

**HEBREW FREE LOAN SOCIETY, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**HEBREW FREE LOAN SOCIETY, INC.  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Society, Inc. as of June 30, 2018 and 2017, and 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.

## Other Matter

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 on page 21 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 audits 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.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York  
November 1, 2018

**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 450,136	\$ 1,314,603
Investments	8,686,270	8,471,258
Loans receivable (net of allowance for doubtful loans of approximately \$371,000 and \$310,000, respectively)	14,167,765	12,958,064
Other receivables	128,573	22,822
Prepaid expenses	13,508	15,468
Furniture and equipment (net of accumulated depreciation of \$273,000 and \$271,000, respectively)	<u>1,512</u>	<u>2,887</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>23,447,764</u></b>	<b>\$ <u>22,785,102</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Lines of credit	\$ 1,190,000	\$ 890,000
Accounts payable and accrued expenses	53,076	71,826
Advances payable	57,171	47,488
Loans payable	<u>1,416,325</u>	<u>1,308,326</u>
Total liabilities	<u>2,716,572</u>	<u>2,317,640</u>
Commitments and contingencies (Notes 5, 6 and 9)		
Net assets:		
Unrestricted net assets:		
Undesignated general fund	11,660,312	11,551,759
Board-designated quasi-endowment fund	<u>4,839,741</u>	<u>4,878,464</u>
Total unrestricted net assets	16,500,053	16,430,223
Temporarily restricted net assets	461,891	507,991
Permanently restricted net assets	<u>3,769,248</u>	<u>3,529,248</u>
Total net assets	<u>20,731,192</u>	<u>20,467,462</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>23,447,764</u></b>	<b>\$ <u>22,785,102</u></b>

See accompanying notes to financial statements.

**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(SUMMARIZED COMPARATIVE INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Summarized Total</u>
Operating revenues, income and other support:					
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):					
Basic grant	\$ 147,624	\$ -	\$ -	\$ 147,624	\$ 147,624
Program grants	168,445	-	-	168,445	136,793
Administrative fees	<u>87,000</u>	<u>-</u>	<u>-</u>	<u>87,000</u>	<u>87,000</u>
	403,069	-	-	403,069	371,417
Contributions	724,486	-	-	724,486	1,429,893
Special event revenue:					
Special event income	\$177,580				
Less: direct benefits to donors	<u>82,133</u>				
Net special event income	95,447	-	-	95,447	222,226
In-kind rent (Note 6)	115,000	-	-	115,000	115,000
Investment income:					
Board-designated spending rate	382,500	-	-	382,500	370,535
Other investment income	11,258	-	-	11,258	470
Program service fees	-	-	-	-	150
Other program grants	-	-	-	-	2,744
Other administrative fees	<u>81,409</u>	<u>-</u>	<u>-</u>	<u>81,409</u>	<u>68,787</u>
Total operating revenues, income and other support	<u>1,813,169</u>	<u>-</u>	<u>-</u>	<u>1,813,169</u>	<u>2,581,222</u>
Operating expenses:					
Program services	1,525,743	-	-	1,525,743	1,381,387
Management and general	269,616	-	-	269,616	308,195
Fundraising	<u>216,956</u>	<u>-</u>	<u>-</u>	<u>216,956</u>	<u>183,836</u>
Total operating expenses	<u>2,012,315</u>	<u>-</u>	<u>-</u>	<u>2,012,315</u>	<u>1,873,418</u>
Excess (deficiency) of operating revenues, income and other support over operating expenses	<u>(199,146)</u>	<u>-</u>	<u>-</u>	<u>(199,146)</u>	<u>707,804</u>
Non-operating revenues, expenses, income and other support:					
Contributions	19,611	6,750	240,000	266,361	142,566
Investment income	196,515	-	-	196,515	551,881
Net assets released from restrictions	<u>52,850</u>	<u>(52,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues, expenses, income and other support	<u>268,976</u>	<u>(46,100)</u>	<u>240,000</u>	<u>462,876</u>	<u>694,447</u>
Change in net assets	69,830	(46,100)	240,000	263,730	1,402,251
Net assets, beginning of year	<u>16,430,223</u>	<u>507,991</u>	<u>3,529,248</u>	<u>20,467,462</u>	<u>19,065,211</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 16,500,053</u></u>	<u><u>\$ 461,891</u></u>	<u><u>\$ 3,769,248</u></u>	<u><u>\$ 20,731,192</u></u>	<u><u>\$ 20,467,462</u></u>

See accompanying notes to financial statements.

**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	136,793	-	-	136,793
Administrative fees	<u>87,000</u>	<u>-</u>	<u>-</u>	<u>87,000</u>
	371,417	-	-	371,417
Contributions	1,406,214	23,679	-	1,429,893
Special event revenue:				
Special event income	\$314,078			
Less: direct benefits to donors	<u>91,852</u>			
Net special event income	222,226	-	-	222,226
In-kind rent (Note 6)	115,000	-	-	115,000
Investment income:				
Board-designated spending rate	370,535	-	-	370,535
Other investment income	470	-	-	470
Program service fees	150	-	-	150
Other program grants	2,744	-	-	2,744
Other administrative fees	<u>68,787</u>	<u>-</u>	<u>-</u>	<u>68,787</u>
Total operating revenues, income and other support	<u>2,557,543</u>	<u>23,679</u>	<u>-</u>	<u>2,581,222</u>
Operating expenses:				
Program services	1,381,387	-	-	1,381,387
Management and general	308,195	-	-	308,195
Fundraising	<u>183,836</u>	<u>-</u>	<u>-</u>	<u>183,836</u>
Total operating expenses	<u>1,873,418</u>	<u>-</u>	<u>-</u>	<u>1,873,418</u>
Excess of operating revenues, income and other support over operating expenses	<u>684,125</u>	<u>23,679</u>	<u>-</u>	<u>707,804</u>
Non-operating revenues, expenses, income and other support:				
Contributions	62,566	20,000	60,000	142,566
Investment income	551,881	-	-	551,881
Net assets released from restrictions	<u>88,651</u>	<u>(88,651)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues, expenses, income and other support	<u>703,098</u>	<u>(68,651)</u>	<u>60,000</u>	<u>694,447</u>
Change in net assets	1,387,223	(44,972)	60,000	1,402,251
Net assets, beginning of year	<u>15,043,000</u>	<u>552,963</u>	<u>3,469,248</u>	<u>19,065,211</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 16,430,223</u></u>	<u><u>\$ 507,991</u></u>	<u><u>\$ 3,529,248</u></u>	<u><u>\$ 20,467,462</u></u>

See accompanying notes to financial statements.

**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(SUMMARIZED COMPARATIVE INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017)**

	Program Services	Supporting Services					
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Special Event Direct Costs	2018 Total	2017 Total
Salaries	\$ 702,298	\$ 155,664	\$ 135,923	\$ 291,587	\$ -	\$ 993,885	\$ 975,855
Payroll taxes and benefits	181,279	51,408	37,880	89,288	-	270,567	241,899
Professional fees	23,120	6,261	4,589	10,850	-	33,970	39,986
Consultants	8,208	-	6,678	6,678	-	14,886	7,260
Recruiting fees	15,000	15,000	-	15,000	-	30,000	-
Insurance	20,550	5,871	2,936	8,807	-	29,357	15,257
Computer expenses	41,378	4,868	2,434	7,302	-	48,680	75,361
Office supplies, expenses and equipment	21,896	6,256	3,128	9,384	-	31,280	26,674
Postage	5,656	1,096	236	1,332	-	6,988	9,401
Printing and publications	8,609	1,231	9,325	10,556	-	19,165	11,698
Telephone	9,947	2,842	1,421	4,263	-	14,210	11,986
Conferences, training and transportation	20,778	2,933	733	3,666	-	24,444	10,229
Occupancy (includes in-kind rent of \$115,000 at June 30, 2018 and 2017)	200,026	15,911	11,365	27,276	-	227,302	222,572
Catering, facility rental and entertainment	-	-	-	-	82,133	82,133	91,852
Depreciation	963	275	137	412	-	1,375	2,795
Bank fees and credit reports	24,834	-	-	-	-	24,834	25,887
Interest expense	79,516	-	-	-	-	79,516	80,968
Investment management fees	-	1,536	-	1,536	-	1,536	2,431
Marketing and communications	91,706	-	-	-	-	91,706	97,063
Training courses	-	-	-	-	-	-	1,581
Bad debt expense	68,867	-	-	-	-	68,867	16,000
Miscellaneous	<u>1,112</u>	<u>-</u>	<u>171</u>	<u>171</u>	<u>-</u>	<u>1,283</u>	<u>946</u>
	1,525,743	271,152	216,956	488,108	82,133	2,095,984	1,967,701
Investment management fees deducted from investment income	-	(1,536)	-	(1,536)	-	(1,536)	(2,431)
Special event expenses reported directly	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,133)</u>	<u>(82,133)</u>	<u>(91,852)</u>
<b>TOTAL EXPENSES REPORTED BY FUNCTION</b>	<b>\$ <u>1,525,743</u></b>	<b>\$ <u>269,616</u></b>	<b>\$ <u>216,956</u></b>	<b>\$ <u>486,572</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,012,315</u></b>	<b>\$ <u>1,873,418</u></b>

See accompanying notes to financial statements.



**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Supporting Services				
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Special Event Direct Costs	2017 Total
Salaries	\$ 680,428	\$ 182,518	\$ 112,909	\$ 295,427	\$ -	\$ 975,855
Payroll taxes and benefits	159,653	50,799	31,447	82,246	-	241,899
Professional fees	766	34,363	4,857	39,220	-	39,986
Consultants	7,260	-	-	-	-	7,260
Insurance	10,680	3,051	1,526	4,577	-	15,257
Computer expenses	64,057	7,536	3,768	11,304	-	75,361
Office supplies, expenses and equipment	18,672	5,335	2,667	8,002	-	26,674
Postage	5,603	1,281	2,517	3,798	-	9,401
Printing and publications	5,271	797	5,630	6,427	-	11,698
Telephone	8,391	2,397	1,198	3,595	-	11,986
Conferences, training and transportation	8,695	1,227	307	1,534	-	10,229
Occupancy (includes in-kind rent of \$115,000)	195,863	15,580	11,129	26,709	-	222,572
Catering, facility rental and entertainment	-	-	-	-	91,852	91,852
Depreciation	1,957	559	279	838	-	2,795
Bank fees and credit reports	25,887	-	-	-	-	25,887
Interest expense	80,968	-	-	-	-	80,968
Investment management fees	-	2,431	-	2,431	-	2,431
Marketing and communications	88,805	2,752	5,506	8,258	-	97,063
Training courses	1,581	-	-	-	-	1,581
Bad debt expense	16,000	-	-	-	-	16,000
Miscellaneous	850	-	96	96	-	946
	1,381,387	310,626	183,836	494,462	91,852	1,967,701
Investment management fees deducted from investment income	-	(2,431)	-	(2,431)	-	(2,431)
Special event expenses reported directly	-	-	-	-	(91,852)	(91,852)
<b>TOTAL EXPENSES REPORTED BY FUNCTION</b>	<u>\$ 1,381,387</u>	<u>\$ 308,195</u>	<u>\$ 183,836</u>	<u>\$ 492,031</u>	<u>\$ -</u>	<u>\$ 1,873,418</u>

See accompanying notes to financial statements.

**HEBREW FREE LOAN SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u><b>2018</b></u>	<u><b>2017</b></u>
Cash flows from operating activities:		
Change in net assets	\$ 263,730	\$ 1,402,251
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(579,015)	(922,457)
Depreciation	1,375	2,795
Bad debt expense	68,867	16,000
Decrease (increase) in assets:		
Other receivables	(105,751)	49,981
Prepaid expenses	1,960	(1,327)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(18,750)	4,985
Advances payable	<u>9,683</u>	<u>4,035</u>
Net cash provided by (used in) operating activities	<u>(357,901)</u>	<u>556,263</u>
Cash flows from investing activities:		
Loans issued	(12,542,998)	(11,297,154)
Repayments of loans receivable	11,264,430	9,362,411
Purchase of investments	(296,190)	(553,277)
Proceeds from sale of investments	660,193	2,198,500
Purchase of fixed assets	<u>-</u>	<u>(2,278)</u>
Net cash used in investing activities	<u>(914,565)</u>	<u>(291,798)</u>
Cash flows from financing activities:		
Borrowings in lines of credit, net	300,000	890,000
Proceeds from loans payable	143,000	-
Principal payments on loans payable	<u>(35,001)</u>	<u>(17,501)</u>
Net cash provided by financing activities	<u>407,999</u>	<u>872,499</u>
Net increase (decrease) in cash and cash equivalents	(864,467)	1,136,964
Cash and cash equivalents - beginning of year	<u>1,314,603</u>	<u>177,639</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 450,136</u></b>	<b><u>\$ 1,314,603</u></b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 79,516</u>	<u>\$ 80,968</u>
Supplemental schedule of non-cash investing and financing activities:		
Forgiveness of loan receivable/loan payable (Note 5)	<u>\$ 17,500</u>	<u>\$ 17,500</u>

See accompanying notes to financial statements.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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. In addition, the Society's loans help ensure the continued vibrancy of the New York Jewish community by strengthening Jewish institutions and helping people meet the cost of participation in the Jewish community. The Society, often working in partnership with local organizations, will 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 ("U.S. 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 U.S. 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.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments and investment income

Investments are reported at fair value. 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. See Note 3 for discussion of fair value measurements.

Investment transactions are recorded on a trade-date basis. Income from investments, including both realized and unrealized gains and losses, are treated as an increase in unrestricted net assets unless otherwise specified by donors. The earnings from dividends and interest are recognized when earned.

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 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 the donors. Contributions receivable are due in less than one year; therefore, no discount to present value is required.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions receivable (continued)

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 has determined that no allowances were required at June 30, 2018 and 2017.

Loans receivable

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

On a periodic basis, the Society evaluates its loans receivable and establishes an allowance for doubtful loans, if necessary, based on a history of past write-offs and collections. At June 30, 2018 and 2017, the allowance for doubtful loans was approximately \$371,000 and \$310,000, respectively.

Advances payable

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

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 furniture 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 and grants are recognized as revenue when they are unconditionally promised. Conditional promises to give are recognized as contributions and grants when substantially all conditions are met. All other donor-restricted contributions and grants 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."

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and support recognition (continued)

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

Non-operating revenues, expenses, income and other support

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

Marketing and communications

Marketing and communications costs are expensed as incurred and were approximately \$92,000 and \$97,000 for the years ended June 30, 2018 and 2017, 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.

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.

Accounting pronouncements issued but not yet effective

In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. This new guidance is effective for years beginning after December 15, 2017, with early adoption permitted. The Society is evaluating the effect that this new guidance will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounting pronouncements issued but not yet effective (continued)

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Society is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Society is evaluating the effect that this new guidance will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Society has evaluated subsequent events through November 1, 2018, 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).

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.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)**

***UJA Federation 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 those of 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 approximate fair value by level at June 30, 2018:

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, 2018	Valuation Technique
FJC Agency Loan Fund	\$ -	\$ -	\$ 305,000	\$ 305,000	(a)
UJA Federation - Pooled Investment Account	-	-	8,381,000	8,381,000	(a)
Total	\$ -	\$ -	\$ 8,686,000	\$ 8,686,000	

The following table presents the investments measured at approximate fair value by level at June 30, 2017:

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, 2017	Valuation Technique
Money market funds	\$ 25,000	\$ -	\$ -	\$ 25,000	(a)
FJC Agency Loan Fund	-	-	10,000	10,000	(a)
UJA Federation - Pooled Investment Account	-	-	8,436,000	8,436,000	(a)
Total	\$ 25,000	\$ -	\$ 8,446,000	\$ 8,471,000	



**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables set forth the approximate changes in Level 3 investments:

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 8,446,000	\$ 9,169,000
Total income included in change in net assets	579,000	922,000
Purchases	290,000	553,000
Sales	(640,000)	(2,198,000)
Interest and dividends	13,000	3,000
Expenses	<u>(2,000)</u>	<u>(3,000)</u>
Balance, ending	<u>\$ 8,686,000</u>	<u>\$ 8,446,000</u>

The amount of total income for the period included in change in net assets attributable to the change in unrealized income relating to assets still held at the year-end

<u>\$ 43,000</u>	<u>\$ 621,000</u>
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	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 13,000	\$ 3,000
Net realized and unrealized gain	579,000	922,000
Investment management fees	<u>(2,000)</u>	<u>(3,000)</u>
	<u>\$ 590,000</u>	<u>\$ 922,000</u>

Investment income included in operating revenues:

Board-designated spending rate	\$ 382,000	\$ 370,000
Other investment income	11,000	-

Investment income included in non-operating revenues, expenses, income and other support

<u>197,000</u>	<u>552,000</u>
<u>\$ 590,000</u>	<u>\$ 922,000</u>

The Society has an investment in the UJA Federation Pooled Investment Account ("PIA"). The board has determined that 5% of all assets on a 20-quarter rolling basis can be used for operations; therefore, approximately \$382,000 and \$370,000 were allocated to operating (investment) income from the PIA for the years ended June 30, 2018 and 2017, respectively.

Net asset value per share

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
UJA Federation - Pooled Investment Account at June 30, 2018	<u>\$ 8,381,000</u>	<u>\$ -</u>	Monthly	None	30 days
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
UJA Federation - Pooled Investment Account at June 30, 2017	<u>\$ 8,436,000</u>	<u>\$ -</u>	Monthly	None	30 days

The Society's 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.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4. LOANS RECEIVABLE**

The majority of loans receivable are supported by unsecured personal guarantees except for approximately \$1,750,000 and \$1,687,000 for the years ended June 30, 2018 and 2017, respectively, of special education loans, which are supported by unsecured not-for-profit guarantees.

**NOTE 5. LINES OF CREDIT AND LOANS PAYABLE**

Lines of credit

The Society entered into a line of credit agreement with JP Morgan Chase Bank, N.A. in January 2018 ("JPMC Line of Credit"). Under the JPMC Line of Credit, the Society may borrow up to \$1,000,000, with interest-only payable monthly at LIBOR plus 1.25% per annum (3.375% at June 30, 2018). The JPMC Line of Credit matures on January 31, 2020. The funds are collateralized by liquid securities maintained by the Society. The outstanding balance on the JPMC Line of Credit at June 30, 2018 was \$1,000,000.

The Society entered into a loan agreement with the UJA Federation of New York ("UJA") in October 2016 ("UJA Loan Agreement"). Under the UJA Loan Agreement, the Society may borrow up to \$2,000,000 to fund the Line of Credit Loan Program, with principal due on April 1, 2019. The purpose of the UJA Loan Agreement is to allow the Society to make interest-free lines of credit available to community-based organizations (the "Agencies") that are not part of UJA's network of beneficiary agencies. The Society guarantees two sevenths of the principal amount. The outstanding balance on the UJA Loan Agreement as of June 30, 2018 and 2017, were \$190,000 and \$890,000, respectively.

The Society has \$1,810,000 availability on the UJA Loan Agreement at June 30, 2018.

Loans payable

The Society operates and administers a loan program (the "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 each of the years ended June 30, 2018 and 2017, \$17,500 of Teacher Loans were forgiven, and ACF forgave corresponding amounts from the Society. The balances due at June 30, 2018 and 2017, were approximately \$23,000 and \$58,000, respectively.

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 5. LINES OF CREDIT AND LOANS PAYABLE (CONTINUED)**

Loans payable (continued)

The Society entered into a loan agreement with a foundation in July 2012 (the "Foundation Loan Agreement"). Under the Foundation 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* (8.0% at June 30, 2018 and 6.5% at June 30, 2017.) Principal and interest are due on December 31, 2021. 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 Foundation Loan Agreement proceeds. The outstanding balances on the Foundation Loan Agreement for each of the years ended June 30, 2018 and 2017, was \$1,250,000 of the borrowed amount and was on deposit in the Society's Restricted Earmarked Fund Account with FJC and, as provided in the Foundation Loan Agreement, the earnings on that deposit offset 100% of the loan interest accruing on that amount.

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

The Society entered into a loan agreement with the Society for the Advancement of Judaism ("SAJ") in June 2017 ("SAJ Loan Agreement"). Under the SAJ Loan Agreement, the Society borrowed \$13,000 to fund the General Loan Programs, with principal due on May 31, 2019. The outstanding balance on the SAJ Loan Agreement at June 30, 2018, was \$13,000.

The Society entered into a loan agreement ("Loan Agreement") in May 2018 with certain members of a family (the "Family"). Under the Loan Agreement, the Society borrowed \$100,000 to fund the General Loan Programs, with principal due on May 13, 2020. The outstanding balance on the Loan Agreement at June 30, 2018, was \$100,000.

The Society entered into a cash collateral agreement with a guarantor (the "Guarantor") of a loan in June 2018 ("Collateral Agreement"). Under the Collateral Agreement, the Society received \$30,000 to collateralize a specific borrower's (the "Borrower") loan. Once the Borrower has repaid to the Society the first \$10,000 of the principal, the Society will pay the Guarantor the lesser of the \$10,000 repaid or the unused portion of the Collateral. Once the Borrower has repaid the second \$10,000 of the principal, the Society will pay the Guarantor the lesser of the \$10,000 or the remaining unused portion of the Collateral. Once the Borrower has repaid the remaining amount funded by the Society, the Society will repay the Guarantor all remaining amounts of the Collateral. The outstanding balance on the Collateral Loan Agreement at June 30, 2018, was \$30,000.

Combined future minimum payments for loans payable due are as follows:

Year Ending June 30:	ACF	Foundation	SAJ	Family	Guarantor	Total
2019	\$ 23,000	\$ -	\$ 13,000	\$ -	\$ 3,000	\$ 39,000
2020	-	-	-	100,000	3,000	103,000
2021	-	-	-	-	3,000	3,000
2022	-	1,250,000	-	-	3,000	1,253,000
2023	-	-	-	-	3,000	3,000
Thereafter	-	-	-	-	15,000	15,000
	<u>\$ 23,000</u>	<u>\$ 1,250,000</u>	<u>\$ 13,000</u>	<u>\$ 100,000</u>	<u>\$ 30,000</u>	<u>\$ 1,416,000</u>

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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 a 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 \$115,000 for each of the years ended June 30, 2018 and 2017. Rent expense for the years ended June 30, 2018 and 2017, was approximately \$227,000 and \$223,000, respectively.

The minimum future annual rental commitments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 54,000
2020	<u>55,000</u>
	<u>\$ 109,000</u>

**NOTE 7. RESTRICTED NET ASSETS**

The Society's temporarily restricted net assets are available to satisfy the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Children with special needs	\$ 268,000	\$ 268,000
Women's executive circle new start loan program	10,000	10,000
Microenterprise program	25,000	25,000
Jewish Foundation for the Education of Women	5,000	-
Restricted to future periods	<u>154,000</u>	<u>205,000</u>
	<u>\$ 462,000</u>	<u>\$ 508,000</u>

During the years ended June 30, 2018 and 2017, net assets were released from restriction as follows:

	<u>2018</u>	<u>2017</u>
Lapse of time restrictions	<u>\$ 53,000</u>	<u>\$ 89,000</u>

Permanently restricted net assets at June 30, 2018 and 2017, are restricted to the following loan programs:

	<u>2018</u>	<u>2017</u>
Residents of New York City ("NYC"), or nurses employed in specified NYC hospitals, 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	590,000	500,000
Synagogue and Batei Midrashim	10,000	10,000
Medical and nursing education loans	190,000	190,000
Higher education to needy students	244,000	244,000
Emigré retraining program	425,000	432,000
Housing for educators	100,000	100,000
Children with special needs	175,000	25,000
Emigré programs	507,000	550,000
Adoption	251,000	251,000
Addiction recovery	75,000	75,000
Other loan programs	<u>467,000</u>	<u>417,000</u>
	<u>\$ 3,769,000</u>	<u>\$ 3,529,000</u>

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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 on a 20-quarter rolling basis.

Endowment net assets composition by type of fund as of June 30, 2018

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated quasi-endowment funds	\$ 4,840,000	\$ -	\$ 4,840,000
Donor-restricted endowment funds	<u>-</u>	<u>3,769,000</u>	<u>3,769,000</u>
Total endowment funds	<u>\$ 4,840,000</u>	<u>\$ 3,769,000</u>	<u>\$ 8,609,000</u>

Changes in endowment net assets for year ended June 30, 2018

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 4,879,000	\$ 3,529,000	\$ 8,408,000
Contributions	-	240,000	240,000
Investment income	344,000	-	344,000
Appropriated for expenditures	<u>(383,000)</u>	<u>-</u>	<u>(383,000)</u>
Net assets, end of year	<u>\$ 4,840,000</u>	<u>\$ 3,769,000</u>	<u>\$ 8,609,000</u>

Endowment net assets composition by type of fund as of June 30, 2017

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated quasi-endowment funds	\$ 4,879,000	\$ -	\$ 4,879,000
Donor-restricted endowment funds	<u>-</u>	<u>3,529,000</u>	<u>3,529,000</u>
Total endowment funds	<u>\$ 4,879,000</u>	<u>\$ 3,529,000</u>	<u>\$ 8,408,000</u>

**HEBREW FREE LOAN SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 8. ACCOUNTING AND REPORTING FOR ENDOWMENTS**  
**(CONTINUED)**

Changes in endowment net assets for year ended June 30, 2017

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 4,711,000	\$ 3,469,000	\$ 8,180,000
Contributions	-	60,000	60,000
Investment income	538,000	-	538,000
Appropriated for expenditures	<u>(370,000)</u>	<u>-</u>	<u>(370,000)</u>
Net assets, end of year	<u>\$ 4,879,000</u>	<u>\$ 3,529,000</u>	<u>\$ 8,408,000</u>

**NOTE 9. PENSION PLAN**

The Society participates in a multi-employer defined benefit pension plan ("Pension Plan") sponsored by the Federation of Jewish Philanthropies of New York. The Pension Plan, Retirement Plan for Employees of United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. and Affiliated Agencies and Institutions, is filed under the Employer Identification Number 51-0172429 and the three-digit Pension Plan Number 333. The Pension Plan is at least 80% funded using the most recent financial information as of October 1, 2016, the beginning of the Pension Plan year.

The Society's employees are eligible for pension benefits covered by the Pension Plan. Pension expense for the years ended June 30, 2018 and 2017, were approximately \$81,000 and \$54,000, respectively. The Society did not contribute more than 5% of total contributions to the Pension Plan and was not required to pay a surcharge.

**NOTE 10. CONCENTRATIONS**

The Society maintains cash and cash equivalent balances with a financial institution which are routinely in excess of Federal Deposit Insurance Corporation insurance limits.

During the years ended June 30, 2018 and 2017, respectively, the Society received 17% and 70% of its contributions from board members.

## **SUPPLEMENTARY INFORMATION**

**HEBREW FREE LOAN SOCIETY, INC.**  
**ANALYSIS OF LOAN ACTIVITY**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>Loans</u>	<u>Amount</u>	<u>Allowance</u>	<u>Balance</u>
Loans receivable, as of July 1, 2016	1,835	\$ 11,350,821	\$ (294,000)	\$ 11,056,821
Loans issued	957	11,297,154	-	11,297,154
Loans repaid and adjusted	<u>(941)</u>	<u>(9,379,911)</u>	<u>(16,000)</u>	<u>(9,395,911)</u>
Loans receivable, as of June 30, 2017	1,851	13,268,064	(310,000)	12,958,064
Loans issued	988	12,542,998	-	12,542,998
Loans repaid and adjusted	<u>(923)</u>	<u>(11,272,297)</u>	<u>(61,000)</u>	<u>(11,333,297)</u>
<b>LOANS RECEIVABLE, AS OF JUNE 30, 2018</b>	<u><u>1,916</u></u>	<u><u>\$ 14,538,765</u></u>	<u><u>\$ (371,000)</u></u>	<u><u>\$ 14,167,765</u></u>

See independent auditor's report.