amounts due. This evaluation is inherently subjective and required estimates are susceptible to significant revision over time. Our Board of Directors has established a policy that dictates that the allowance for loan losses be maintained within a range of 1% to 3% of the outstanding loans at August 31 of each year.

As of August 31, 2023, the loan loss reserve was 1.1% of the outstanding loans. We have had no loan losses incurred that were charged to the loan loss reserve during the last 23 fiscal years.

Material Loans to a Single Borrower

We consider individual loans in excess of 5% of our total assets to be material. As of August 31, 2023, there were no individual loans with outstanding principal loan balances equal to or greater than 5% of our total assets, and there were no single borrowers with outstanding principal loan balances aggregating 5% or more of our total assets.

OTHER ACTIVITIES

In addition to our lending activities, we provide assistance and counseling to Churches and CROs in their planning for expansion, relocation, building and other capital projects. These services are normally rendered at minimal to no charge to the Churches and CROs. In addition, we occasionally make limited grants available to departments, organizations and entities of the Wesleyan Church and other denominations, districts, local churches, and to various other charitable organizations and entities that qualify as tax exempt under Section 501(c)(3) of the Internal Revenue Code. The amount of grants given, and the recipients of those grants are determined by our Board of Directors and/or CEO.

We also offer charitable gift annuities to individuals, other than residents of the State of Pennsylvania, who wish to receive an income stream for life or a fixed period of years with any remaining portion of a gift being designated for our general purposes and other charitable purposes at the death of the donor. In addition, we have agreed to accept charitable gift annuities on behalf of other organizations when the individuals purchasing those charitable gift annuities include us in the distribution of the remainder interest to the extent of a predetermined and pre-negotiated percentage. The amount of that percentage is set by our CEO and varies depending on the particular circumstances relating to the specific annuity. The annuity amounts are set by using a percentage of the remainder principal amount. We use the rates published by the Conference on Charitable Gift Annuities (as may be changed from time to time)

as guidelines to set the payout percentage, and on occasion will set a different rate for a particular annuity at the discretion of our CEO.

We also manage and/or serve as a trustee of several charitable remainder trusts and donor advised funds on behalf of individuals, entities or estates. As the trustee of these instruments, we have a fiduciary obligation to administer the trusts and funds in accordance with the instructions of the trust and fund instruments. We may or may not receive compensation for these services and may or may not be entitled to receive a portion of the remainder interest in said trusts or funds upon the maturity of the instruments, all in accordance with the directions contained in the instruments.

PLAN OF DISTRIBUTION

We do not retain, and there are not involved in the offering of the Investments, any individuals or organizations whose sole purpose is to offer or facilitate the placement of the Investments, and therefore no underwriting or facilitation agreements exist. Generally, the Investments are made available through our CEO and employees who have substantial job responsibilities other than the facilitation of the Investments, and no one receives any commission, fees or other special remuneration for or in connection with the facilitation of the Investments.

A potential investor may apply to invest in the Investments via accessing our website at www.wifonline.com or by calling us at 317-774-7300. If a new investor wishes to open an account without printing and mailing documentation, he or she must review the applicable Offering Circular, complete an application online and fund the account via EFT or other electronic means. Once a potential investor has made an initial investment, the investor will have the ability to redeem his or her investment or invest more with us via the website using the investor's customized login information or by calling us.

Alternatively, a potential investor may open an account by mailing a completed application to WIF with a signed EFT authorization. Upon request, we will mail or email an Offering Circular and related documentation to a potential investor to enable him or her to complete a paper application and mail it to WIF to open an account. The material is also available online to potential investors based upon their jurisdiction of residence at www.wifonline.com.

In either instance, if you wish to make an Investment, you must complete the Investment Agreement, which accompanies the Offering Circular, and deliver it to WIF, either electronically or through the mail, and fund the principal amount of your Investment. Instead of issuing to you a paper certificate evidencing your Investment, we will register your Investment on our books only and send you a confirmation of receipt of payment for the Investment in the applicable amount.

WIF allows investors to invest in the Investments through self-directed IRAs, if desired. Upon request, the materials required for an investment through a traditional IRA and/or a Roth IRA will be distributed to you with the Offering Circular. Individuals who wish to hold their Investments in an IRA may do so through an arrangement with a third-party provider of IRAs, Goldstar Trust Company. Goldstar Trust Company, as the custodian of a self-directed IRA, invests funds with WIF as directed by the investor.

Note that special tax rules apply to IRAs. You may be charged a fee upon termination of your IRA and for other matters relating to the IRA, and withdrawals from an IRA may take a week to ten days to receive. No investor should invest through an IRA without consulting a tax advisor.

TAX ASPECTS

The interest paid or accrued on the Investments is taxable as ordinary income to you in the year it is paid or accrued. Even if you reinvest interest over the life of an Investment and it is not paid until the time of redemption, you must still report the interest as income on your federal income tax returns, and state income tax returns if applicable, as it is earned over the life of the Investment. We will notify you of interest earned each year on your Investment by providing you a Form 1099 or comparable form by January 31 of each following year. We may withhold federal income tax from each payment of interest if you fail to provide us with your social security number (for individuals) or employer identification number (for entities) when you make an Investment or if we are notified that you have underreported your income to the Internal Revenue Service.

You will not be entitled to a charitable deduction for making an Investment, and you will not receive a receipt for a charitable contribution.

You should consult with your tax advisor to determine your particular federal, state, local or foreign income or other tax consequences from an investment in the Investments. This section summarizes some federal income tax consequences from making an Investment based upon the Internal Revenue Code, the regulations promulgated thereunder and existing administrative interpretations and court decisions. Future legislation, regulations, administrative interpretations or court decisions could change these authorities either prospectively or retroactively. This summary does not address all aspects of federal income taxation that may be important to you in light of your particular circumstances or if you are subject to special rules, such as rules applicable to financial institutions or tax-exempt organizations or if you are not a citizen or resident of the United States.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

As of the date of this Offering Circular, there is no known present, pending or threatened material legal proceeding to which we or our property is or may become a party except as set forth herein.

We must comply with the different securities laws of every state, Washington D.C. and U.S. territory in which we offer and sell Investments. Generally, we must register our Investments in each jurisdiction before we can offer securities there unless an exemption to registration applies under the laws of that jurisdiction. Most jurisdictions have automatic exemptions from registration for organizations formed solely for nonprofit purposes and that comply with guidelines laid out in the North American Securities Administrators Association's Statement of Policy Regarding Church Extension Fund Securities (the "NASAA Church Extension SOP")¹. Some jurisdictions, however, require that a non-profit organization also notify its local securities regulator of its intent to offer exempt securities in the state, apply for exemption from registration of its securities in the jurisdiction or file a registration statement in the jurisdiction before it may sell its securities in such jurisdiction. Adherence to the NASAA Church Extension SOP made us compliant with many jurisdiction's securities laws; however, we learned in 2016 that we were not compliant in those jurisdictions that have additional notice or filing requirements. Consequently, we filed the appropriate filings in those jurisdictions.

Upon receipt of our initial securities filings in some jurisdictions, the jurisdictions' securities regulators requested additional information about our prior offers and sales of Investments. We provided all information requested and addressed any past violations through making retroactive filings, paying fines or penalties, executing consent orders, and/or conducting rescission offers, in each case as determined or recommended by the applicable securities regulator. As of the date of this Offering Circular, we have remediated all known past securities violations to the satisfaction of the applicable

¹ The NASAA Church Extension SOP may be found at <http://www.nasaa.org>.

authorities and have been granted authority by each jurisdiction in which we previously offered securities to prospectively offer the Investments again in that jurisdiction.² Upon request, we will provide any investor with a copy of any order or similar agreement that any securities regulator has issued with respect to us. Such orders may also be available on the website of the applicable securities regulator. Set forth below is information regarding negotiations we undertook with certain states in order to remediate securities law matters during the past three years, presented in reverse chronological order in accordance with the date of final resolution of such matter:

In the State of Nebraska, we filed an initial application for registration as a broker-dealer in March of 2022 in order to maintain consistency with the broker-dealer registration in the State of Nebraska maintained by our then-affiliate, Cornerstone. As part of this registration, we disclosed the existence of unregistered offers and sales in the State of Nebraska and explained why we believed we qualified for exemption under Nebraska law and had therefore, not filed previously. After consideration of the matter, the Nebraska Department of Banking and Finance determined that no exemption was applicable and that we offered securities without registration in violation of Nebraska law. We executed a Consent Order effective April 4, 2022, under which we paid a fine of \$20,000 and reimbursed investigative fees of \$2,000. As of the date hereof, we offer and sell our securities as a registered broker-dealer in the State of Nebraska.

In the State of Washington, we filed a notice of exemption in June of 2017 and a renewal in 2018 on the basis of their non-profit issuer exemption. The Washington Department of Financial Institutions, Securities Division (the “Washington Division”) approved both applications. We did not disclose the existence of past offers and sales in the State at that time. In July of 2018, the Washington Division clarified its position as to the scope of its non-profit exemption rules with respect to church extension funds. Under the Washington Division’s clarification, coupled with existing laws, there was no reasonably practicable way for us to rely on either the non-profit issuer exemption or register our securities. The Washington Division’s clarification affected us along with (to our knowledge) every other church extension fund operating in the State. In 2019, we filed a routine notice of exemption before learning of this statutory reinterpretation. We received no response from the Washington Division to our 2019 correspondence. Consequently, we ceased offering and selling securities in Washington upon expiration of our 2018 exemption. In 2020, the legislature in Washington revised its securities laws such that we could offer our securities under registration by qualification. Accordingly, we applied for registration of our securities. In response to that application, the Washington Division inquired into our pre-2017 sales in the State and we disclosed all known sales made in the State of Washington. In February 2021, we agreed to a consent order with the Washington Division and paid a fine of \$10,000 and investigative costs of \$1,500. As of the date of this Offering Circular, our securities are registered with the Washington Division and we offer and sell our securities in Washington under the authority of such registration.

After filing an initial securities registration application in the State of Oregon, the Oregon Department of Consumer and Business Services, Division of Financial Regulation (the “Oregon Division”) conducted a review into our previous offerings in the State. In connection with such review, we agreed to an administrative order requiring that we pay a civil penalty and cease and desist offering and selling our securities in violation of Oregon securities laws pending satisfaction of the terms of such order. In December of 2020, we agreed to a second administrative order with the Oregon Division as a result of subsequent unregistered sales made in Oregon. The second order waives a portion of the civil penalty assessed after a three-year period of compliance with the terms and conditions of such order. As of the date of this Offering Circular, we have complied with the terms of both administrative orders in

² From time to time, a securities regulator may fail to complete their review of our securities-related applications before our authority to offer securities in such jurisdiction expires. In such an event, we pause our securities offerings in that jurisdiction until our authority has been renewed.

Oregon, have registered our securities with the Oregon Division, and offer and sell our securities in Oregon under the authority of such registration.

In the State of Ohio, we submitted our initial application to register the Investments with the Ohio Division of Securities (the “Ohio Division”) on October 16, 2016. In connection with this application, we disclosed to the Ohio Division that we had made offerings and sales of unregistered securities to Ohio investors. We then worked with the Ohio Division to demonstrate that all existing and previous Ohio investors have always (1) been credited with the stated interest accrued on their Investments to date, (2) had the right to receive the entire balance of their account (including accrued interest) on demand, and (3) received repayment of their Investments from us promptly upon request therefor. Upon demonstrating the foregoing and disclosing past sales of unregistered securities in this Offering Circular, the Ohio Division registered the Investments as of October 12, 2017. Beginning in approximately of July 2019, the Ohio Division opened a separate investigation into our relationship with Crossroads Community Church, Inc. (“Crossroads”) after discovering that certain ministers affiliated with Crossroads solicited their congregants regarding the Investments. We cooperated fully with such investigation. The investigation resulted in the following findings of violations by us and our CEO: (1) we sold the Investments in 2015 to Ohio residents that were not properly registered with the Ohio Division, (2) we made statements in certain advertising materials that were at material variance with our offering circular, and (3) we entered into investment contracts with certain individuals with terms that varied from our form investment contract, and thus those terms were also at material variance with documents filed with the Ohio Division.³ In response to these findings, both WIF and Dr. Dunn executed a consent order acknowledging the foregoing effective as of June 8, 2020. As of the date of this Offering Circular, we offer and sell our securities in Ohio under registration by qualification with the Ohio Division. We continue to support the faith-based activities of Crossroads, but no longer coordinate with Crossroads regarding the offer or sale of the Investments.

In addition to the matters described above, we settled matters with additional states arising from the same “failure to file” issue discussed above. In Kentucky, we resolved a matter with the Department of Financial Institutions, Division of Securities (“Kentucky Division”) for our failure to notify Kentucky’s of our sale of exempt securities in the state. We were required to pay an \$11,250 fine, provide a rescission offer to investors in that state and agree to a Consent Order dated June 19, 2019, to ensure our compliance in the future. Currently, we have filed our exemption notices for our securities with the Kentucky Division and offer and sell our securities in Kentucky under such exemption.

MANAGEMENT

Board of Directors

Our affairs are governed by our Board of Directors. Pursuant to our By-Laws, our Board of Directors consists of eleven directors, the majority of whom must be members in good standing with the Wesleyan Church and one of whom must be the then-current CEO of WIF. Currently, we have eleven individuals serving on the Board of Directors. Our CEO currently serves as both a director and Chairman of the Board of Directors. The remaining 10 members of our Board of Directors are elected by the General Board of The Wesleyan Church from nomination(s) presented by our CEO. Directors may be

³ Specifically, the Ohio Division found the following violative statements: (i) we compared the Investments to FDIC insured bank savings accounts without disclosing the difference between us and an FDIC insured bank, (ii) we stated our interest rates “are often higher than similar accounts at many other financial institutions” in contrast to disclosures in this Offering Circular that other financial institutions may offer higher interest rates, (iii) we stated “[e]ach dollar invested in WIF is used to provide loan assistance to churches” and “[w]ant a retirement savings account that will preserve principal and not be affected by the market?” in contrast to statements in this Offering Circular stating that investments may from time to time be used to invest in other assets, and (iv) we made statements to congregants of Crossroads describing a partnership with Crossroads that contrasted with our general solicitation strategy stated in this Offering Circular.

removed for cause by a majority vote of the General Board of The Wesleyan Church. Our Board members typically are elected for four-year terms, and there are no term limits for serving on our Board. The Board of Directors elects a CEO and Chairman of the Board of Directors. The Board of Directors or the CEO appoints a Secretary and such other officer positions as the foregoing Board of Directors or the CEO see fit. Officers serve until the earlier of the time such person's successor is elected and qualified, such person's resignation or such person's removal.

Our Board meets regularly at least once each year and at other times as called by the Chairman. Business which requires a vote by the Board of Directors may be handled by phone, in writing, by e-mail or other type of electronic communication or media.

An Executive Committee of the Board of Directors is vested with the authority to exercise the powers of the Board of Directors in the management of the business of WIF between meetings of the Board of Directors. The Executive Committee consists of our Chairman, Vice-Chairman and Secretary.

An Audit Committee of the Board of Directors represents and assists the Board in fulfilling its oversight responsibility relating to the integrity of the consolidated financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the consolidated financial statements, and the independent auditors' qualifications and independence. Current members of the Audit Committee are Mr. James E. Perry, Mr. Kevin Batman, Mr. Lee Domingue and Mr. Craig A. Dunn.

A Compensation Committee of the Board of Directors represents and assists the Board in fulfilling its responsibility in setting the compensation of the CEO. The salary and other compensation of the CEO is reviewed by the Board of Directors at the annual meeting. Any changes are based on the recommendation of the Compensation Committee. Current members of the Compensation Committee are Mr. James E. Perry and Mr. Kevin Batman.

The Board established an Investment Committee at its October 2023 Board meeting to review investments by WIF. The current members of the Investment Committee are Mr. Craig A. Dunn, Mr. Lee Domingue and Mr. Joe Schmidt.

As of the date of this Offering Circular, our Board of Directors consists of the following individuals:

Mr. Kevin Batman, Fishers, Indiana. Member of the Board of Directors, Executive Committee, Audit Committee, Compensation Committee and Secretary of WIF. Born May 30, 1960. Treasurer of World Hope International, Inc., Alexandria, Virginia; Treasurer ex officio of Wesleyan Pension Fund, Inc. Currently employed as General Treasurer of The Wesleyan Church Corp. since 2007. Previously served as Secretary and Treasurer of Needham-Storey Funeral Services, Inc., Marion, Indiana. Director since 2007 and current term expires in November 2026.

Rev. Shawn Cossin, Moline, Illinois. Member of the Board of Directors of WIF. Born April 14, 1971. Currently employed as Leadership Development Specialist with the Texas Department of Public Safety. Previously served as the Senior Pastor of Heritage Church, Moline, Illinois, from 2013 to 2021. Member of the Board of Trustees of Indiana Wesleyan University, Marion, Indiana. Previously served as Senior Pastor of Sandy Lake Wesleyan Church, Sandy Lake, Pennsylvania. Director of WIF since 2020 and current term expires in November of 2025.

W. Lee Domingue, Sr., Birmingham, Alabama. Member of the Board of Directors, Investment Committee and Audit Committee of WIF. Born May 26, 1964. Inventor, author/speaker and entrepreneur with over 35 years of automotive finance, banking compliance, technology, risk mitigation and process solutions experience. Former CEO – Indirect Lending of Wolters Kluwer Financial Services, Inc.

Founder of Cyrus Partners, Kingdom Builders, US, Inc., and Trafficking Hope Campaign, former pastor and CEO of Growleader, L.L.C. Director since November 2022 and current term expires in November 2024.

Rev. Oliver B. Dongell, Plymouth, Indiana. Member of the Board of Directors of WIF. Born February 26, 1953. Currently serves as Senior Pastor of Brevard Wesleyan Church, Brevard, North Carolina since 2022. Previously served as Senior Pastor of Plymouth Wesleyan Church, Plymouth, Indiana from 2004 to 2022. Director since 1993 and current term expires in November 2027.

Craig A. Dunn, Fishers, Indiana. CEO, Chairman of the Board of Directors, President, member of the Executive Committee, Investment Committee and Audit Committee of WIF. Born August 31, 1960, earned a law degree from Indiana University. Employed as CEO by the Board of Directors of WIF on September 1, 2000, and more recently employed for an additional term of four years beginning September 1, 2020, and ending December 31, 2024. Elected as Chairman of the WIF Board of Directors and President in October 2014. Also serves as CEO, Member of the Board of Directors, member of the Audit Committee, Investment Committee and Executive Committee for Wesleyan Pension Fund, Inc., since January 1, 2003, for a current 4-year term expiring May 31, 2026. Previously served The Wesleyan Church as Assistant General Secretary from May 18, 1987, to August 31, 2000. Dr. Dunn is the son of Dr. John A. Dunn, who was the former CEO of Wesleyan Investment Foundation for 25 years from 1976 to 2000.

Rev. Claudia Smith Dupin, Jenison, Michigan. Member of the Board of Directors of WIF. Born May 4, 1952. Currently retired. Previously served as the Executive Pastor of Daybreak Church, Hudsonville, Michigan from 1989. She is the co-founder of Daybreak Church. Member of the Board of Never The Same (a national youth ministry organization) since 2018. Director since 2020 and current term expires in November of 2025.

Rev. Kevin Myers, Lawrenceville, Georgia. Member of the Board of Directors of WIF, Vice Chairman of the Board. Born July 9, 1961. Currently retired. Formerly served as the Senior Pastor of 12Stone Church, Lawrenceville, Georgia, from 1997 to 2023. Member of the Board of Trustees of Indiana Wesleyan University, Marion, Indiana and member of the Board of Trustees of Southern Wesleyan University, Central, South Carolina. Director since 2016 and current term expires in November of 2024.

Mr. James E. Perry, Enid, Oklahoma. Member of the Board of Directors, Compensation Committee and Audit Committee of WIF. Born May 16, 1949. Director of John W. Clark Sand and Gravel, Inc., a trucking company. Currently self-employed as a Certified Public Accountant. Serves as Treasurer of the Tri-State District of The Wesleyan Church and as Treasurer of Cedar Ridge Wesleyan Church, Enid, Oklahoma. Director since 1992 and current term expires in November 2024.

Rev. Ed Rotz, Topeka, Kansas. Member of the Board of Directors of WIF. Born March 16, 1951. Retired and formerly employed as the District Superintendent of the Kansas District of The Wesleyan Church since 2007. Previously served as Senior Pastor of the Fairlawn Heights Wesleyan Church in Topeka, Kansas. Director since 2004, and current term expires in November 2027.

Rev. Darryn Scheske, Indianapolis, Indiana. Member of the Board of Directors and Assistant Secretary of WIF. Born July 28, 1970. Currently serves as the Senior Pastor of Heartland Church, Indianapolis, Indiana, since he founded the Church in 2001. Also serves as Chairman of Converge, on the District Boards of Converge MidAmerica, Converge Southeast, and Converge Carribean. Director since 2022 and current term expires in November of 2026.

Mr. Joe Schmidt, Durham, North Carolina. Member of the Board of Directors and Investment Committee of WIF. Born September 14, 1971. Mr. Joe Schmidt, Durham, North Carolina. Member of

the Board of Directors of WIF. Born September 14, 1971. Co-Founder and currently employed by CustomerHD. Former CEO of Freedom United 2013-2021. Formerly employed as Senior Vice President responsible for all retail channels worldwide for CafePress since 2010. Previously served as President, CEO and Founder of Canvas On Demand from 2005 to 2010. Director since 2011 and current terms expires in November of 2025.

Currently, no seats on the Board of Directors are vacant.

Officers

We have three executive officers: Craig A. Dunn, in his capacity as CEO and President; Karen Pfister, Chief Financial Officer; and Larry Moore, Chief Operating Officer. Other officers include Kevin Batman (Secretary), Darryn Scheske (Assistant Secretary) and Regina Sharrow (General Counsel). Our CEO recommends officers to the Board for Board approval and appointment. The biographies of those officers not currently serving on the Board of Directors are listed below:

Larry Moore, Chief Operating Officer. Larry Moore is the Chief Operating Officer at WIF. He was formerly the General Director of Stewardship Ministries for The Wesleyan Church and Director of Finance for the Wesleyan Pension Fund and began working at Wesleyan Investment Foundation on June 1, 2007. He earned a bachelor's degree in Christian Education (United Wesleyan College), a Master of Education in Educational Administration (Pensacola Christian College), a PhD in Church Administration from Trinity College and Seminary, and an MBA in Business Administration from Indiana Wesleyan University.

Karen Pfister, Chief Financial Officer. Karen Pfister is the Chief Financial Officer at WIF. She was formerly an Accounting Manager and began working at Wesleyan Investment Foundation on May 1, 2007. Karen received her bachelor's degree from Manchester College where she majored in Accounting and minored in Computer Science.

Regina Sharrow, General Counsel. Regina Sharrow is the General Counsel at WIF. She began her employment with WIF on November 22, 2021. Regina has been practicing law for over 30 years, , including as an Associate and Partner at Sommer Barnard (now, Taft Stettinius & Hollister), a Partner at Baker Daniels LLP (now, Faegre Drinker Biddle & Reath LLP), and as in-house counsel for Ascension Health. She holds a Bachelor of Arts degree from University of Michigan and a juris doctorate from University of California, Berkeley – Boalt Hall School of Law.

The Board of Directors has approved the appointment of C. Norwood Davis to the position of President to be effective January 1, 2024. Mr. Davis had served on the Board of Directors of WIF from 2018 to 2022. He joined WIF as Chief Strategy Officer in 2022. Before he joined WIF full-time, he served as Chief Financial Officer of 12Stone Church in Lawrenceville, Georgia from 2005 to 2022. Mr. Davis previously served in various leadership positions at Duke Energy, a global energy company, from 1991 to 2003. He served as a Managing Director with Maximum Impact, Inc., a leadership development company from 2003 – 2004. Mr. Davis has extensive not-for-profit board experience, including with Northside Hospital, Inc. where he served on the Finance and Audit Committee. He currently serves on the boards of EQUIP Leadership, Inc., as Treasurer and chair of its Audit Committee. He also serves on the board of Capital City Home Loans, Inc. He graduated with honors from The Citadel and earned his MBA from The Babcock School of Management at Wake Forest University.

Including the officers listed above, we have thirty-five full-time employees. Other employees include: Senior Vice President of Church Loans (2); Director Loan Operations (1); Senior Loan Officers (4); Senior Loan Managers (3); Loan Managers (3); Director of Investment Operations (1); Senior Account Manager (1); Account Managers (5); Director of Finance (1); Finance Manager (1); Vice

President of Business Development (1); Assistant Relationship Managers (2); Director of Marketing (1); Director of Information Technology (1); Office Communications Coordinator (1); Executive Assistant (1); and Office Logistics Manager (1).

Management anticipates that one or two employees may be added within the next twelve months in order to assist with increased demand for loans and Investments and other business.

Compensation

The members of our Board of Directors receive reimbursement for expenses incurred in attending Board meetings and for any other direct expenses they incur while providing us service to at the request of our CEO. Expenses are reimbursed at actual cost and at the IRS approved reimbursement rate for mileage. Members of our Board receive no other compensation from WIF and are paid no salary, fee or stipend for their services as a Board member, with the exception of the CEO. The Secretary and Assistant Secretary officers who also serve as members of our Board of Directors receive no remuneration of any kind for their services to us, other than the reimbursement for expenses incurred in providing service to us as detailed in the paragraph above.

Our CEO, who serves ex-officio as Chairman of our Board of Directors and President, was appointed by the Board of Directors as CEO to oversee our day-to-day operations and management and to employ, oversee and manage our office staff. During our fiscal year ended August 31, 2023, we paid salary and other compensation and benefits to our executive officers of \$1,846,621 in the aggregate. For the current fiscal year ending August 31, 2024, we expect to pay salary and other compensation and benefits to our executive officers of approximately \$2,650,667 in the aggregate. Mr. Davis will succeed Mr. Dunn as President as of January 1, 2024. Mr. Dunn will retain the CEO position. Although our officers receive a salary and other compensation and benefits for their services as our employees, they do not receive any commissions, discounts or other forms of remuneration in connection with the facilitation and placement of the Investments.

Executive Officer Compensation

| Executive Officer Name | Title | FY 2023 Actual Remuneration | Expected FY 2024 Remuneration |
|-------------------------------|----------------------------|------------------------------------|--------------------------------------|
| Dr. Craig A. Dunn | CEO/President | \$978,371 | \$1,400,000 |
| Rev. Larry Moore | Chief Operating Officer | \$473,500 | \$490,000 |
| Karen Pfister | Chief Financial Officer | \$394,750 | \$394,000 |
| C. Norwood Davis | President (as of 1.1.2024) | 0 | \$366,667 |
| TOTALS | | <u>\$1,846,621</u> | <u>\$2,650,667</u> |

Our Board of Directors hired our CEO on September 1, 2000, and has extended his employment contract for successive four-year terms since that time. The Board of Directors extended his employment contract for a sixth, four-year term that began September 1, 2020, and expires December 31, 2024. There is no written employment agreement, but a legal obligation exists for employment of the CEO with salary, benefits and other compensation through December 31, 2024. None of our other employees have employment agreements with us, and each of them serves on an “at will” basis at the discretion of our CEO.

Certain Transactions

We made grants to various Churches and CROs in the 2023 fiscal year in the aggregate amount of \$5,945,413. Effective October 1, 2023, WIF purchased the Wesleyan Headquarters building from The Wesleyan Church. WIF intends to remain in the building and has agreed to retain The Wesleyan Church as a tenant after the purchase.

Our executive officers and directors had aggregate Investments in WIF of \$5,979,928 and \$4,950,494 as of August 31, 2023, and 2022, respectively. All Investments made by our directors and executive officers have been made on the same terms as those available to all other investors at that time. Maximum investment amounts may be set for these individuals by our CEO on the same basis as all other investors. Our CEO may refuse investments from any investor in his discretion, or over a limit set in his discretion as sound business decisions would dictate.

The table below sets forth the Investments held by our executive officers and directors as of August 31, 2023:

| Category of Investor | Investment Amount | % of All Investments |
|----------------------------------|--------------------------|-----------------------------|
| Directors and Executive Officers | \$5,979,928 | 00.37% |
| All Other Investors | \$1,621,005,960 | 99.63% |
| TOTALS | \$1,626,985,888 | 100.00% |

In the past, and currently, we have made, or have outstanding, numerous loans to Churches and CROs. Some of these loans have been made to congregations and other organizations whose officers and clergy included our officers or members of our Board of Directors. Such loans in all instances have been made in the ordinary course of business and at the prevailing terms and interest rates available to similarly situated borrowers at the time of the origination of the loans, and the affected officers or directors took no part in the final decisions relating to such loans. We have instituted a Conflict of Interest Policy to ensure that transactions between or among us, our directors and/or executive officers, immediate family thereof, and any other person who controls, is controlled by, or is under common control with us are conducted on an arm's length transaction standard. This policy provides, among other matters, that our Board of Directors may not approve a transaction if the transaction is less favorable to us than a similar transaction that we could have executed with an unaffiliated third party.

LEGAL MATTERS

Taft Stettinius & Hollister LLP, One Indiana Square, Suite 3500, Indianapolis, Indiana 46204, has advised us on certain legal matters relating to the Investments and this Offering Circular.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of and for the fiscal years ended August 31, 2023 and August 31, 2022, which are included hereafter in this Offering Circular, have been audited by Crowe, LLP, 9600 Brownsboro Road, #400, Louisville, KY 40241, independent auditors, as stated in their reports appearing herein.

For exempt offering documents with which an auditor is involved that are initially distributed, circulated, or submitted on or after June 15, 2018, Statement on Auditing Standards No. 133, Auditor Involvement with Exempt Offering Documents, addresses an auditor's responsibilities when the auditor's report on financial statements is included in the offering and the auditor reads the exempt offering document at the issuer's request.

INDEPENDENT AUDITOR'S INCLUSION LETTER

We agree to the inclusion in the 2023 Offering Circular dated November 15, 2023 of our report, dated October 5, 2023, on our audit of the consolidated statements of financial position as of August 31, 2023, and the related consolidated statements of activities and cash flows for the period ended August 31, 2023, of Wesleyan Investment Foundation.

Crowe LLP

Crowe LLP

Louisville, Kentucky
November 15, 2023

WESLEYAN INVESTMENT FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2023 and 2022

WESLEYAN INVESTMENT FOUNDATION, INC.
Fishers, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2023 and 2022

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Wesleyan Investment Foundation, Inc.
Fishers, Indiana

Opinion

We have audited the consolidated financial statements of Wesleyan Investment Foundation, Inc., which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Wesleyan Investment Foundation, Inc. as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wesleyan Investment Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesleyan Investment Foundation Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Wesleyan Investment Foundation, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wesleyan Investment Foundation, Inc.'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.

Crowe LLP

Crowe LLP

Louisville, Kentucky
October 5, 2023

WESLEYAN INVESTMENT FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 17,418,991 | \$ 17,750,686 |
| Certificates of deposit | 45,936,240 | 49,475,057 |
| Investments | 230,594,537 | 255,616,425 |
| Loans, net | 1,558,475,021 | 1,403,745,251 |
| Accrued interest receivable | 4,769,493 | 3,518,909 |
| Deposit with foreign affiliate | 785,210 | 768,499 |
| Real estate held for investment | 89,819,373 | 78,242,525 |
| Assets held for sale | 22,743,767 | 7,002,432 |
| Goodwill | <u>8,257,332</u> | <u>9,268,433</u> |
| Total assets | <u>\$ 1,978,799,964</u> | <u>\$ 1,825,388,217</u> |
| LIABILITIES | | |
| Demand and term investments | \$ 1,626,985,888 | \$ 1,487,451,526 |
| Accrued interest payable | 15,254,631 | 4,911,561 |
| Trust accounts and annuities payable | 3,803,549 | 3,825,790 |
| Accrued contingent consideration for acquisition | <u>3,600,000</u> | <u>5,400,000</u> |
| Total liabilities | <u>1,649,644,068</u> | <u>1,501,588,877</u> |
| NET ASSETS | | |
| Without donor restrictions | 321,640,170 | 316,305,514 |
| With donor restrictions | <u>7,515,726</u> | <u>7,493,826</u> |
| Total net assets | <u>329,155,896</u> | <u>323,799,340</u> |
| Total liabilities and net assets | <u>\$ 1,978,799,964</u> | <u>\$ 1,825,388,217</u> |

See accompanying notes to consolidated financial statements.

WESLEYAN INVESTMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended August 31, 2023

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|---|--------------------------------------|-----------------------|
| Revenues, gains and other support | | | |
| Interest and dividend income | \$ 76,935,194 | \$ 119,000 | \$ 77,054,194 |
| Loan fees | 1,314,876 | - | 1,314,876 |
| Bequests and gifts | 13,229 | - | 13,229 |
| Net realized and unrealized gain | 257,747 | - | 257,747 |
| Net currency translation adjustments | (346,677) | - | (346,677) |
| Other | <u>1,006,264</u> | <u>-</u> | <u>1,006,264</u> |
| | 79,180,633 | 119,000 | 79,299,633 |
| Net assets released from restriction | <u>97,100</u> | <u>(97,100)</u> | <u>-</u> |
| Total revenue, gains and other support | <u>79,277,733</u> | <u>21,900</u> | <u>79,299,633</u> |
| Expenses | | | |
| Interest | 53,435,587 | - | 53,435,587 |
| Salaries, payroll taxes and benefits | 7,209,543 | - | 7,209,543 |
| Grants | 5,945,413 | - | 5,945,413 |
| Travel | 2,720,933 | - | 2,720,933 |
| Office expenses | 1,415,928 | - | 1,415,928 |
| Amortization of goodwill | 1,011,101 | - | 1,011,101 |
| Rent | 118,729 | - | 118,729 |
| Other operating expenses | <u>1,517,119</u> | <u>-</u> | <u>1,517,119</u> |
| Total expenses | <u>73,374,353</u> | <u>-</u> | <u>73,374,353</u> |
| Change in net assets from continuing operations | 5,903,380 | 21,900 | 5,925,280 |
| Loss on discontinued operations | <u>568,724</u> | <u>-</u> | <u>568,724</u> |
| Change in net assets | 5,334,656 | 21,900 | 5,356,556 |
| Net assets, beginning of year | <u>316,305,514</u> | <u>7,493,826</u> | <u>323,799,340</u> |
| Net assets, end of year | <u>\$ 321,640,170</u> | <u>\$ 7,515,726</u> | <u>\$ 329,155,896</u> |

See accompanying notes to consolidated financial statements.

WESLEYAN INVESTMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended August 31, 2022

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|--|---|--------------------------------------|-----------------------|
| Revenues, gains and other support | | | |
| Interest and dividend income | \$ 61,589,079 | \$ 102,000 | \$ 61,691,079 |
| Loan fees | 1,653,537 | - | 1,653,537 |
| Bequests and gifts | 18,382 | 169,316 | 187,698 |
| Net realized and unrealized loss | (1,042,034) | - | (1,042,034) |
| Net currency translation adjustments | (407,160) | - | (407,160) |
| Other | <u>122,430</u> | <u>-</u> | <u>122,430</u> |
| | 61,934,234 | 271,316 | 62,205,550 |
| Net assets released from restriction | <u>81,800</u> | <u>(81,800)</u> | <u>-</u> |
| Total revenue, gains and other support | <u>62,016,034</u> | <u>189,516</u> | <u>62,205,550</u> |
| Expenses | | | |
| Interest | 23,979,434 | - | 23,979,434 |
| Salaries, payroll taxes and benefits | 5,817,044 | - | 5,817,044 |
| Grants | 3,445,234 | - | 3,445,234 |
| Travel | 3,390,388 | - | 3,390,388 |
| Office expenses | 1,524,927 | - | 1,524,927 |
| Provision for loan losses | 1,000,000 | - | 1,000,000 |
| Amortization of goodwill | 842,585 | - | 842,585 |
| Rent | 100,463 | - | 100,463 |
| Other operating expenses | <u>1,441,568</u> | <u>-</u> | <u>1,441,568</u> |
| Total expenses | <u>41,541,643</u> | <u>-</u> | <u>41,541,643</u> |
| Change in net assets | 20,474,391 | 189,516 | 20,663,907 |
| Net assets, beginning of year | <u>295,831,123</u> | <u>7,304,310</u> | <u>303,135,433</u> |
| Net assets, end of year | <u>\$ 316,305,514</u> | <u>\$ 7,493,826</u> | <u>\$ 323,799,340</u> |

See accompanying notes to consolidated financial statements.

WESLEYAN INVESTMENT FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 5,356,556 | \$ 20,663,907 |
| Items not requiring (providing) operating activities cash flows | | |
| Amortization of goodwill | 1,011,101 | 842,585 |
| Accretion of purchased loan discount | (106,077) | (58,285) |
| Non-cash grant of real estate | 704,616 | - |
| Provision for loan losses | - | 1,000,000 |
| Net realized and unrealized (gain)/loss on investments | (257,747) | 1,042,034 |
| Net currency translation adjustments | 346,677 | 407,160 |
| Changes in | | |
| Accrued interest receivable | (1,250,584) | (548,601) |
| Accrued interest payable and accrued expenses | 10,343,070 | 267,798 |
| Net cash provided by operating activities | <u>16,147,612</u> | <u>23,616,598</u> |
| Cash flows from investing activities | | |
| Net change in certificates of deposit | 3,538,817 | (12,418,453) |
| Proceeds from sales of real estate held for investment | 440,235 | - |
| Purchases of real estate held for investment | (12,721,699) | (39,109) |
| Net change in deposit with foreign affiliate | (16,711) | 48,187 |
| Net increase in loans | (170,711,705) | (170,583,815) |
| Purchases of investments | (305,730,984) | (159,169,236) |
| Proceeds from disposition of investments | 331,010,619 | 353,256,569 |
| Payment of contingent acquisition consideration | (1,800,000) | - |
| Acquisition, net of cash acquired | - | (37,210,064) |
| Net cash used in investing activities | <u>(155,991,428)</u> | <u>(26,115,921)</u> |
| Cash flows from financing activities | | |
| Net increase in demand and term investments | 139,534,362 | 3,818,587 |
| Net change in trust accounts and annuities payable | (22,241) | (61,437) |
| Net cash provided by financing activities | <u>139,512,121</u> | <u>3,757,150</u> |
| Net change in cash and cash equivalents | (331,695) | 1,257,827 |
| Cash and cash equivalents, beginning of year | <u>17,750,686</u> | <u>16,492,859</u> |
| Cash and cash equivalents, end of year | <u>\$ 17,418,991</u> | <u>\$ 17,750,686</u> |
| Supplemental cash flows information | | |
| Interest paid | \$ 43,092,517 | \$ 22,066,968 |
| Non-cash transactions | | |
| Assets held for sale acquired through agreement or deed in lieu of foreclosure | \$ 15,741,335 | \$ 7,002,432 |
| Grant of real estate | 704,616 | - |

See Notes 15 and 16 regarding non-cash transactions included in the acquisition and from assets held for sale, respectively.

See accompanying notes to consolidated financial statements.

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Wesleyan Investment Foundation, Inc. (Foundation) was incorporated as a not-for-profit organization in February 1960 under the laws of the state of Indiana. The Foundation, and its wholly-owned subsidiaries, Westchester Properties, LLC, Mesa Development, LLC, Tree Lane Development, LLC, Mesa Braselton, LLC, Mesa Buford, LLC, and Mesa Hamilton Mills, LLC (collectively, Subsidiaries) is a not-for-profit corporation organized to loan funds to churches and other church-related organizations located throughout the United States and abroad for various building programs. The Subsidiaries are primarily engaged in holding real estate. The funds for these loans are obtained from investments made by individual members and affiliated organizations of the Wesleyan Church. This activity comprises the one main program of the Foundation.

On July 1, 2023, Westchester Properties, LLC became the sole corporate member of Wesleyan Arms, Inc., FWMgt., Inc., Westchester Christian Center, Inc., Providence Place Assisted Living, Inc., and PPRC Senior Living II, Inc. See Note 16.

Principles of Consolidation: The consolidated financial statements include the accounts of the Foundation and Subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Net Assets: Net assets and related activity are classified as without donor restrictions and with donor restrictions as follows:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. The net asset without donor restrictions class includes general assets and liabilities of the Foundation and may be used at the discretion of management to support the Foundation's purposes and operations.
- Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time or are to be maintained in perpetuity by the Foundation. Generally, the donors of assets with donor restrictions permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents: The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. However, uninvested cash and cash equivalents included in short-term investment accounts are not considered to be cash and cash equivalents. As of August 31, 2023, cash equivalents exceeded federally insured limits by \$16,900,448. The Foundation monitors the credit quality of institutions in which cash and cash equivalents are held.

Cash and cash equivalents includes \$518,444 and \$277,230 of cash in foreign bank accounts as of August 31, 2023 and 2022, respectively.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Certificates of Deposit: Certificates of deposit are deposits at other financial institutions carried at cost plus accrued interest. Certificates of deposit as of August 31, 2023 consisted of certificates with maturity dates through August 2024 and included certificates held with a foreign bank totaling \$1,846,028. Certificates of deposit as of August 31, 2022 consisted of certificates with maturity dates through July 2024 and included certificates held with a foreign bank totaling \$1,456,304. Certain certificates of deposit exceed FDIC insurance limits. The Foundation monitors the credit quality of institutions in which certificates of deposit are held.

Investments and Investment Return: Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment return is reflected in the consolidated statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their principal amount outstanding, adjusted for the allowance for loan losses. Interest income is accrued on the principal balances of loans. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. All interest accrued but not collected that are placed on nonaccrual are reversed against interest income. The interest on these loans is accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual status when amounts contractually due are brought current and future payments are reasonably assured.

Purchased Credit Impaired Loans: The Foundation has purchased loans, some of which have shown evidence of credit deterioration since origination. These purchased credit impaired loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the allowance for loan losses.

Such purchased credit impaired loans are accounted for individually or aggregated into pools of loans based on common risk characteristics such as loan type and date of origination. The Foundation estimates the amount and timing of expected cash flows for each loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic 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 evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

A loan is considered impaired when, based on current information and events, it is probable that the Foundation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Foundation's internal risk rating process. This actual loss experience is supplemented with other economic factors based on the risks present. Other adjustments may be made to the allowance after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Deposit With Foreign Affiliate: The deposit with foreign affiliate is being accounted for at cost plus reinvested earnings and is adjusted annually for the currency exchange gain or loss at year-end.

Real Estate Held for Investment: Real estate held for investment is valued at the lower of cost or fair value. These properties are held for future potential sale and evaluated for impairment on a periodic basis. Net income from the operation of real estate held for investment is included in other revenue on the consolidated statement of activities.

Assets Held for Sale: Assets acquired through deed or agreement in lieu of loan foreclosure and held for sale are initially recorded at fair value less cost to sell as of the date of acquisition, establishing a new cost basis. After acquisition, valuations on assets held for sale are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell.

Revenues and expenses from the operations of real estate held for sale and changes in any valuation allowance related to real estate owned are included in the change in net assets as discontinued operations.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Goodwill: Goodwill is being amortized on a straight-line basis over a period of 10 years from the date of the acquisition of Converge Cornerstone Fund on November 9, 2021. The Foundation evaluates goodwill for impairment on an annual basis.

Revenue Recognition: The majority of the Foundation's revenues are derived from interest income on loans, which is computed daily based on the principal amount of the loans outstanding.

The Foundation reports gifts of cash and other assets as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation also recognizes certain revenues within the scope of Topic 606, *Revenue from Contracts with Customers*, as the Foundation satisfies its obligations. Revenues of this nature are included within loan fees and other revenue on the consolidated statements of activities.

Currency Translation Adjustments: Canadian loans and the deposits with foreign affiliates require annual adjustments for the currency exchange gain or loss at year-end. The net currency translation adjustments are reflected in the consolidated statements of activities.

Income Taxes: The Foundation is an affiliated entity recognized by the Wesleyan Church Corporation as being included under its Group Exemption Ruling which establishes that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from Federal and state income taxes. The Foundation's subsidiaries included in the reporting entity consist of entities wholly owned by the Foundation and, therefore, are disregarded for income tax purposes, separate organizations exempt under §501(c)(3). Accordingly, no provision for income taxes has been made in the consolidated financial statements. There were no income tax related interest or penalties recognized by the Foundation for the years ended August 31, 2023 and 2022. The Foundation recognizes interest and penalties related to unrecognized tax benefits, if incurred, in interest and income tax expense, respectively.

The Foundation is required to determine whether it is more-likely than-not that a tax position will be sustained upon examination based on the technical merits of the position. A tax position that meets the more-likely than-not recognition threshold is measured to determine the amount of expense or benefit to recognize in the consolidated financial statements. The Foundation has concluded that there are no significant uncertain tax positions requiring disclosure in the consolidated financial statements as of August 31, 2023 and 2022.

Subsequent Events: Subsequent events have been evaluated through October 5, 2023, which is the date the consolidated financial statements were available to be issued.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 2 – INVESTMENTS AND INVESTMENT RETURN

The Foundation's investments as of August 31 consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------------|---------------------------|
| Money market funds | \$ 223,601,841 | \$ 249,161,772 |
| U.S. Government and agency securities | 1,906 | 2,065 |
| Corporate bonds | 576,052 | 579,870 |
| Fixed income mutual funds | 1,590,227 | 1,717,157 |
| Equity mutual funds and common stocks | <u>4,824,511</u> | <u>4,155,561</u> |
| Total | <u>\$ 230,594,537</u> | <u>\$ 255,616,425</u> |

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended August 31:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-----------------------|
| Dividends and interest, net of expenses | \$ 5,213,225 | \$ 1,170,906 |
| Net realized and unrealized gain/(loss) on investments | <u>257,747</u> | <u>(1,042,034)</u> |
| Total return on investments | <u>\$ 5,470,972</u> | <u>\$ 128,872</u> |

NOTE 3 – LOANS

The Foundation's mortgage loans and notes as of August 31 are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|--------------------------|--------------------------|
| First mortgage loans | \$ 1,570,084,236 | \$ 1,417,239,742 |
| Participations purchased | 3,502,853 | 3,656,077 |
| Notes | <u>4,149,570</u> | <u>2,217,147</u> |
| | 1,577,736,659 | 1,423,112,966 |
| Discount on purchased loans (Note 15) | (1,261,638) | (1,367,715) |
| Allowance for loan losses | <u>(18,000,000)</u> | <u>(18,000,000)</u> |
| | <u>\$ 1,558,475,021</u> | <u>\$ 1,403,745,251</u> |
| | <u>2023</u> | <u>2022</u> |
| Allowance for loan losses | | |
| Balance, beginning of year | \$ 18,000,000 | \$ 17,000,000 |
| Provision charged to expense | <u>-</u> | <u>1,000,000</u> |
| Balance, end of year | <u>\$ 18,000,000</u> | <u>\$ 18,000,000</u> |

An immaterial portion of the allowance for loan losses is attributable to notes and participations purchased as of August 31, 2023 or 2022 with no related activity for 2023 or 2022.

(Continued)

NOTE 3 – LOANS (Continued)

Mortgage loans and unsecured notes bear interest at rates ranging from 3.25 percent to 10.5 percent. Substantially all mortgage loans are real estate mortgages and are secured by church property. The terms of the loans range from 15 to 30 years for mortgages and no more than three years for notes. The Foundation offers adjustable rates to borrowers based on the prevailing rate being charged by the Foundation at the time. Rates are adjusted every three years. The majority of all loans are made to borrowers located within the United States of America. As of August 31, 2023 and 2022, 0.51 percent and 0.61 percent or \$8,050,470 and \$8,579,450, respectively, of the total mortgages and notes were made to foreign borrowers.

Internal Risk Categories: Loan grades are numbered 1 through 3. The use and application of these grades by the Foundation will be uniform and shall conform to the Foundation's policy.

- Satisfactory (1) Loans or notes rated satisfactory have continued expectation of timely repayment, all obligations of the borrower are current, and the borrower complies with material terms and conditions of the loan agreement.
- Special Mention (2) Loans or notes that have potential weakness that deserve management's attention and if left uncorrected may, at some future date, result in the weakening of the repayment prospects for the loan or note. These potential weaknesses may be due to circumstances being experienced by the borrower. These loans or notes are not adversely classified and do not expose the Foundation to sufficient risk to warrant adverse classification. Ordinarily, special mention loans or notes have characteristics which corrective management action would remedy.
- Substandard (3) Loans or notes are inadequately protected by the current sound worth and paying capacity of the borrower. Borrower has a well-defined weakness that jeopardizes the repayment of the loan or note and has a probability of payment default with the distinct possibility that the Foundation will sustain some loss if noted deficiencies are not corrected.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

First Mortgage Loans: First mortgage loans typically involve larger principal amounts and repayment of these loans is generally dependent on the successful operations of the church securing the loan. These loans are viewed primarily as cashflow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the church's market areas.

Notes: The note portfolio consist of various term and line of credit loans that are unsecured. Repayment of these loans is generally dependent on the successful operations of the church. These loans are viewed primarily as cashflow loans. Credit risk in these loans may be impacted by the creditworthiness of a borrower and the local economies in the church's market areas.

Participations purchased: The Foundation is a 49% participant in two loans and receives monthly principal and interest payments from the lead participant. These loans are viewed primarily as cashflow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the church's market areas.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 3 – LOANS (Continued)

| Grade | 2023 | | |
|---------------------|-------------------------|-----------------------------|--------------|
| | First Mortgage Loans | Participations Purchased | Notes |
| Satisfactory (1) | \$ 1,484,829,447 | \$ 3,502,853 | \$ 4,149,570 |
| Special mention (2) | 85,254,789 | - | - |
| Substandard (3) | - | - | - |
| Total | \$ 1,570,084,236 | \$ 3,502,853 | \$ 4,149,570 |
| | | | |
| Grade | 2022 | | |
| | First Mortgage Loans | Participations Purchased | Notes |
| Satisfactory (1) | \$ 1,347,106,347 | \$ 3,656,077 | \$ 2,217,147 |
| Special mention (2) | 70,133,395 | - | - |
| Substandard (3) | - | - | - |
| Total | \$ 1,417,239,742 | \$ 3,656,077 | \$ 2,217,147 |

A loan is considered impaired, in accordance with the impairment accounting guidance when based on current information and events, it is probable the Foundation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified to interest only payments in troubled debt restructurings.

Impaired first mortgage loans totaled \$85,254,789 and \$70,133,395 as of August 31, 2023 and 2022, respectively. There was no allowance for loan losses relating to impaired first mortgage loans as of August 31, 2023 and 2022, as the discounted cash flows or collateral value exceeded the carrying value of the loans. There were no impaired notes or participations purchased as of August 31, 2023 and 2022, or during the years then ended.

Interest of approximately \$4,545,984 and \$3,598,885 was recognized on average impaired first mortgage loans of \$85,914,356 and \$69,578,034 for 2023 and 2022, respectively. There was \$4,372,848 and \$3,577,887 of interest recognized on the cash basis during 2023 and 2022, respectively.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 3 – LOANS (Continued)

As of August 31, the Foundation had accruing first mortgage loans, participations purchased and notes that were current or past due, defined as delinquent 90 days or more, as follows:

| | 2023 | | |
|----------|-------------------------|-----------------------------|--------------|
| | First Mortgage Loans | Participations Purchased | Notes |
| Current | \$ 1,570,048,987 | \$ 3,502,853 | \$ 4,149,570 |
| Past due | 35,249 | - | - |
| Total | \$ 1,570,084,236 | \$ 3,502,853 | \$ 4,149,570 |
| | 2022 | | |
| | First Mortgage Loans | Participations Purchased | Notes |
| Current | \$ 1,415,634,749 | \$ 3,656,077 | \$ 2,217,147 |
| Past due | 1,604,993 | - | - |
| Total | \$ 1,417,239,742 | \$ 3,656,077 | \$ 2,217,147 |

There were no first mortgage loans, participations purchased, or notes that were not accruing interest or that had a specific valuation allowance as of August 31, 2023 or 2022.

As of August 31, 2023 and 2022, the Foundation had 41 and 25 first mortgage loans amounting to \$83,688,883 and \$29,203,157, respectively, that were modified in troubled debt restructurings. The modification of terms of such loans was to become interest only for a period of time or to extend the maturity date and the pre-modification and post-modification balances were unchanged. There were no notes or participations purchased that were modified in troubled debt restructurings during the years ended August 31, 2023 and 2022. There were no troubled debt restructurings modified in the past 12 months that subsequently defaulted.

NOTE 4 – DEMAND AND TERM INVESTMENTS

The Foundation's demand and term investment accounts, which are not federally or privately insured, are held by the following:

| | 2023 | 2022 |
|---|------------------|------------------|
| The Wesleyan Church Corporation and World mission accounts | \$ 8,216,417 | \$ 9,227,484 |
| Wesleyan pension plan | 84,577,580 | 79,953,038 |
| Other, members and affiliates | 1,534,191,891 | 1,398,271,004 |
| | \$ 1,626,985,888 | \$ 1,487,451,526 |

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended August 31, 2023 and 2022

NOTE 4 – DEMAND AND TERM INVESTMENTS (Continued)

Demand accounts are due on demand and bear interest as of August 31 as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------|-------------|-------------|
| Under \$5,000 | 5.00% | 1.00% |
| \$5,000 to \$34,999 | 5.50% | 1.50% |
| \$35,000 and over | 6.00% | 2.00% |

The Foundation honored established rates through maturity for existing term investments as a result of the acquisition disclosed in Note 15. Interest rates for these term investments range from 1.50% to 3.25% with maturity dates through October 2026. The total of these term investments as of August 31, 2023 and 2022 was \$20,937,637 and \$87,425,846, respectively. These term investments are converted to demand investments upon maturity.

NOTE 5 – TRUST ACCOUNTS AND ANNUITIES PAYABLE

The Foundation administers accounts under various trust, gift and annuity agreements, whereby the Foundation acts as trustee and distributes income earned on the accounts to the designated beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded \$3,803,549 and \$3,825,790 as of August 31, 2023 and 2022, respectively, which represents the estimated future payments required by the trust, gift or annuity agreements.

NOTE 6 – NET ASSETS

Net assets with donor restrictions as of August 31, are restricted to:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Future program activities | \$ 546,410 | \$ 524,510 |
| Investment in perpetuity, the income of which is expendable to support various program activities | <u>6,969,316</u> | <u>6,969,316</u> |
| | <u>\$ 7,515,726</u> | <u>\$ 7,493,826</u> |

Net assets released from restriction were related to the follow programs:

| | <u>2023</u> | <u>2022</u> |
|----------------|------------------|------------------|
| Missions | \$ 54,524 | \$ 45,933 |
| Education | 37,846 | 31,882 |
| Other programs | <u>4,730</u> | <u>3,985</u> |
| | <u>\$ 97,100</u> | <u>\$ 81,800</u> |

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended August 31, 2023 and 2022

NOTE 7 – ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (Indiana UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds are classified as restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Indiana UPMIFA. In accordance with Indiana UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Investment policies of the Foundation

Changes in endowment net assets for the years ended August 31 were as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------------|---------------------------------------|------------------------------------|---------------------|
| Endowment as of September 1, 2021 | \$ - | \$ 7,304,310 | \$ 7,304,310 |
| Endowment assumed in acquisition | - | 169,316 | 169,316 |
| Investment return | - | 102,000 | 102,000 |
| Appropriation for expenditure | <u>-</u> | <u>(81,800)</u> | <u>(81,800)</u> |
| Endowment as of August 31, 2022 | - | 7,493,826 | 7,493,826 |
| Investment return | - | 119,000 | 119,000 |
| Appropriation for expenditure | <u>-</u> | <u>(97,100)</u> | <u>(97,100)</u> |
| Endowment as of August 31, 2023 | <u>\$ -</u> | <u>\$ 7,515,726</u> | <u>\$ 7,515,726</u> |

The endowment assets are invested per the terms of the applicable agreements. The Foundation has historically appropriated approximately 90 percent of the donor-restricted endowment return on investments for expenditure.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or Indiana UPMIFA. As of August 31, 2023 and 2022, there were no instances where the donor-restricted endowment funds were below the amount required to be maintained.

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NOTE 8 – EMPLOYEE BENEFITS

The Foundation's full-time employees are eligible to participate in the Wesleyan Pension Fund, Inc. which is a defined contribution plan for The Wesleyan Church's elders, licensed ministers, commissioned lay missionaries and other qualified personnel. The Foundation contributes 12 percent of qualifying employee wages to the plan for its employees. The plan is noncontributory. The Foundation contributed \$480,989 and \$353,836 to the plan on behalf of its employees for the years ended August 31, 2023 and 2022, respectively.

NOTE 9 – RELATED PARTIES

Certain members of the Board of Directors of the Foundation also serve as members of the General Board of the Wesleyan Church Corporation. The Foundation provides services to certain units of the Wesleyan Church with which its officers and Board of Directors are affiliated. These transactions are in the normal course of business and on the same terms, including interest rates and collateral, as those available for comparable transactions.

The Foundation accepts demand investments from the Wesleyan Church Corporation as disclosed in Note 5.

The Foundation rented space on a month-to-month basis and rent charged by the Wesleyan Church Corporation to the Foundation was \$118,729 and \$100,463 for the years ended August 31, 2023 and 2022, respectively. Effective September 30, 2023, the Foundation purchased real estate property inclusive of the previously rented space from The Wesleyan Church Corporation for \$3,500,000, assumed existing leases, and executed a lease with The Wesleyan Church Corporation.

The Foundation awards grants to The Wesleyan Church Corporation and Departments of The Wesleyan Church Corporation.

NOTE 10 – COMMITMENTS

As of August 31, 2023, the Foundation had approved but not disbursed approximately \$277,355,000 in new loans and unused portions of construction loans and lines of credit to various member churches and church-related organizations for building programs. This amount does not include any foreign loan commitments.

NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis as of August 31:

| | 2023 | | | |
|---------------------------------------|-----------------------|--------------------------------------|-------------------|----------------|
| | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments | | | | |
| Money market funds | \$ 223,601,841 | \$ 223,601,841 | \$ - | \$ - |
| U.S. Government and agency securities | 1,906 | - | 1,906 | - |
| Corporate bonds | 576,052 | - | 576,052 | - |
| Fixed income mutual funds | 1,590,227 | 1,590,227 | - | - |
| Equity mutual funds and common stocks | <u>4,824,511</u> | <u>4,824,511</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 230,594,537</u> | <u>\$ 230,016,579</u> | <u>\$ 577,958</u> | <u>\$ -</u> |
| | | | | |
| | 2022 | | | |
| | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments | | | | |
| Money market funds | \$ 249,161,772 | \$ 249,161,772 | \$ - | \$ - |
| U.S. Government and agency securities | 2,065 | - | 2,065 | - |
| Corporate bonds | 579,870 | - | 579,870 | - |
| Fixed income mutual funds | 1,717,157 | 1,717,157 | - | - |
| Equity mutual funds and common stocks | <u>4,155,561</u> | <u>4,155,561</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 255,616,425</u> | <u>\$ 255,034,490</u> | <u>\$ 581,935</u> | <u>\$ -</u> |

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a non-recurring basis as of August 31:

| | 2023 | | | |
|---------------------------|-------------------|--------------------------------------|----------------|----------------|
| | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Real estate held for sale | \$ 22,532,204 | \$ - | \$ - | \$ 22,532,204 |
| | | | | |
| | 2022 | | | |
| | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Real estate held for sale | \$ 7,002,432 | \$ - | \$ - | \$ 7,002,432 |

(Continued)

NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The Foundation has no liabilities measured at fair value on a recurring basis.

Investments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market funds, common stocks and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government and agency securities and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Foundation has no investments classified as Level 3.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a non-recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. The Foundation has no liabilities measured at fair value on a non-recurring basis.

Real Estate Held for Sale: Fair value is commonly based on real estate appraisals and valuations from third party industry experts, which may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach with data from comparable properties. Appraisals for real estate held for sale are performed by certified general appraisers whose qualifications and licenses have been reviewed by management. Adjustments are routinely made in the appraisal process by the independent appraisers and by management when evaluating appraisals considering factors such as marketability and estimated costs to sell, resulting in these assets being classified as Level 3.

There have been no significant changes in the valuation techniques during the year ended August 31, 2023.

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WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 12 – FUNCTIONAL EXPENSES

The Foundation's expenses on a functional basis are as follows as of August 31:

| | 2023 | | |
|--------------------------------------|--------------------------|---------------------------|----------------------|
| | Loan Services Program | Management and General | Total |
| Interest | \$ 53,435,587 | \$ - | \$ 53,435,587 |
| Salaries, payroll taxes and benefits | 5,407,157 | 1,802,386 | 7,209,543 |
| Grants | 5,945,413 | - | 5,945,413 |
| Travel | 2,448,840 | 272,093 | 2,720,933 |
| Office expenses | 1,061,946 | 353,982 | 1,415,928 |
| Amortization of goodwill | 1,011,101 | - | 1,011,101 |
| Rent | 89,047 | 29,682 | 118,729 |
| Other operating expenses | 1,289,551 | 227,568 | 1,517,119 |
| | <u>\$ 70,688,642</u> | <u>\$ 2,685,711</u> | <u>\$ 73,374,353</u> |
| | 2022 | | |
| | Loan Services Program | Management and General | Total |
| Interest | \$ 23,979,434 | \$ - | \$ 23,979,434 |
| Salaries, payroll taxes and benefits | 4,362,783 | 1,454,261 | 5,817,044 |
| Grants | 3,445,234 | - | 3,445,234 |
| Travel | 3,051,349 | 339,039 | 3,390,388 |
| Office expenses | 1,143,695 | 381,232 | 1,524,927 |
| Provision for loan losses | 1,000,000 | - | 1,000,000 |
| Amortization of goodwill | 842,585 | - | 842,585 |
| Rent | 75,347 | 25,116 | 100,463 |
| Other operating expenses | 1,225,333 | 216,235 | 1,441,568 |
| | <u>\$ 39,125,760</u> | <u>\$ 2,415,883</u> | <u>\$ 41,541,643</u> |

Certain categories of expenses are attributable to both program and supporting functions of the Foundation. Salaries, payroll taxes and benefits and rent are allocated based on estimates of time and effort; office expenses are allocated based on estimates of costs of specific materials utilized; travel and other operating expenses are based on estimates of effort and costs of specific resources utilized and services rendered.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2023 and 2022

NOTE 13 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 17,418,991 | \$ 17,750,686 |
| Certificates of deposit | 45,936,240 | 49,475,057 |
| Investments | 230,594,537 | 255,616,425 |
| Loans receivable (over the next 12 months) | 102,141,404 | 93,976,516 |
| Accrued interest receivable | 4,769,493 | 3,518,909 |
| Deposit with foreign affiliate | <u>785,210</u> | <u>768,499</u> |
| Total financial assets, at year-end | 401,645,875 | 421,106,092 |
| | | |
| Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions | | |
| Certificates of deposit with maturity beyond one year | - | (3,068,056) |
| Restricted by donor with time or purpose restrictions | <u>(7,515,726)</u> | <u>(7,493,826)</u> |
| | | |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 394,130,149</u> | <u>\$ 410,544,210</u> |

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, investments and others.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. While there are no legal or contractual requirements restricting the use of loans receivable to support the Foundation's general expenditures, management does not consider loans receivable to be available to meet general expenditures because principal and interest on those loans are used to make new loans.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The consolidated statements of cash flows identifies the sources and uses of the Foundation's cash.

NOTE 14 – RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities could be exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could affect the amounts reported in the accompanying consolidated statements of financial position.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Years ended August 31, 2023 and 2022

NOTE 15 – ACQUISITION

On November 9, 2021, the Foundation acquired the Converge Cornerstone Fund (“Cornerstone”) in exchange for cash consideration and future contingent cash consideration payments over a period of three years. Under the terms of the acquisition, the Foundation became the sole corporate member of Cornerstone. Cornerstone results of operations were included in the Foundation’s operations beginning November 9, 2021. On May 1, 2022, Cornerstone was dissolved.

The following table summarizes the consideration paid for Cornerstone and the amounts of the assets acquired, and liabilities assumed recognized at the acquisition date:

| | | |
|--|--|----------------------|
| Consideration | | |
| Cash | | \$ 55,000,000 |
| Contingent consideration | | <u>5,400,000</u> |
| Fair value of total consideration transferred | | <u>\$ 60,400,000</u> |
| Recognized amounts of identifiable assets acquired and liabilities assumed | | |
| Cash and cash equivalents | | \$ 17,789,936 |
| Investments | | 66,174,245 |
| Loans, including participations purchased and net of participations sold | | 212,449,360 |
| Accrued interest receivable | | <u>466,286</u> |
| Total assets acquired | | <u>296,879,827</u> |
| Investments payable | | 244,946,177 |
| Accrued interest payable | | 1,560,855 |
| Other liabilities | | <u>83,813</u> |
| Total liabilities assumed | | <u>246,590,845</u> |
| Total identifiable net assets | | <u>50,288,982</u> |
| Goodwill | | <u>10,111,018</u> |
| | | <u>\$ 60,400,000</u> |

Goodwill arising from the acquisition consisted largely of synergies and the cost savings resulting from the combining of operations and will be amortized on a straight-line basis over a period of 10 years from the date of the acquisition.

The fair value of net assets acquired includes fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. The fair value adjustments were determined using discounted contractual cash flows. However, the Foundation believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered impaired at the acquisition date and were not subject to the guidance relating to purchased credit impaired loans, which have shown evidence of credit deterioration since origination.

Receivables acquired that were not subject to these requirements include non-impaired loans with a fair value of \$190,391,470 and gross contractual amounts receivable of \$191,278,470 on the date of acquisition.

The fair value of purchased financial assets with credit deterioration was \$22,057,890 on the date of acquisition. The gross contractual amounts receivable relating to the purchased financial assets with credit deterioration was \$22,596,890. The Foundation estimates, on the date of acquisition, that \$539,000 of the contractual cash flows specific to the purchased financial assets with credit deterioration will not be collected.

(Continued)

WESLEYAN INVESTMENT FOUNDATION, INC.
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Years ended August 31, 2023 and 2022

NOTE 16 – ASSETS HELD FOR SALE

On July 1, 2023, Westchester Properties, LLC executed an agreement in lieu of foreclosure whereby it became the sole corporate member and obtained control of Wesleyan Arms, Inc., FWMgt., Inc., Westchester Christian Center, Inc., Providence Place Assisted Living, Inc., and PPRC Senior Living II, Inc.

These entities are church related organizations with a loan relationship that commenced in July 2003 and are collectively engaged in holding and operating real estate, including a commercial real estate mall, a 90 room assisted living facility and a 69 room independent living facility, which have been classified as held for sale. The loans outstanding to the organizations remain in effect with the related activity and balances eliminated in consolidation.

In addition to these entities, during the year ended August 31, 2022, Westchester Properties, LLC acquired adjacent real estate held for sale through a deed in lieu of foreclosure that is included as part of the disposal group.

The entities and their associated assets are being actively marketed with the intent to sell within one year and will continue to be operated by a local management team until a sale is completed.

The following table summarizes the assets and liabilities classified as held for sale on the consolidated statement of financial position as of August 31, 2023:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 805,006 |
| Real estate | 22,532,204 |
| Other | <u>436,567</u> |
| Total assets | 23,773,777 |
| Other liabilities | <u>1,030,010</u> |
| Assets held for sale | <u>\$ 22,743,767</u> |

The following table summarizes the revenues and expenses associated with the assets held for sale classified as discontinued operations on the consolidated statement of activities for the period ending August 31, 2023:

| | |
|---|---------------------|
| Patient revenue | \$ 1,102,532 |
| Commercial rental revenue | 176,834 |
| Other revenue | 73,654 |
| Operating expenses | <u>(1,161,686)</u> |
| Net income from discontinued operations | 191,334 |
| Disposal related expenses | <u>(760,058)</u> |
| Total loss on discontinued operations | <u>\$ (568,724)</u> |