HEBREW FREE LOAN SOCIETY, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

Table of Contents

Citrin Cooperman & Company, LLP
Certified Public Accountants

225 Broadhollow Road, Suite 401
Melville, NY 11747
T 631.930.5000 **F** 516.349.2190
citrincooperman.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Hebrew Free Loan Society, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Society, Inc. as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, Hebrew Free Loan Society, Inc. adopted Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebrew Free Loan Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Hebrew Free Loan Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebrew Free Loan Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

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 schedule 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

Melville, New York
December 29, 2023

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,627,129	$ 6,176,700
Investments, at fair value	10,487,626	11,827,364
Loans receivable (net of allowance for doubtful loans of $849,856 and $434,971, respectively)	34,147,795	25,286,677
Contributions receivable	141,482	78,882
Other receivables	159,612	108,305
Prepaid expenses	48,376	26,418
Furniture and equipment (net of accumulated depreciation of $435,297 and $347,753, respectively)	272,693	348,318
Operating lease right-of-use asset	364,680	-
TOTAL ASSETS	$ 49,249,393	$ 43,852,664
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 71,602	$ 1,233
Advances payable	189,108	208,858
Operating lease liability	364,680	-
Loans payable	11,143,945	9,924,349
Total liabilities	11,769,335	10,134,440
Commitments and contingencies (Notes 6, 7 and 10)		
Net assets:		
Without donor restrictions:		
Undesignated general fund	23,706,128	19,074,907
Board-designated quasi-endowment fund	900,638	2,648,467
Total net assets without donor restrictions	24,606,766	21,723,374
With donor restrictions:		
Time-restricted for future periods	477,814	490,909
Purpose restrictions	3,465,042	3,564,304
Donor restricted to be held in perpetuity	8,930,436	7,939,637
Total net assets with donor restrictions	12,873,292	11,994,850
Total net assets	37,480,058	33,718,224
TOTAL LIABILITIES AND NET ASSETS	$ 49,249,393	$ 43,852,664

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Summarized Total
Operating revenues, income and other support:				
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):				
Basic grant	$ 150,000	$ -	$ 150,000	$ 150,000
Program grants	8,000	-	8,000	18,000
Administrative fees	89,000	-	89,000	89,000
	247,000	-	247,000	257,000
Contributions	2,552,779	-	2,552,779	2,296,179
In-kind rent (Note 8)	63,496	-	63,496	72,170
Investment income:				
Board-designated spending rate	472,251	-	472,251	-
Other investment income	58,787	-	58,787	32,543
Other administrative fees	346,995	-	346,995	341,465
Total operating revenues, income and other support	3,741,308	-	3,741,308	2,999,357
Operating expenses:				
Program services	2,922,243	-	2,922,243	2,213,627
Management and general	416,367	-	416,367	366,835
Fundraising	496,933	-	496,933	371,110
Total operating expenses	3,835,543	-	3,835,543	2,951,572
Excess (deficiency) of operating revenues, income and other support over operating expenses	(94,235)	-	(94,235)	47,785
Non-operating revenues, expenses, income and other support:				
Contributions	2,626,696	879,042	3,505,738	4,892,325
Investment income (loss)	350,331	-	350,331	(1,403,153)
Net assets released from restrictions	600	(600)	-	-
Total non-operating revenues, expenses, income and other support	2,977,627	878,442	3,856,069	3,489,172
Change in net assets	2,883,392	878,442	3,761,834	3,536,957
Net assets - beginning of year	21,723,374	11,994,850	33,718,224	30,181,267
NET ASSETS - END OF YEAR	$ 24,606,766	$ 12,873,292	$ 37,480,058	$ 33,718,224

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	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	$ 150,000	$ -	$ 150,000
Program grants	18,000	-	18,000
Administrative fees	89,000	-	89,000
	257,000	-	257,000
Contributions	2,296,179	-	2,296,179
In-kind rent (Note 8)	72,170	-	72,170
Investment income:			
Other investment income	32,543	-	32,543
Other administrative fees	341,465	-	341,465
Bad debt recovery	-	-	-
Total operating revenues, income and other support	2,999,357	-	2,999,357
Operating expenses:			
Program services	2,213,627	-	2,213,627
Management and general	366,835	-	366,835
Fundraising	371,110	-	371,110
Total operating expenses	2,951,572	-	2,951,572
Excess of operating revenues, income and other support over operating expenses	47,785	-	47,785
Non-operating revenues, expenses, income and other support:			
Contributions	2,461,123	2,431,202	4,892,325
Investment loss	(1,403,153)	-	(1,403,153)
Net assets released from restrictions	600	(600)	-
Total non-operating revenues, expenses, income and other support	1,058,570	2,430,602	3,489,172
Change in net assets	1,106,355	2,430,602	3,536,957
Net assets - beginning of year	20,617,019	9,564,248	30,181,267
NET ASSETS - END OF YEAR	$ 21,723,374	$ 11,994,850	$ 33,718,224

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	Program Services	Supporting Services				
	Loan Programs	Management and General	Fundraising	Total Supporting Services	2023 Total	2022 Summarized Total
Salaries	$ 1,355,932	$ 231,461	$ 298,731	$ 530,192	$ 1,886,124	$ 1,554,109
Payroll taxes and benefits	377,855	50,911	75,041	125,952	503,807	470,608
Professional fees	58,160	7,456	8,948	16,404	74,564	69,840
Consultants	93,820	40,763	47,592	88,355	182,175	202,412
Operational management systems	17,178	5,918	2,524	8,442	25,620	44,045
Insurance	29,806	3,507	1,754	5,261	35,067	34,471
Program expense	102,137	-	-	-	102,137	31,505
Office supplies, expenses and equipment	28,118	8,034	4,017	12,051	40,169	32,887
Postage	1,439	360	-	360	1,799	7,245
Printing and publications	236	59	19,687	19,746	19,982	18,899
Telephone	13,721	3,920	1,960	5,880	19,601	18,177
Conferences, training and transportation	13,292	1,877	469	2,346	15,638	2,937
Occupancy (includes in-kind rent of $63,496 and $72,170 at June 30, 2023 and 2022, respectively)	225,812	17,962	12,830	30,792	256,604	261,752
Depreciation	61,281	17,509	8,754	26,263	87,544	48,592
Bank fees and credit reports	13,744	3,927	1,963	5,890	19,634	30,148
Interest expense	-	-	-	-	-	24,316
Investment management fees	-	9,988	-	9,988	9,988	10,263
Marketing and communications	67,654	-	-	-	67,654	80,876
Training courses	-	2,203	-	2,203	2,203	3,425
Bad debt expense	-	-	10,000	10,000	10,000	10,000
Provision for uncollectible loans	462,058	-	-	-	462,058	-
Miscellaneous	-	20,500	2,663	23,163	23,163	5,328
	2,922,243	426,355	496,933	923,288	3,845,531	2,961,835
Investment management fees deducted from investment income	-	(9,988)	-	(9,988)	(9,988)	(10,263)
TOTAL OPERATING EXPENSES REPORTED BY FUNCTION	$ 2,922,243	$ 416,367	$ 496,933	$ 913,300	$ 3,835,543	$ 2,951,572

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services			
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 1,135,801	$ 201,289	$ 217,019	$ 418,308	$ 1,554,109
Payroll taxes and benefits	376,207	46,610	47,791	94,401	470,608
Professional fees	54,475	6,984	8,381	15,365	69,840
Consultants	118,284	46,667	37,461	84,128	202,412
Operational management systems	31,886	6,923	5,236	12,159	44,045
Insurance	29,300	3,447	1,724	5,171	34,471
Program expense	31,505	-	-	-	31,505
Office supplies, expenses and equipment	23,021	6,577	3,289	9,866	32,887
Postage	-	5,796	1,449	7,245	7,245
Printing and publications	6,271	90	12,538	12,628	18,899
Telephone	12,724	3,635	1,818	5,453	18,177
Conferences, training and transportation	2,497	352	88	440	2,937
Occupancy (includes in-kind rent of $72,170)	230,341	18,323	13,088	31,411	261,752
Depreciation	34,015	9,718	4,859	14,577	48,592
Bank fees and credit reports	21,104	6,029	3,015	9,044	30,148
Interest expense	24,316	-	-	-	24,316
Investment management fees	-	10,263	-	10,263	10,263
Marketing and communications	80,876	-	-	-	80,876
Training courses	-	3,425	-	3,425	3,425
Bad debt expense	-	-	10,000	10,000	10,000
Miscellaneous	1,004	970	3,354	4,324	5,328
	2,213,627	377,098	371,110	748,208	2,961,835
Investment management fees deducted from investment income	-	(10,263)	-	(10,263)	(10,263)
TOTAL OPERATING EXPENSES REPORTED BY FUNCTION	$ 2,213,627	$ 366,835	$ 371,110	$ 737,945	$ 2,951,572

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,761,834	$ 3,536,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments	(822,582)	1,403,153
Depreciation	87,544	48,592
Bad debt expense	472,058	10,000
Decrease (increase) in operating assets:		
Contributions receivable	(62,600)	246,250
Other receivables	(51,307)	(76,714)
Prepaid expenses	(21,958)	(20,568)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	70,369	(160,069)
Advances payable	(19,750)	(61,444)
Net cash provided by operating activities	3,413,608	4,926,157
Cash flows from investing activities:		
Loans issued	(29,182,123)	(24,199,193)
Repayments of loans receivable	19,848,947	18,350,596
Purchase of investments	(37,680)	(27,636)
Proceeds from sale of investments	2,200,000	1,063,569
Purchase of furniture and equipment	(11,919)	(156,490)
Net cash used in investing activities	(7,182,775)	(4,969,154)
Cash flows from financing activities:		
Repayments on lines of credit	-	(1,090,631)
Proceeds from loans payable	4,869,570	3,697,971
Principal payments on loans payable	(3,649,974)	(1,209,795)
Net cash provided by financing activities	1,219,596	1,397,545
Net increase (decrease) in cash and cash equivalents	(2,549,571)	1,354,548
Cash and cash equivalents - beginning of year	6,176,700	4,822,152
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,627,129	$ 6,176,700
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ -	$ 24,315
Supplemental schedules for non-cash investing and financing activities:		
Operating lease liability and right-of-use asset recognized in connection with implementation of ASC 842 on July 1, 2022	$ 539,380	$ -

See accompanying notes to financial statements.

NOTE 1. NATURE OF BUSINESS

The Hebrew Free Loan Society, Inc. (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 a wide range of interest-free loans to lower-income individuals and families on a non-sectarian basis. In addition, when possible and in cases where there is need and the loans are mission aligned, the Society provides cost-free loans to certain nonprofit institutions.

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, 2023 and 2022.

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 $57,488 and $41,128 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the allowance for doubtful loans was $849,856 and $434,971, 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, which range from three to six years. 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.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and payroll taxes and benefits	Time and effort
Insurance	Full time equivalent
Office supplies, expenses and equipment	Full time equivalent
Telephone	Full time equivalent
Occupancy	Square footage
Depreciation	Full time equivalent
Bank fees and credit reports	Full time equivalent

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Society recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer. The majority of the Society's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Society determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Program services are offered by the Society throughout the course of the year. Revenues from these services are recognized at the point at which control over the services are rendered.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

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.

Marketing and communications

Marketing and communications costs are expensed as incurred and were $67,654 and $80,876 for the years ended June 30, 2023 and 2022, respectively.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting pronouncement

Leases

In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*. This update required all leases with terms 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. In July 2018, FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard required either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permitted the Society to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening statement of financial position. The Society adopted Topic 842 as of July 1, 2022. At the date of initial application, the Society recorded operating lease right-of-use asset and aggregate operating lease liability in the amount of $539,380.

The Society had entered into an operating lease agreement for space under terms through 2025. The Society determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statements of financial position.

Lease terms include the noncancelable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Society has a lease agreement with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The Society uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

Leases that contain fixed and determinable escalation clauses for which the Society recognizes rental expense under these leases on the straight-line basis over the lease terms is included in the period of time from when the Society takes possession of the leased space. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position; the Society recognizes lease expense for these leases on a straight-line basis over the lease term.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting pronouncement (continued)

Contributed nonfinancial assets

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). ASU 2020-07 increased the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Society adopted ASU 2020-07 as of July 1, 2022. The Society has determined that the application of ASU 2020-07 did not have a material impact on the Society's financial statements and related disclosures.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Society has evaluated subsequent events through December 29, 2023, 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, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 3,627,129	$ 6,176,700
Investments, at fair value	10,487,626	11,827,364
Loans receivable, net	34,147,795	25,286,677
Contributions receivable	141,482	78,882
Other receivables	159,612	108,305
Total financial assets at year end	48,563,644	43,477,928
Less: amounts not available to be used in the next 12 months:		
Loans receivable	(10,504,688)	(2,459,910)
Investments, cash and cash equivalents encumbered by donor or board restrictions	(13,773,930)	(14,643,317)
Total financial assets not available for operations in the next 12 months	(24,278,618)	(17,103,227)
Financial assets available for general expenditures in the next 12 months	$ 24,285,026	$ 26,374,701

The 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 a pooled investment account, money market accounts, mutual fund and a loan fund.

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.

JP Morgan Mutual Fund - The investment in the JP Morgan Mutual Fund is recorded at fair value based upon the cash liquidation value.

New York Jewish Institutions Investment Fund LLC - Valued at the Society's share of the investments of New York Jewish Institutions Investment Fund ("NYJIIF") as reported by the NYJIIF 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.

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the investments measured at fair value by level at June 30, 2023:

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, 2023	Valuation Technique
FJC Agency Loan Fund	$ -	$ -	$ 1,024,000	$ 1,024,000	(c)
JP Morgan Mutual Fund	2,812,868	-	-	2,812,868	(a)
New York Jewish Institutions Investment Fund LLC	-	-	6,650,758	6,650,758	(c)
Total	$ 2,812,868	$ -	$ 7,674,758	$ 10,487,626	

The following table presents the investments measured at fair value by level at June 30, 2022:

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, 2022	Valuation Technique
Money market funds	$ 351	$ -	$ -	$ 351	(a)
FJC Agency Loan Fund	-	-	984,737	984,737	(c)
JP Morgan Mutual Fund	4,673,986	-	-	4,673,986	(a)
New York Jewish Institutions Investment Fund LLC	-	-	6,168,290	6,168,290	(c)
Total	$ 4,674,337	$ -	$ 7,153,027	$ 11,827,364	

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

	2023	2022
Balance - beginning	$ 7,153,027	$ 7,850,574
Total income (loss) included in change in net assets	474,001	(730,005)
Interest and dividends	57,718	42,721
Investment management fees	(9,988)	(10,263)
Balance - ending	$ 7,674,758	$ 7,153,027
The amount of total income (loss) for the period included in change in net assets attributable to the change in unrealized gain (loss) relating to assets still held at year end	$ 234,000	$ (1,012,511)

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

	2023	2022
Interest and dividends	$ 57,718	$ 42,721
Net realized and unrealized gain (loss)	474,001	(730,005)
Investment management fees	(9,988)	(10,263)
Total investment income (loss)	$ 521,731	$ (697,547)
Investment income (loss) included in operating revenues:		
Board-designated spending rate	$ 472,251	$ -
Other investment income	47,730	32,458
Investment income (loss) included in non-operating revenues, expenses, income and other support	1,750	(730,005)
Total investment income (loss)	$ 521,731	$ (697,547)

The Society has an investment in the NYJIIF and JP Morgan Mutual Fund ("JPM"). The board has determined that 5% of all NYJIIF and JPM (Blackrock) assets on a rolling 12-quarter basis can be used for operations; therefore, $472,251 and $- were allocated to operating (investment) income from the NYJIIF and JPM for the years ended June 30, 2023 and 2022, respectively.

Net asset value per share

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
New York Jewish Institutions Investment Fund LLC at June 30, 2023	$ 6,650,758	$ -	Monthly	None	30 days

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
New York Jewish Institutions Investment Fund LLC at June 30, 2022	$ 6,168,290	$ -	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 and third-party guarantees at both June 30, 2023 and 2022. Loans receivables related to special education loans are supported by unsecured not-for-profit guarantees.

NOTE 6. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Furniture and fixtures	$ 52,100	$ 52,100
Equipment	558,916	546,997
	611,016	599,097
Less: accumulated depreciation	338,323	250,779
Property and equipment, net	$ 272,693	$ 348,318

Depreciation expense for the years ended June 30, 2023 and 2022, was $87,544 and $48,592, respectively.

NOTE 7. LOANS PAYABLE

All loans are interest free unless specified.

The Society entered into various loan agreements with individuals and charitable institutions over the past six years. All of the agreements existing as of June 30, 2023 are new or have been renewed from prior periods. Under these loan agreements, the Society borrowed $693,900 to fund the designated loan programs, with principal due as per individual loan agreement. The outstanding balance on these loan agreements as of June 30, 2023, was $693,900.

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 General 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, 2023 and 2022, was $2,075,000 and $2,550,000, respectively.

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, 2023, unless the Charles and Lynn Schusterman Family Foundation agrees to extend the maturity date or donate part of the loan principal amount to the Society. The outstanding balance on the Schusterman Loan Agreement at both June 30, 2023 and 2022, was $500,000.

The Society entered into a loan agreement with an Individual ("Individual A") in December 2018 ("Individual A Loan Agreement"). Under the Individual A Loan Agreement, the Society borrowed $250,000 to fund the General Loan Programs, with principal originally due on December 26, 2020, but was extended to December 26, 2024. The outstanding balance on the Individual A Loan Agreement at both June 30, 2023 and 2022, was $250,000.

NOTE 7. LOANS PAYABLE (CONTINUED)

The Society entered into a loan agreement with Moise Y. Safra Foundation in August 2019 ("Safra Loan Agreement"). Under the Safra Loan Agreement, the Society borrowed $1,000,000 to fund the General Loan Programs. The loan was disbursed in two tranches of $500,000 in August and October 2019, with an original maturity of August 31, 2022, which was extended to August 31, 2025. The outstanding balance on the Safra Loan Agreement at both June 30, 2023 and 2022, was $1,000,000.

The Society entered into a loan agreement with Charitable Associates, LLC in January 2020 ("Charitable Associates Loan Agreement"). Under the Charitable Associates Loan Agreement, the Society borrowed $500,000 to fund the Security Infrastructure Loan Program with principal originally due on December 2, 2021. On December 23, 2020, the Society entered into an amendment to the Charitable Associates Loan Agreement received $78,000 of additional loans and extended the maturity date to January 1, 2024. The outstanding balance on the Charitable Associates Loan Agreement at both June 30, 2023 and 2022, was $1,095,000 and $578,000, respectively.

The Society entered into a loan agreement with United Jewish Appeal - Federation of Jewish Philanthropies of New York, Inc. in October 2020 (“UJA Small Business Loan Agreement”). Under the UJA Small Business Loan Agreement, the Society can borrow up to $1,000,000 to fund the Microenterprise Loan Program with principal due on October 15, 2024. The outstanding balance on the UJA Small Business Loan Agreement at both June 30, 2023 and 2022, was $800,000 and $600,000, respectively.

The Society entered into a loan agreement with Follow Your Dream Foundation in April 15, 2022 ("FYD Loan Agreement"). Under the FYD Loan Agreement, the Society borrowed $1,000,000 to fund General Loan Programs, with principal due on April 15, 2024, unless the Follow Your Dream Foundation agrees to extend the maturity date. The outstanding balance on the FYD Loan Agreement at both June 30, 2023 and 2022, was $1,000,000.

The Society entered into a loan agreement with Follow Your Dream Foundation in May 20, 2022 ("FYD Second Loan Agreement"). Under the FYD Second Loan Agreement, the Society borrowed $1,000,000 to fund General Loan Programs, with principal due on May 20, 2024, unless the Follow Your Dream Foundation agrees to extend the maturity date. The outstanding balance on the FYD Second Loan Agreement at both June 30, 2023 and 2022, was $1,000,000.

The Society entered into a loan agreement with a foundation in February 23, 2023 (the "Foundation Loan Agreement"). Under the Foundation Loan Agreement, the Society may borrow up to $500,000 to fund the Special Education Bridge Loan Program. If funds are drawn, interest is payable quarterly at Prime plus 3% per annum, as published in The Wall Street Journal. Principal and interest are due on February 28, 2024. An organization, Ichud Mosdos Hachincuch, that directly benefits from the Special Education Bridge Loan Program has agreed to prepay the interest due under the Foundation Loan Agreement. The outstanding balance on the Foundation Loan Agreement at June 30, 2023, was $500,000.

NOTE 7. LOANS PAYABLE (CONTINUED)

The Society entered into a loan agreement with an Individual ("Individual B") in March 8, 2023 ("Individual B Loan Agreement"). Under the Individual B Loan Agreement, the Society borrowed $1,000,000 to fund the General Loan Program, with principal due on April 1, 2026. The outstanding balance on the Individual B Loan Agreement at June 30, 2023 was $1,000,000.

At June 30, 2023, combined future minimum payments for loans payable due are as follows:

Year Ending June 30:	Foundations & Non-profit Organizations	SAJ	JCF	Robin Hood	MHB	Individuals, Family & Guarantor	Total
2024	$ 4,095,000	$ -	$ 1,875,000	$ 46,391	$ 139,000	$ 1,280,045	$ 7,435,436
2025	930,000	-	-	-	-	250,000	1,180,000
2026	1,000,000	-	200,000	65,509	-	1,050,000	2,315,509
2027	-	13,000	-	-	-	100,000	113,000
2028	-	-	100,000	-	-	-	100,000
	$ 6,025,000	$13,000	$ 2,175,000	$111,900	$ 139,000	$ 2,680,045	$11,143,945

NOTE 8. LEASE COMMITMENT

On June 23, 2020, the Society entered into an operating lease agreement to rent office space, which commenced on July 1, 2020, and expires on June 30, 2025. 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. In addition to the base rent of $15,613 per month, the Society is responsible for taxes and operating expense, as defined in the operating lease agreement. 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 $63,496 and $99,741 for the years ended June 30, 2023 and 2022, respectively. Rent expense for the years ended June 30, 2023 and 2022, was $256,604 and $261,752, respectively.

At June 30, 2023, the minimum future annual rental commitments are as follows:

Year ending June 30:	Amount
2024	$ 187,358
2025	187,358
Net minimum lease payments	374,716
Less: interest	10,036
Present value of lease liabilities	364,680
Less: current portion	187,358
Lease liabilities, net of current portion	$ 177,322

NOTE 9. NET ASSETS

The Society's net assets with donor restrictions are available to satisfy the following purposes as of June 30, 2023 and 2022:

	2023	2022
Children with special needs	$ 268,281	$ 268,281
Women's executive circle new start loan program	6,700	7,300
COVID-19	3,166,539	3,264,473
Eleanor Gruenbaum Estate	423,405	436,500
Seller-Lehrer Family Foundation	23,522	24,250
Restricted to future periods	54,409	54,409
	$ 3,942,856	$ 4,055,213

During the years ended June 30, 2023 and 2022, net assets were released from restriction as follows:

	2023	2022
Lapse of time restrictions	$ 600	$ 600

Net assets required to be held in perpetuity with donor restrictions at June 30, 2023 and 2022, are restricted to the following loan programs:

	2023	2022
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	622,058	620,833
Synagogue and Batei Midrash	10,000	10,000
Medical and nursing education loans	190,000	190,000
Higher education to needy students	249,080	249,225
Emigré retraining program	425,000	425,000
Housing for educators	100,000	100,000
Children with special needs	336,265	345,892
Emigré programs	507,296	507,296
Adoption	372,826	366,609
Security infrastructure	686,987	708,234
Addiction recovery	75,000	75,000
Microenterprise loans	884,524	810,336
Not-for-profit workers payroll advance loans	269,707	291,000
Debt relief	1,064,090	97,000
Restricted to a specific area or locale	47,045	48,500
High risk lending program	1,794,500	1,850,000
Other loan programs	561,058	509,712
	$ 8,930,436	$ 7,939,637

NOTE 10. ACCOUNTING AND REPORTING FOR ENDOWMENTS

The endowment

The Society's endowment was established based on its mission and consists of both donor-restricted endowment funds and funds designated by the board of directors to function as an 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 of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Society will retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation 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 NYJIIF on a 12-quarter rolling basis.

Endowment net assets composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 900,638	$ -	$ 900,638
Donor-restricted endowment funds	-	8,930,436	8,930,436
Total endowment funds	$ 900,638	$ 8,930,436	$ 9,831,074

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	$ 2,648,467	$ 7,939,637	$ 10,588,104
Contributions	-	990,799	990,799
Investment income	437,702	-	437,702
Appropriated for expenditures	(472,251)	-	(472,251)
Withdrawals	(1,713,280)	-	(1,713,280)
Net assets - end of year	$ 900,638	$ 8,930,436	$ 9,831,074

NOTE 10. ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 2,648,467	$ -	$ 2,648,467
Donor-restricted endowment funds	-	7,939,637	7,939,637
Total endowment funds	$ 2,648,467	$ 7,939,637	$ 10,588,104

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - beginning of year	$ 4,043,327	$ 5,863,827	$ 9,907,154
Contributions	-	2,075,810	2,075,810
Investment income	(743,211)	-	(743,211)
Appropriated for expenditures	(116,252)	-	(116,252)
Withdrawals	(535,397)	-	(535,397)
Net assets - end of year	$ 2,648,467	$ 7,939,637	$ 10,588,104

NOTE 11. RETIREMENT PLAN

The Society participates in a 401(k) retirement plan ("Retirement Plan") sponsored by The Hebrew Free Loan Society. The Retirement Plan was filed under the Employer Identification Number 13-5562239 with the three-digit Retirement Plan Number 001 and became effective on January 1, 2021. The Retirement Plan is funded by a voluntary 3% contribution from the Society and elective contributions from the Society's employees.

The Society's employees are eligible for benefits covered by the Retirement Plan. Retirement Plan expense for the years ended June 30, 2023 and 2022, was $120,431 and $133,098, respectively, and is included in "Payroll taxes and benefits" in the accompanying statement of functional expenses.

NOTE 12. 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.

SUPPLEMENTARY INFORMATION

HEBREW FREE LOAN SOCIETY, INC.
ANALYSIS OF LOAN ACTIVITY
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Loans	Amount	Allowance	Balance
Loans receivable - July 1, 2021	3,049	$ 19,649,700	$ (201,620)	$ 19,448,080
Loans issued	1,425	24,199,193	-	24,199,193
Loans repaid and adjusted	(1,442)	(18,127,245)	(233,351)	(18,360,596)
Loans receivable - June 30, 2022	3,032	25,721,648	(434,971)	25,286,677
Loans issued	2,033	29,182,123	-	29,182,123
Loans repaid and adjusted	(1,076)	(19,906,121)	(414,884)	(20,321,005)
LOANS RECEIVABLE - JUNE 30, 2023	3,989	$ 34,997,650	$ (849,855)	$ 34,147,795

See independent auditor's report.