HEBREW FREE LOAN SOCIETY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

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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., which comprise the statements of financial position as of June 30, 2019 and 2018, 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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AN INDEPENDENT FIRM ASSOCIATED WITH MOORE STEPHENS
CITRINCOOPERMAN.COM

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, 2019 and 2018, 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.

Report on Supplementary Information

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 25 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
December 18, 2019

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 859,740	$ 450,136
Investments, at fair value	8,267,607	8,686,270
Loans receivable (net of allowance for doubtful loans of approximately $209,000 and $371,000, respectively)	16,562,187	14,167,765
Other receivables	261,716	128,573
Prepaid expenses	15,090	13,508
Furniture and equipment (net of accumulated depreciation of $275,021 and $272,551, respectively)	6,311	1,512
TOTAL ASSETS	$ 25,972,651	$ 23,447,764
LIABILITIES AND NET ASSETS		
Liabilities:		
Lines of credit	$ 1,000,000	$ 1,190,000
Accounts payable and accrued expenses	74,996	53,076
Advances payable	67,897	57,171
Loans payable	3,277,509	1,416,325
Total liabilities	4,420,402	2,716,572
Commitments and contingencies (Notes 6, 7 and 10)		
Net assets:		
Without donor restrictions:		
Undesignated general fund	11,981,089	11,660,312
Board-designated quasi-endowment fund	4,542,313	4,839,741
Total net assets without donor restrictions	16,523,402	16,500,053
With donor restrictions:		
Time-restricted for future periods	104,410	154,410
Purpose restrictions	314,631	307,481
Donor restricted to be held in perpetuity	4,609,806	3,769,248
Total net assets with donor restrictions	5,028,847	4,231,139
Total net assets	21,552,249	20,731,192
TOTAL LIABILITIES AND NET ASSETS	$ 25,972,651	$ 23,447,764

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized 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	$ 147,624
Program grants	209,121	-	209,121	168,445
Administrative fees	87,000	-	87,000	87,000
	443,745	-	443,745	403,069
Contributions	1,076,042	-	1,076,042	724,486
Special event revenue:				
Special event income $ 693				
Less: direct benefits to donors 1,837				
Net special event income (loss)	(1,144)	-	(1,144)	95,447
In-kind rent (Note 7)	115,000	-	115,000	115,000
Investment income:				
Board-designated spending rate	398,118	-	398,118	382,500
Other investment income	45,348	-	45,348	11,258
Other administrative fees	149,123	-	149,123	81,409
Bad debt recovery	160,077	-	160,077	-
Total operating revenues, income and other support	2,386,309	-	2,386,309	1,813,169
Operating expenses:				
Program services	1,667,094	-	1,667,094	1,525,743
Management and general	269,748	-	269,748	269,616
Fundraising	283,844	-	283,844	216,956
Total operating expenses	2,220,686	-	2,220,686	2,012,315
Excess (deficiency) of operating revenues, income and other support over operating expenses	165,623	-	165,623	(199,146)
Non-operating revenues, expenses, income and other support:				
Contributions	49,387	850,558	899,945	266,361
Investment income (loss)	(244,511)	-	(244,511)	196,515
Net assets released from restrictions	52,850	(52,850)	-	-
Total non-operating revenues, expenses, income and other support	(142,274)	797,708	655,434	462,876
Change in net assets	23,349	797,708	821,057	263,730
Net assets - beginning of year	16,500,053	4,231,139	20,731,192	20,467,462
NET ASSETS - END OF YEAR	$ 16,523,402	$ 5,028,847	$ 21,552,249	$ 20,731,192

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Without Donor Restrictions	With Donor Restrictions	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		168,445	-	168,445
Administrative fees		87,000	-	87,000
		403,069	-	403,069
Contributions		724,486	-	724,486
Special event revenue:				
Special event income	$177,580			
Less: direct benefits to donors	82,133			
Net special event income		95,447	-	95,447
In-kind rent (Note 7)		115,000	-	115,000
Investment income:				
Board-designated spending rate		382,500	-	382,500
Other investment income		11,258	-	11,258
Other administrative fees		81,409	-	81,409
Total operating revenues, income and other support		1,813,169	-	1,813,169
Operating expenses:				
Program services		1,525,743	-	1,525,743
Management and general		269,616	-	269,616
Fundraising		216,956	-	216,956
Total operating expenses		2,012,315	-	2,012,315
Excess of operating revenues, income and other support over operating expenses		(199,146)	-	(199,146)
Non-operating revenues, expenses, income and other support:				
Contributions		19,611	246,750	266,361
Investment income		196,515	-	196,515
Net assets released from restrictions		52,850	(52,850)	-
Total non-operating revenues, expenses, income and other support		268,976	193,900	462,876
Change in net assets		69,830	193,900	263,730
Net assets, beginning of year		16,430,223	4,037,239	20,467,462
NET ASSETS, END OF YEAR		$ 16,500,053	$ 4,231,139	$ 20,731,192

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Program Services	Supporting Services					
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Special Event Direct Costs	2019 Total	2018 Summarized Total
Salaries	$ 765,296	$ 191,197	$ 180,447	$ 371,644	$ -	$ 1,136,940	$ 993,885
Payroll taxes and benefits	241,947	35,092	39,578	74,670	-	316,617	270,567
Professional fees	27,465	3,658	4,125	7,783	-	35,248	33,970
Consultants	18,545	-	8,601	8,601	-	27,146	14,886
Recruiting fees	-	-	-	-	-	-	30,000
Insurance	25,621	3,014	1,508	4,522	-	30,143	29,357
Computer expenses	63,320	7,449	3,725	11,174	-	74,494	48,680
Office supplies, expenses and equipment	23,298	6,656	3,328	9,984	-	33,282	31,280
Postage	5,656	849	2,020	2,869	-	8,525	6,988
Printing and publications	8,777	487	21,583	22,070	-	30,847	19,165
Telephone	7,731	2,209	1,104	3,313	-	11,044	14,210
Conferences, training and transportation	16,638	2,349	587	2,936	-	19,574	24,444
Occupancy (includes in-kind rent of $115,000 at June 30, 2019 and 2018)	204,836	16,294	11,638	27,932	-	232,768	227,302
Catering, facility rental and entertainment	-	-	-	-	1,837	1,837	82,133
Depreciation	1,730	494	247	741	-	2,471	1,375
Bank fees and credit reports	23,826	-	-	-	-	23,826	24,834
Interest expense	139,922	-	-	-	-	139,922	79,516
Investment management fees	-	5,971	-	5,971	-	5,971	1,536
Marketing and communications	91,186	-	-	-	-	91,186	91,706
Bad debt expense	-	-	-	-	-	-	68,867
Miscellaneous	1,300	-	5,353	5,353	-	6,653	1,283
	1,667,094	275,719	283,844	559,563	1,837	2,228,494	2,095,984
Investment management fees deducted from investment income	-	(5,971)	-	(5,971)	-	(5,971)	(1,536)
Special event expenses reported directly	-	-	-	-	(1,837)	(1,837)	(82,133)
TOTAL OPERATING EXPENSES REPORTED BY FUNCTION	$ 1,667,094	$ 269,748	$ 283,844	$ 553,592	$ -	$ 2,220,686	$ 2,012,315

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

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

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 821,057	$ 263,730
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(153,607)	(579,015)
Depreciation	2,471	1,375
Bad debt expense (recovery)	(160,077)	68,867
Decrease (increase) in assets:		
Other receivables	(133,143)	(105,751)
Prepaid expenses	(1,582)	1,960
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	21,920	(18,750)
Advances payable	10,726	9,683
Net cash provided by (used in) operating activities	407,765	(357,901)
Cash flows from investing activities:		
Loans issued	(15,713,178)	(12,542,998)
Repayments of loans receivable	13,478,833	11,264,430
Purchase of investments	(177,730)	(296,190)
Proceeds from sale of investments	750,000	660,193
Purchase of furniture and equipment	(7,270)	-
Net cash used in investing activities	(1,669,345)	(914,565)
Cash flows from financing activities:		
Borrowings from (repayments on) lines of credit, net	(190,000)	300,000
Proceeds from loans payable	1,912,000	143,000
Principal payments on loans payable	(50,816)	(35,001)
Net cash provided by financing activities	1,671,184	407,999
Net increase (decrease) in cash and cash equivalents	409,604	(864,467)
Cash and cash equivalents - beginning of year	450,136	1,314,603
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 859,740	$ 450,136
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 139,923	$ 79,516
Supplemental schedules for non-cash investing and financing activities:		
Forgiveness of loan receivable/loan payable (Note 6)	$ 14,994	$ 17,500

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. 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:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 4 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 net assets without donor restrictions 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 allowance was required at June 30, 2019 and 2018.

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. The total amount of write-offs was $1,493 and $8,612 for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the allowance for doubtful loans was approximately $209,000 and $371,000, 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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of expenses (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and payroll taxes and benefits	Time and effort
Professional fees	Direct cost
Consultants	Direct cost
Recruiting fees	Full time equivalent
Insurance	Full time equivalent
Computer expenses	Direct cost & full time equivalent
Office supplies, expenses and equipment	Direct cost & full time equivalent
Postage	Direct cost
Printing and publications	Direct cost
Telephone	Direct cost & full time equivalent
Conferences, training and transportation	Direct cost
Occupancy	Square footage
Depreciation	Direct cost & full time equivalent
Miscellaneous	Direct cost

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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as "Net assets released from restrictions."

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 contributions and grants without donor restrictions. 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 4), and net assets released from restrictions, are included in non-operating revenues, expenses, income and other support.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and communications

Marketing and communications costs are expensed as incurred and were $91,186 and $91,706 for the years ended June 30, 2019 and 2018, 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.

Recently adopted accounting pronouncement

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 ASU reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The Society has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Accounting pronouncements issued but not yet effective

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended (commonly referred to as "ASC 606"), 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 which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognitions standards in U.S. GAAP, including industry-specific standards, when it becomes effective. For annual reporting periods, this standard is effective for the Society on July 1, 2019 and for interim periods within annual periods that begin one year later. The standard permits the use of either the retrospective or cumulative-effect transition method. The Society is currently completing its initial assessment and evaluation of the impact that ASC 606 will have on the Society's financial statements and related disclosures. The Society expects, at a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts with customers.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting pronouncements issued but not yet effective (continued)

Statement of Cash Flows

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on several cash flow classification issues. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. The Society is evaluating the effect that ASU 2016-15 will have on its financial statements and related disclosures.

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Society is evaluating the effect that ASU 2018-08 will have on its financial statements and related disclosures.

Leases

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 December 18, 2019, 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. AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	$ 859,740
Investments, at fair value	8,267,607
Loans receivable, net	16,562,187
Other receivables	261,716
Total financial assets at year end	25,951,250
Less amounts not available to be used in the next 12 months:	
Loans receivable	(2,773,570)
Other receivables	(52,000)
Investments encumbered by donor or board restrictions	(9,571,160)
Total financial assets not available for operations in the next 12 months	(12,396,730)
Financial assets available for general expenditures in the next 12 months	$ 13,554,520

Hebrew Free Loan Society generally aims to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 4. 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.

NOTE 4. 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 fair value by level at June 30, 2019:

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, 2019	Valuation Technique
Money market funds	$ 351	$ -	$ -	$ 351	(a)
FJC Agency Loan Fund	-	-	462,204	462,204	(c)
UJA Federation - Pooled Investment Account	-	-	7,805,052	7,805,052	(c)
Total	$ 351	$ -	$ 8,267,256	$ 8,267,607	

The following table presents the investments measured at 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
Money market funds	$ 350	$ -	$ -	$ 350	(a)
FJC Agency Loan Fund	-	-	305,136	305,136	(c)
UJA Federation - Pooled Investment Account	-	-	8,380,784	8,380,784	(c)
Total	$ 350	$ -	$ 8,685,920	$ 8,686,270	

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2019	2018
Balance - beginning	$ 8,685,920	$ 8,445,647
Total income included in change in net assets	153,607	579,015
Purchases	132,632	290,000
Sales	(750,000)	(640,000)
Interest and dividends	51,068	12,794
Investment management fees	(5,971)	(1,536)
Balance - ending	$ 8,267,256	$ 8,685,920
The amount of total income (loss) for the period included in change in net assets attributable to the change in unrealized income (loss) relating to assets still held at the year end	$ (538,287)	$ 43,379

	2019	2018
Interest and dividends	$ 51,068	$ 12,794
Net realized and unrealized gain	153,607	579,015
Investment management fees	(5,971)	(1,536)
	$ 198,704	$ 590,273
Investment income included in operating revenues:		
Board-designated spending rate	$ 398,118	$ 382,500
Other investment income	45,097	11,258
Investment income (loss) included in non-operating revenues, expenses, income and other support	(244,511)	196,515
	$ 198,704	$ 590,273

The Society has an investment in the UJA Federation Pooled Investment Account ("PIA"). The board has determined that 5% of all PIA assets on a 20-quarter rolling basis can be used for operations; therefore, $398,118 and $382,500 were allocated to operating (investment) income from the PIA for the years ended June 30, 2019 and 2018, respectively.

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, 2019	$ 7,805,052	$ -	Monthly	None	30 days

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
UJA Federation - Pooled Investment Account at June 30, 2018	$ 8,380,784	$ -	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.

NOTE 5. LOANS RECEIVABLE

The majority of loans receivable are supported by unsecured personal guarantees except for approximately $1,750,000 for each of the years ended June 30, 2019 and 2018, of special education loans, which are supported by unsecured not-for-profit guarantees.

NOTE 6. LINES OF CREDIT AND LOANS PAYABLE

All loans are interest free unless specified.

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 (3.69% at June 30, 2019). 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, 2019 and 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, 2019 and 2018, was $- and $190,000, respectively.

The Society did not renew the UJA Loan Agreement as of June 30, 2019.

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.

NOTE 6. LINES OF CREDIT AND LOANS PAYABLE (CONTINUED)

Loans payable (continued)

During the years ended June 30, 2019 and 2018, $14,994 and $17,500, respectively of Teacher Loans were forgiven, and ACF forgave corresponding amounts from the Society. The balances due at June 30, 2019 and 2018, were $2,289 and $23,325, respectively.

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* (8.5% at June 30, 2019 and 8.0% at June 30, 2018.) 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, 2019 and 2018, 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") and renewed the SAJ Loan Agreement in May 2019. Under the SAJ Loan Agreement, the Society borrowed $13,000 to fund the General Loan Programs, with principal due on May 31, 2022. The outstanding balance on the SAJ Loan Agreement for each of the years ended June 30, 2019 and 2018, was $13,000.

The Society entered into a loan agreement ("Loan Agreement") in May 2018 with 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 for each of the years ended June 30, 2019 and 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 Borrower defaulted on the payments and the collateral was used to repay the outstanding balance of the loan. The outstanding balance on the Collateral Loan Agreement at June 30, 2019 and 2018, was $220 and $30,000, respectively.

NOTE 6. LINES OF CREDIT AND LOANS PAYABLE (CONTINUED)

Loans payable (continued)

The Society entered into a loan agreement with the Jewish Communal Fund ("JCF") in July 2018 ("JCF Loan Agreement"). Under the JCF Loan Agreement, JCF may make one or more loans ("Program Loans") to the Society to fund the Microcredit Loan Program. Program Loans are disbursed to the Society quarterly and each Program Loan has a two-year term. The JCF Loan Agreement requires the Society to meet certain covenants, the most restrictive of which requires the Society to maintain a minimum coverage ratio. The outstanding balance on the JCF Loan Agreement at June 30, 2019, was $825,000.

The Society entered into a loan agreement with an individual ("Individual A") in October 2018 ("Individual A Loan Agreement"). Under the Individual A Loan Agreement, the Society borrowed $50,000 to fund the General Loan Programs, with no stated maturity date. Individual A can demand repayment at any time provided the Society is given written notice 183 days in advance of the requested repayment date. The outstanding balance on the Individual A Loan Agreement at June 30, 2019, was $50,000.

The Society entered into a loan agreement with Charles and Lynn Schusterman Family Foundation in November 2018 ("Schusterman Loan Agreement"). Under the Schusterman Loan Agreement, the Society borrowed $500,000 to fund educational programs, with principal due on December 21, 2021. The outstanding balance on the Schusterman Loan Agreement at June 30, 2019, was $500,000.

The Society entered into a loan agreement with Men Having Babies Inc. ("MHB") in November 2018 ("Men Having Babies Loan Agreement"). The Society operates and administers a loan program to be funded by MHB to provide interest-free loans to qualified individuals who are seeking to have a child by means of surrogacy. The Society will repay MHB on all sums collected as repayment under the MHB Loans on a monthly basis beginning October 5, 2019. Of the amount disbursed, the Society is projecting to collect and repay $12,350 in the fiscal year ending June 30, 2020. The Society has no obligation under the loan agreement to repay MHB any amounts borrowed and lent under the Men Having Babies Loan but not repaid to the Society under the Men Having Babies Loan Program. The outstanding balance on the Men Having Babies Loan Agreement at June 30, 2019, was $74,000.

The Society entered into a loan agreement with an Individual ("Individual B") in December 2018 ("Individual B Loan Agreement"). Under the Individual B Loan Agreement, the Society borrowed $250,000 to fund the General Loan Programs, with principal due on December 26, 2020. The outstanding balance on the Individual B Loan Agreement at June 30, 2019, was $250,000.

The Society entered into a loan agreement with an Individual ("Individual C") in January 2019 ("Individual C Loan Agreement"). Under the Individual C Loan Agreement, the Society borrowed $25,000 to fund the General Loan Programs, with principal due on January 30, 2021. The outstanding balance on the Individual C Loan Agreement at June 30, 2019, was $25,000.

NOTE 6. LINES OF CREDIT AND LOANS PAYABLE (CONTINUED)

Loans payable (continued)

The Society entered into a 15-month loan agreement with the Robin Hood Foundation in March 2019 ("Robin Hood Loan Agreement"). Under the Robin Hood Loan Agreement, the Society borrowed $188,000 to fund a pilot program to provide 150 emergency loans of up to $2,000 to low-income employees of two pilot cohort members. The principal is due on May 30, 2020. The outstanding balance on the Robin Hood Loan Agreement at June 30, 2019, was $188,000.

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

Year Ending June 30:	ACF	Foundations	SAJ	JCF	Robin Hood	MHB	Individuals, Family & Guarantor	Total
2020	$ 2,289	$ -	$ -	$ -	$188,000	$ -	$ 150,220	$ 340,509
2021	-	-	-	825,000	-	74,000	275,000	1,174,000
2022	-	1,750,000	13,000	-	-	-	-	1,763,000
	$ 2,289	$ 1,750,000	$13,000	$ 825,000	$188,000	$ 74,000	$ 425,220	$ 3,277,509

NOTE 7. 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, 2019 and 2018. Rent expense for the years ended June 30, 2019 and 2018, was $232,768 and $227,302, respectively. The minimum future annual rental commitment for the year ending June 30, 2020, is approximately $55,000.

NOTE 8. NET ASSETS

The Society's net assets with donor restrictions are available to satisfy the following purposes as of June 30, 2019 and 2018:

	2019	2018
Children with special needs	$ 268,281	$ 268,281
Women's executive circle new start loan program	9,100	9,700
Microenterprise program	25,000	25,000
Jewish Foundation for the Education of Women	2,250	4,500
Robin Hood Foundation	10,000	-
Restricted to future periods	104,410	154,410
	$ 419,041	$ 461,891

During the years ended June 30, 2019 and 2018, net assets were released from restriction as follows:

	2019	2018
Lapse of time restrictions	$ 52,850	$ 52,850

NOTE 8. NET ASSETS (CONTINUED)

Net assets required to be held in perpetuity with donor restrictions at June 30, 2019 and 2018, are restricted to the following loan programs:

	2019	2018
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	613,863	590,000
Synagogue and Batei Midrashim	10,000	10,000
Medical and nursing education loans	190,000	190,000
Higher education to needy students	244,375	244,375
Emigré retraining program	425,000	425,000
Housing for educators	100,000	100,000
Children with special needs	201,145	175,000
Emigré programs	507,296	507,296
Adoption	260,200	250,500
Security infrastructure	776,000	-
Addiction recovery	75,000	75,000
Other loan programs	471,927	467,077
	$ 4,609,806	$ 3,769,248

NOTE 9. 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 net assets required to be held in perpetuity with donor restrictions is classified as net assets with donor restrictions 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.

NOTE 9. ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 4,542,313	$ -	$ 4,542,313
Donor-restricted endowment funds	-	4,609,806	4,609,806
Total endowment funds	$ 4,542,313	$ 4,609,806	$ 9,152,119

Changes in endowment net assets for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	$ 4,839,741	$ 3,769,248	$ 8,608,989
Contributions	-	840,558	840,558
Investment income	100,690	-	100,690
Appropriated for expenditures	(398,118)	-	(398,118)
Net assets - end of year	$ 4,542,313	$ 4,609,806	$ 9,152,119

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 4,839,741	$ -	$ 4,839,741
Donor-restricted endowment funds	-	3,769,248	3,769,248
Total endowment funds	$ 4,839,741	$ 3,769,248	$ 8,608,989

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

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	$ 4,878,464	$ 3,529,248	$ 8,407,712
Contributions	-	240,000	240,000
Investment income	343,777	-	343,777
Appropriated for expenditures	(382,500)	-	(382,500)
Net assets - end of year	$ 4,839,741	$ 3,769,248	$ 8,608,989

NOTE 10. 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 79% funded using the most recent financial information as of October 1, 2017, 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, 2019 and 2018, were $93,725 and $80,748, 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 11. 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, 2019 and 2018, respectively, the Society received 22% and 17% of its contributions from board members.

SUPPLEMENTARY INFORMATION

HEBREW FREE LOAN SOCIETY, INC.
ANALYSIS OF LOAN ACTIVITY
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Loans	Amount	Allowance	Balance
Loans receivable - July 1, 2017	1,851	$ 13,268,064	$ (310,000)	$ 12,958,064
Loans issued	988	12,542,998	-	12,542,998
Loans repaid and adjusted	(923)	(11,272,297)	(61,000)	(11,333,297)
Loans receivable - June 30, 2018	1,916	14,538,765	(371,000)	14,167,765
Loans issued	1,030	15,713,178	-	15,713,178
Loans repaid and adjusted	(897)	(13,480,756)	162,000	(13,318,756)
LOANS RECEIVABLE - JUNE 30, 2019	2,049	$ 16,771,187	$ (209,000)	$ 16,562,187