HEBREW FREE LOAN SOCIETY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

HEBREW FREE LOAN SOCIETY, INC.
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hebrew Free Loan Society, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hebrew Free Loan Society, Inc. (the "Society"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Society, Inc. as of June 30, 2016 and 2015, the change 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.

Report on Summarized Comparative Information

We have previously audited Hebrew Free Loan Society, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2015. In our opinion, the summarized comparative information presented herein on pages 4 and 6 for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the accompanying analysis of loan activity as shown on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 28, 2016

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 177,639	$ 1,340,164
Investments	9,194,024	8,424,524
Loans receivable (net of allowance for doubtful loans of $294,000 and $311,000, respectively)	11,056,821	10,616,411
Contributions receivable	72,803	87,446
Prepaid expenses and other assets	14,141	22,342
Furniture and equipment, net	3,404	3,222
TOTAL ASSETS	$ 20,518,832	$ 20,494,109
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 66,841	$ 89,493
Advances payable	43,453	113,622
Loans payable	1,343,327	1,378,328
Total liabilities	1,453,621	1,581,443
Net assets:		
Unrestricted net assets:		
Undesignated general fund	10,331,865	9,955,215
Board-designated quasi-endowment fund	4,711,135	5,202,164
Total unrestricted net assets	15,043,000	15,157,379
Temporarily restricted net assets	552,963	370,339
Permanently restricted net assets	3,469,248	3,384,948
Total net assets	19,065,211	18,912,666
TOTAL LIABILITIES AND NET ASSETS	$ 20,518,832	$ 20,494,109

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

		Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating revenues, income and other support:						
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):						
Basic grant		$ 148,624	$ -	$ -	$ 148,624	$ 147,624
Program grants		154,800	-	-	154,800	159,748
Administrative fees		76,000	-	-	76,000	70,800
		379,424	-	-	379,424	378,172
Contributions		481,334	236,451	-	717,785	510,538
Special event revenue:						
Special event income	$143,809					
Less: direct costs	44,910					
Net special event income		98,899	-	-	98,899	245,546
In-kind rent (Note 6)		119,000	-	-	119,000	92,000
Investment loss:						
Board-designated spending rate		260,088	-	-	260,088	267,473
Other investment income (loss)		(98,955)	-	-	(98,955)	68,091
Program service income		12,473	-	-	12,473	12,466
Other program grants		117,976	-	-	117,976	64,210
Other administrative fees		58,033	-	-	58,033	58,908
Bad debt recovery		13,729	-	-	13,729	-
Total operating revenues, income (loss) and other support		1,442,001	236,451	-	1,678,452	1,697,404
Operating expenses:						
Program services		1,311,550	-	-	1,311,550	1,274,660
Management and general		360,169	-	-	360,169	423,397
Fundraising		212,501	-	-	212,501	218,191
Total operating expenses		1,884,220	-	-	1,884,220	1,916,248
Excess (deficiency) of operating revenues, income (loss) and other support over operating expenses		(442,219)	236,451	-	(205,768)	(218,844)
Non-operating revenues, expenses, income (loss) and other support:						
Contributions		765,043	-	84,300	849,343	116,273
Investment loss		(491,029)	-	-	(491,029)	(147,670)
Net assets released from restrictions		53,827	(53,827)	-	-	-
Total non-operating revenues, income (loss) and other support		327,841	(53,827)	84,300	358,314	(31,397)
Change in net assets		(114,378)	182,624	84,300	152,546	(250,241)
Net assets, beginning of year		15,157,378	370,339	3,384,948	18,912,665	19,162,907
NET ASSETS, END OF YEAR		$ 15,043,000	$ 552,963	$ 3,469,248	$ 19,065,211	$ 18,912,666

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, income and other support:					
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):					
Basic grant		$ 147,624	$ -	$ -	$ 147,624
Program grants		159,748	-	-	159,748
Administrative fees		70,800	-	-	70,800
		378,172	-	-	378,172
Contributions		447,911	62,627	-	510,538
Special event revenue:					
Special event income	$297,599				
Less: direct costs	52,053				
Net special event income		245,546	-	-	245,546
In-kind rent (Note 6)		92,000	-	-	92,000
Investment income:					
Board-designated spending rate		267,473	-	-	267,473
Other investment income		68,091	-	-	68,091
Program service fees		12,466	-	-	12,466
Other program grants		64,210	-	-	64,210
Other administrative fees		58,908	-	-	58,908
Total operating revenues, income and other support		1,634,777	62,627	-	1,697,404
Operating expenses:					
Program services		1,274,660	-	-	1,274,660
Management and general		423,397	-	-	423,397
Fundraising		218,191	-	-	218,191
Total operating expenses		1,916,248	-	-	1,916,248
Excess (deficiency) of operating revenues, income and other support over operating expenses		(281,471)	62,627	-	(218,844)
Non-operating revenues, expenses, income (loss) and other support:					
Contributions		33,773	75,000	7,500	116,273
Investment loss		(147,670)	-	-	(147,670)
Net assets released from restrictions		59,582	(59,582)	-	-
Total non-operating revenues, income (loss) and other support		(54,315)	15,418	7,500	(31,397)
Change in net assets		(335,786)	78,045	7,500	(250,241)
Net assets, beginning of year		15,493,165	292,294	3,377,448	19,162,907
NET ASSETS, END OF YEAR		$ 15,157,379	$ 370,339	$ 3,384,948	$ 18,912,666

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services	Supporting Services					
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Direct Costs	2016 Total	2015 Total
Salaries	$ 602,769	$ 188,925	$ 119,837	$ 308,762	$ -	$ 911,531	$ 919,807
Payroll taxes and benefits	165,922	52,793	32,682	85,475	-	251,397	253,299
Professional fees	7,740	23,641	9,152	32,793	-	40,533	74,381
Consultants	27,548	9,182	9,182	18,364	-	45,912	174,888
Insurance	-	32,650	-	32,650	-	32,650	23,944
Computer expenses	108,288	12,740	6,370	19,110	-	127,398	15,058
Office supplies, expenses and equipment	19,594	5,186	4,034	9,220	-	28,814	33,039
Postage	5,868	1,378	1,746	3,124	-	8,992	9,868
Printing and publications	7,652	844	14,659	15,503	-	23,155	18,687
Telephone	7,816	2,068	1,609	3,677	-	11,493	10,213
Conferences, training and transportation	8,310	1,662	1,108	2,770	-	11,080	9,266
Occupancy (includes in-kind rent of $119,000 and $92,000, respectively)	180,013	28,539	10,976	39,515	-	219,528	183,099
Catering, facility rental and entertainment	-	-	-	-	44,910	44,910	52,053
Depreciation	2,118	561	436	997	-	3,115	7,105
Bank fees and credit reports	22,774	-	-	-	-	22,774	16,618
Interest expense	54,724	-	-	-	-	54,724	56,080
Investment management fees	-	10,338	-	10,338	-	10,338	6,773
Advertising	56,726	-	-	-	-	56,726	43,992
Training courses	32,738	-	-	-	-	32,738	52,416
Bad debts	-	-	-	-	-	-	10,000
Miscellaneous	950	-	710	710	-	1,660	4,488
	1,311,550	370,507	212,501	583,008	44,910	1,939,468	1,975,074
Investment management fees deducted from investment income	-	(10,338)	-	(10,338)	-	(10,338)	(6,773)
Special event expenses reported directly	-	-	-	-	(44,910)	(44,910)	(52,053)
TOTAL EXPENSES REPORTED BY FUNCTION	$ 1,311,550	$ 360,169	$ 212,501	$ 572,670	$ -	$ 1,884,220	$ 1,916,248

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services				
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Direct Costs	2015 Total
Salaries	$ 607,765	$ 197,526	$ 114,516	$ 312,042	$ -	$ 919,807
Payroll taxes and benefits	167,177	53,193	32,929	86,122	-	253,299
Professional fees	3,719	70,662	-	70,662	-	74,381
Consultants	102,656	34,219	38,013	72,232	-	174,888
Insurance	-	23,944	-	23,944	-	23,944
Computer expenses	10,240	2,710	2,108	4,818	-	15,058
Office supplies, expenses and equipment	22,467	5,947	4,625	10,572	-	33,039
Postage	5,758	1,252	2,858	4,110	-	9,868
Printing and publications	9,034	1,418	8,235	9,653	-	18,687
Telephone	6,945	1,838	1,430	3,268	-	10,213
Conferences, training and transportation	6,301	1,668	1,297	2,965	-	9,266
Occupancy (includes in-kind rent of $92,000)	150,141	23,803	9,155	32,958	-	183,099
Catering, facility rental and entertainment	-	-	-	-	52,053	52,053
Depreciation	4,831	1,279	995	2,274	-	7,105
Bank fees and credit reports	14,588	-	2,030	2,030	-	16,618
Interest expense	56,080	-	-	-	-	56,080
Investment management fees	-	6,773	-	6,773	-	6,773
Advertising	43,992	-	-	-	-	43,992
Training courses	52,416	-	-	-	-	52,416
Bad debts	10,000	-	-	-	-	10,000
Miscellaneous	550	3,938	-	3,938	-	4,488
	1,274,660	430,170	218,191	648,361	52,053	1,975,074
Investment management fees deducted from investment income	-	(6,773)	-	(6,773)	-	(6,773)
Special event expenses reported directly	-	-	-	-	(52,053)	(52,053)
TOTAL EXPENSES REPORTED BY FUNCTION	$ 1,274,660	$ 423,397	$ 218,191	$ 641,588	$ -	$ 1,916,248

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 152,546	$ (250,241)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized income (loss) on investments	356,058	(167,965)
Depreciation	3,115	7,105
Bad debt expense (recovery)	(13,729)	10,000
Decrease (increase) in assets:		
Contributions receivable	14,643	(20,818)
Prepaid expenses and other receivables	8,201	1,362
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(22,653)	(185,983)
Advances payable	(70,169)	(14,699)
Net cash provided by (used in) operating activities	428,012	(621,239)
Cash flows from investing activities:		
Loans issued	(9,727,114)	(8,627,509)
Repayments of loans receivable	9,287,933	8,775,892
Purchase of investments	(1,375,558)	(236,439)
Proceeds from sale of investments	250,000	780,000
Purchase of fixed assets	(3,297)	(2,473)
Net cash provided by (used in) investing activities	(1,568,036)	689,471
Cash used in financing activities:		
Principal payments on loans payable	(22,501)	(132,005)
Net decrease in cash and cash equivalents	(1,162,525)	(63,773)
Cash and cash equivalents - beginning of year	1,340,164	1,403,937
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 177,639	$ 1,340,164
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 54,724	$ 56,080
Supplemental disclosures of non-cash investing and financing activities:		
Forgiveness of loan receivable funded by loan payable	$ 12,500	$ 18,000

See accompanying notes to financial statements.

NOTE 1. NATURE OF BUSINESS

The Hebrew Free Loan Society (the "Society") makes interest-free loans for philanthropic purposes within the New York metropolitan area. The Society's activities are rooted in the age-old Jewish tradition of Gemilut Chasadim, which views interest-free lending as the highest form of charity because it renders assistance while preserving dignity and promoting self-help. The Society seeks to make loans where the availability of interest-free credit will make a significant difference in people's lives.

In furtherance of these principles, the Society makes loans to individuals and families in need on a non-sectarian basis, and with a goal of promoting economic self-sufficiency. The Society will, often working in partnership with local organizations, reach out into the Jewish community to identify needs and to bring its programs to the attention of those who might benefit.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are presented in accordance with accounting requirements for not-for-profit organizations. The Society classifies net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions.

The net assets of the Society and changes therein are classified and reported as follows:

- Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are net assets whose use has been limited by donors to a specific time period and/or purpose.
- Permanently restricted net assets are subject to donor-imposed stipulations that the principal corpus be maintained in perpetuity.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash. The Society considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fair value measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continued)

unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Contributions receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Contributions receivable are due in less than one year; therefore, no discount to present value is required.

Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. Management determined that no allowances were required at June 30, 2016 and 2015.

Loans receivable

The Society records loans receivable upon disbursing of loans to borrowers, net of an allowance for doubtful accounts.

On a periodic basis, the Society evaluates its loans receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs and collections. At June 30, 2016 and 2015, the allowance for doubtful accounts was approximately $294,000 and $311,000, respectively.

Advances payable

Advances payable consist primarily of excess funds from advances to the Society to fund various scholarship programs it administers.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and equipment

Furniture and equipment are stated at cost if acquired or their fair values at the date of donation. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets with a cost of $1,000 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. When property and equipment are sold, or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

Revenue and support recognition

The Society derives revenue and support primarily from grants, contributions, investments and program fees.

Contributions, including beneficial interests in remainder trusts, are recognized as revenue when they are unconditionally promised. Conditional promises to give are recognized as contributions when substantially all conditions are met. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as "Net assets released from restrictions."

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Special event income is recognized when the event has taken place.

Non-operating revenues, expenses, gains and other support

Contributions received for loan programs, investment income in excess of the board-approved spending rate and other investment income (described in Note 3), and net assets released from restrictions, are included in non-operating revenues and expenses.

Advertising

Advertising costs are expensed as incurred and was approximately $57,000 and $44,000 for the years ended June 30, 2016 and 2015, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Society's previously reported change in net assets.

Income taxes

The Society qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

The Society recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Society assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated the tax positions of the Society and has concluded that no uncertain tax positions that require adjustment to the financial statements had been taken. Generally, the Society is no longer subject to income tax examinations by U.S. federal and state taxing authorities for years prior to 2012.

Recently issued accounting pronouncement

Recently, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share*. ASU 2015-07 requires that a reporting entity shall disclose information that helps users of its financial statements to understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. All provisions under FASB ASU 2015-07 will be effective for the fiscal years beginning after December 15, 2015, with early application permitted. The Society's management is in the process of evaluating the impact of this new guidance on its financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Society has evaluated subsequent events through October 28, 2016, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the table below. The valuation techniques are as follows:

a) Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

b) Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost); and

c) Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds - Valued at the cost plus accrued interest, which approximates fair value due to the liquidity of the investments.

FJC Agency Loan Fund - The investment in the FJC Agency Loan Fund is recorded at fair value based upon the cash liquidation value.

UJA pooled investment account - Valued at the Society's share of the investments of the UJA pooled investments as reported by the UJA and its investment managers and advisors. The methods and procedures used to value these investments may include, but are not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; and/or (3) other analytical data relating to the investment and using other available indications of value, absent readily available market values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the investments measured at fair value by level at June 30, 2016:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2016	Valuation Technique
Money market funds	$ 25,000	$ -	$ -	$ 25,000	(a)
FJC agency loan fund	-	-	1,100,000	1,100,000	(b)
UJA Federation - pooled investment account	-	-	8,069,000	8,069,000	(b)
Total	$ 25,000	$ -	$ 9,169,000	$ 9,194,000	

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the investments measured at fair value by level at June 30, 2015:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2015	Valuation Technique
Money market funds	$ 25,000	$ -	$ -	$ 25,000	(a)
FJC agency loan fund	-	-	672,000	672,000	(b)
UJA Federation - pooled investment account	-	-	7,727,000	7,727,000	(b)
Total	$ 25,000	$ -	$ 8,399,000	$ 8,424,000	

The following table sets forth the changes in Level 3 investments:

	2016	2015
Balance, beginning	$ 8,399,000	$ 8,775,000
Total income (losses) included in change in net assets	(356,000)	168,000
Purchases	1,350,000	216,000
Sales	(250,000)	(780,000)
Interest and dividends	36,000	27,000
Expenses	(10,000)	(7,000)
Balance, ending	$ 9,169,000	$ 8,399,000
The amount of total losses for the period included in change in net assets attributable to the change in unrealized losses relating to assets still held at the reporting date	$ (718,000)	$ (118,000)

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

	2016	2015
Interest and dividends	$ 36,000	$ 27,000
Net realized and unrealized income (loss)	(356,000)	168,000
Investment management fees	(10,000)	(7,000)
	$ (330,000)	$ 188,000
Investment loss included in operating revenues:		
Board-designated spending rate	$ 260,000	$ 267,000
Other investment income (loss)	(99,000)	68,000
Investment loss included in non-operating revenues, expenses, income and other support	(491,000)	(147,000)
	$ (330,000)	$ 188,000

The Society has an investment in the UJA-Federation Pooled Investment Account (PIA.) The board previously determined that the lesser of 5% of the balance in the PIA at the beginning of the year, or the actual earnings from such investment (but not less than $150,000), would be allocated to operating investment income.

For the years ended June 30, 2016 and 2015, the board agreed to allocate 5% of the value of the investment at the beginning of each of the years to operations, regardless of the actual performance. The value of the investment accounts was approximately $5,202,000 and $5,349,000 at July 1, 2015 and 2014, respectively; therefore, approximately $260,000 and $267,000, respectively, was allocated to operating (investment) income from the PIA.

Net asset value per share

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
UJA Federation - pooled investment account at June 30, 2016	$ 8,069,000	$ -	Monthly - Annually	None	1 - 180 days

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
UJA Federation - pooled investment account at June 30, 2015	$ 7,727,000	$ -	Monthly - Annually	None	1 - 180 days

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The long-term investment objective is to target superior risk-adjusted capital appreciation with a net return that at least equals the consumer price index. Strategic asset allocation targets and ranges are reviewed periodically with the intention of setting them at a level that will allow for the achievement of the long-term objective while taking an appropriate level of risk through diversification.

NOTE 4. LOANS RECEIVABLE

The majority of loans receivable are supported by unsecured personal guarantees except for approximately $1,100,000 of special education loans, which is guaranteed by a not-for-profit organization.

NOTE 5. LOANS PAYABLE

A. The Avi Chai Foundation

The Society operates and administers a loan program ("Teacher Loan Program") to be funded by The Avi Chai Foundation ("ACF") to provide interest free loans to full-time Judaic studies teachers in Jewish day schools in five communities outside New York State toward the purchase of primary residences under the terms of a loan agreement that requires ACF to lend up to $2.5 million to the Society to make interest-free loans ("Teacher Loans") under the Teacher Loan Program. The Society repays ACF on all sums collected as repayment under the Teacher Loans on a quarterly basis. Half of each Teacher Loan is forgiven over its 10-year amortization period, provided the borrower continues to teach in a day school in accordance with the terms of the Teacher Loan Program. The Society has no obligation under the loan agreement to repay ACF any amounts borrowed and lent under a Teacher Loan but not repaid to the Society under the Teacher Loan Program.

In March 2009, ACF notified the Society that it was discontinuing the Teacher Loan Program effective June 30, 2009. The Society will continue to perform its obligations, and ACF will continue to pay the Society's administrative fees until all the Teacher Loans have been repaid or forgiven.

During the years ended June 30, 2016 and 2015, $12,500 and $18,000, respectively, of Teacher Loans were forgiven, and ACF forgave corresponding amounts from the Society. The balances due at June 30, 2016 and 2015, were approximately $93,000 and $128,000, respectively.

B. Marty and Dorothy Silverman Foundation ("MDSF")

The Society entered into a loan agreement with the Marty and Dorothy Silverman Foundation ("MDSF") in July 2012 ("MDSF Loan Agreement"). Under the MDSF Loan Agreement, the Society may borrow up to $1,250,000 to fund the Special Education Bridge Loan Program, with interest payable quarterly at Prime plus 3% per annum, as published in *The Wall Street Journal* (6.25%.) Principal and interest are due on December 31, 2017. The funds are secured by a security interest in all FJC accounts maintained by the Society, and loans made by the Society financed or refinanced by the MDSF Loan Agreement proceeds. The outstanding balance on the MDSF Loan Agreement for each of the years ended June 30, 2016 and 2015, was $1,250,000.

NOTE 5. LOANS PAYABLE (CONTINUED)

B. Marty and Dorothy Silverman Foundation (MDSF) (Continued)

An unaffiliated organization which benefits from the Special Education Bridge Loan Program has agreed to pay the net interest due under the MDSF Loan Agreement.

Combined future minimum payments due are as follows:

Year Ending June 30:	ACF	MDSF	Total
2017	$ 40,000	$ -	$ 40,000
2018	53,000	1,250,000	1,303,000
	$ 93,000	$ 1,250,000	$ 1,343,000

NOTE 6. LEASE COMMITMENT

The Society rents office space under an operating lease that expires on June 30, 2020. The office space is leased from a real estate company that is affiliated with the family of a member and past president of the board of directors. Included in rent expense is an in-kind contribution of additional rent to adjust to the market value for similar office space which amounted to approximately $119,000. Rent expense for the years ended June 30, 2016 and 2015, amounted to approximately $220,000 and $183,000, respectively.

The minimum annual rental commitment is as follows:

Year Ending June 30:	Amount
2017	$ 51,000
2018	53,000
2019	54,000
2020	55,000
	$ 213,000

NOTE 7. RESTRICTED NET ASSETS

The Society's temporarily restricted net assets are available to satisfy the following purposes as of June 30, 2016 and 2015:

	2016	2015
Children with special needs	$ 248,000	$ 248,000
Women's executive circle new start loan program	12,000	13,000
Microenterprise program	25,000	25,000
Restricted to future periods	268,000	84,000
	$ 553,000	$ 370,000

During the years ended June 30, 2016 and 2015, net assets were released from restriction as follows:

	2016	2015
Lapse of time restrictions	$ 54,000	$ 60,000

NOTE 7. RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets at June 30, 2016 and 2015, are restricted to the following loan programs:

	2016	2015
Residents of New York City ("NYC"), or nurses employed in specified NYC, who are currently attending NYC colleges, or who have graduated from NYC public schools, and special education bridge loans	$ 735,000	$ 735,000
Educational loans	500,000	500,000
Synagogue and Batei Midrashim	10,000	10,000
Medical and nursing education loans	140,000	140,000
Higher education to needy students	244,000	244,000
Emigré retraining program	425,000	425,000
Housing for educators	100,000	100,000
Children with special needs	25,000	25,000
Emigré programs	557,000	550,000
Adoption	251,000	251,000
Addiction recovery	75,000	-
Other loan programs	407,000	405,000
	$ 3,469,000	$ 3,385,000

Investment income earned on funds not currently in use as loans is available to support general operations.

NOTE 8. ACCOUNTING AND REPORTING FOR ENDOWMENTS

The endowment

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Society and its board of trustees have interpreted NYPMIFA as requiring the preservation in perpetuity 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Society's investment pool includes a diversified portfolio of investments. The Society's investment objective is to maximize long-term total investment returns with constraints for the fund that only moderate risk be assumed and judged on an aggregate basis for the entire fund taking into account the asset allocation of the fund. The Society's spending policy is limited to 5% of the balance in the PIA at the beginning of the year.

NOTE 8. ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Endowment net assets composition by type of fund for year ended June 30, 2016

	Unrestricted	Permanently Restricted	Total
Board-designated quasi-endowment funds	$ 4,711,000	$ -	$ 4,711,000
Donor-restricted endowment funds	-	3,469,000	3,469,000
Total endowment funds	$ 4,711,000	$ 3,469,000	$ 8,180,000

Changes in endowment net assets for year ended June 30, 2016

	Unrestricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,202,000	$ 3,385,000	$ 8,587,000
Contributions	-	84,000	84,000
Investment loss	(231,000)	-	(231,000)
Appropriated for expenditures	(260,000)	-	(260,000)
Net assets, end of year	$ 4,711,000	$ 3,469,000	$ 8,180,000

Endowment net assets composition by type of fund for year ended June 30, 2015

	Unrestricted	Permanently Restricted	Total
Board-designated quasi-endowment funds	$ 5,202,000	$ -	$ 5,202,000
Donor-restricted endowment funds	-	3,385,000	3,385,000
Total endowment funds	$ 5,202,000	$ 3,385,000	$ 8,587,000

Changes in endowment net assets for year ended June 30, 2015

	Unrestricted	Permanently Restricted	Total
Net assets, beginning of year	$ 5,349,000	$ 3,377,000	$ 8,726,000
Contributions	-	8,000	8,000
Investment income	120,000	-	120,000
Appropriated for expenditures	(267,000)	-	(267,000)
Net assets, end of year	$ 5,202,000	$ 3,385,000	$ 8,587,000

NOTE 9. PENSION PLAN

The Society's employees are eligible for pension benefits covered by the retirement plan of the Federation of Jewish Philanthropies of New York. Pension expense for the years ended June 30, 2016 and 2015, was approximately $61,000 and $62,000, respectively.

NOTE 10. CONCENTRATIONS

The Society maintains cash and cash equivalent balances with a financial institution which were routinely in excess of Federal Deposit Insurance Corporation insurance limits. During the year ended June 30, 2016, the Society received 76% of its contributions from one donor.

SUPPLEMENTARY INFORMATION

HEBREW FREE LOAN SOCIETY, INC.
ANALYSIS OF LOAN ACTIVITY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Loans	Amount	Allowance	Balance
Loans receivable, as of July 1, 2015	1,980	$ 11,114,294	$ (322,000)	$ 10,792,294
Loans issued	838	8,627,509	-	8,627,509
Loans repaid and adjusted	(970)	(8,814,392)	11,000	(8,803,392)
Loans receivable, as of June 30, 2015	1,848	$ 10,927,411	$ (311,000)	$ 10,616,411
Loans issued	920	9,727,114	-	9,727,114
Loans repaid and adjusted	(933)	(9,303,704)	17,000	(9,286,704)
LOANS RECEIVABLE, AS OF JUNE 30, 2016	1,835	$ 11,350,821	$ (294,000)	$ 11,056,821